Integrating the North African countries into the EU Market
The ENP as a three-level game

Kourtelis, Christos

Awarding institution:
King's College London

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Integrating the North African countries into the EU Market: The ENP as a three-level game

Christos Kourtelis

Thesis submitted to the Department of European and International Studies of King's College London for the degree of Doctor of Philosophy, London, January 2014
Abstract
My PhD focuses on the evolution of the European Neighbourhood Policy (ENP) from 2004 until the ousting of president Morsi in 2013. The aim of this research is twofold. The first concern is to unravel and explain the decision-making game of the ENP. The second aim is to assess the performance of the ENP and more specifically the impact of the economic aspects of the policy in Morocco, Tunisia and Egypt.

From a theoretical perspective, the aim is to identify the nature of relations between the various actors that participate in the initiative. This task has a dual character. The first is to assess the explanatory power of integration theories regarding the ENP. The second theoretical objective is to show the usefulness and the limits of Putnam’s two-level game approach, which has emerged as a solution to the evolution of international agreements. Putnam’s framework has already been introduced in the analysis of Euro-Mediterranean relations, but as this research argues in rather schematic terms. A three-level analysis is at the heart of this research and the idea is to appreciate the lessons that we can learn from this approach and to highlight the shortcomings of Putnam’s explanation.

The theoretical discussion provides the basis for the empirical questions that this research attempts to answer. The research sheds some light on the economic sphere of the ENP and evaluates the performance of the policy. It forms the first comprehensive attempt to examine the evolution of the economic part of the Euro-Mediterranean relations, not only until the beginning of the Arab Spring, but also the development of the ENP after the changes of the regimes in Tunisia and Egypt until the ousting of president Morsi in June 2013. More specifically, it attempts to distinguish the winners and the losers of the ENP reforms and the impact of the Action Plans on the partner countries. The study explains the commercial and political gains for the participants and argues that the ideas of policy makers for the political economy of the Euro-Mediterranean relations and the development of the North African countries have not changed substantially after the Arab Spring. Under these conditions, the chances for the ENP to become a successful foreign policy strategy are slim.
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ACKNOWLEDGEMENTS

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Acknowledgements
This thesis would never finish without the help of many people. One of the joys of completion is to look back and remember all these who have supported me along this long journey.

First, I would like to express my sincere gratitude to my first supervisor Dr. Leila Simona Talani, who has been always supportive. Her guidance helped me in all the time of research and writing of this thesis. I could not have imagined a better advisor for my PhD study. The help of Dr. Scott James was very valuable, especially in pointing out technical weaknesses of my work.

The opportunity that Prof. Christoph Meyer offered me to teach courses on the external affairs of the EU at KCL was extremely useful, as it gave me the chance to explore different parameters of the EU foreign policies international political economy. Discussions with Dr. Dermot Hodson and Dr. Matthijs Van Den Bos helped me understand better the role of the EU in global affairs and in the Middle East. My teaching experience at Birkbeck allowed me to read in a greater extent the non-Eurocentric literature about the development of North Africa.

I thank my friends and PhD students from the department of European and International Studies, especially Aude De Caunes and Thanasis Gkoutzioulis for their help in difficult times and fun we had in the last four years. My sincere thanks also goes to George Kremlinis and Eleni Lioliou for offering me the opportunity to work for the European Commission. Many findings in this thesis would never come to my hands without their help. Jonathan Parker was a fantastic advisor during my work in Brussels and always willing to help when I needed advice. The projects we did together helped me to understand better the work of the European Commission and the complexities of the decision-making process.

The support of Dr. Alexandros Afouzenidis and Prof. Triantafyllia Leontidou has been invaluable. Since the beginning of my studies in the Open University of Greece Alex nudged me to the right direction and advised me for my next steps. Lila has been like a mother to me since my arrival in London. I am heavily indebted to both and I would like them to know that my dreams would never come true without their help.
During my first years in London, Keith Roissetter and all the people of Infinity understood my stress as a PhD student and made my life in the company much easier. I will never forget their patience when seeing me reading all these books that I was carrying at work.

At the end of my thesis, William Shockley, Trevor Slack, Victoria Manson and Simon Hewitt have devoted a lot of their free time to correct mistakes that I did when writing this PhD. The final version of my work owns a lot to their suggestions and help.

I would like to thank my family for their love. My parents instilled within me a love of creating pursuits, Kostas and Katerina always encouraged me to look forward. These things have a place in this thesis. Giorgos Fakinos has been like a family to me. His trips to London worked as a release valve when I was under pressure and his belief in my work reminded me in difficult moments that I could finish this project.

The last person I would like to thank is Vicky Maladeni, who shares everything with me. Vicky - thank you for rekindling my dreams. There are not enough words to express my gratitude. Nothing would be possible without you.
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<tr>
<td>AA</td>
<td>Association Agreements</td>
</tr>
<tr>
<td>ACAA</td>
<td>Agreement on Conformity Assessment and Acceptance of industrial products</td>
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<td>ACP</td>
<td>Africa, Caribbean and Pacific</td>
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<td>AP</td>
<td>Action Plans</td>
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<td>BAC</td>
<td>Business Advisory Councils</td>
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<td>BDI</td>
<td>Federation of German Industries</td>
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<tr>
<td>BE</td>
<td>BusinessEurope</td>
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<tr>
<td>BEC</td>
<td>Business Enlargement Councils</td>
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<td>BoA</td>
<td>Bank of Alexandria</td>
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<td>CAP</td>
<td>Common Agricultural Policy</td>
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<td>CARDS</td>
<td>Community assistance for reconstruction, development and stabilisation</td>
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<td>CBC</td>
<td>Cross-Border Cooperation</td>
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<tr>
<td>CEE</td>
<td>Central and East European</td>
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<tr>
<td>CFSP</td>
<td>Common Foreign and Security Policy</td>
</tr>
<tr>
<td>CSDP</td>
<td>Common Security and Defence Policy</td>
</tr>
<tr>
<td>CGEM</td>
<td>Confédération Générale des Entreprises du Maroc</td>
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<tr>
<td>CIS</td>
<td>Commonwealth of Independent States</td>
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<tr>
<td>CoR</td>
<td>Committee of Regions</td>
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<tr>
<td>COSME</td>
<td>Competitiveness of enterprises and SMEs</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<tr>
<td>DCFTA</td>
<td>Deep and Comprehensive Agreements</td>
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<tr>
<td>DEFI</td>
<td>Centre De Recherche en Developpement Economique et Finance Internationale</td>
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<tr>
<td>DF</td>
<td>Desertec Foundation</td>
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<tr>
<td>DG</td>
<td>Directorate General</td>
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<td>DII</td>
<td>Desertec Industrial Initiative</td>
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<tr>
<td>EC</td>
<td>European Commission</td>
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<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>ECB</td>
<td>European Central Bank</td>
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<td>EDF</td>
<td>European Development Fund</td>
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<td>EEAS</td>
<td>European External Action Service</td>
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<td>EESC</td>
<td>European Economic and Social Committee</td>
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<td>EGPC</td>
<td>Egyptian General Petroleum Corporation</td>
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<td>EIB</td>
<td>European Investment Bank</td>
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<td>EMP</td>
<td>Euro-Mediterranean Partnership</td>
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<td>ENP</td>
<td>European Neighbourhood Policy</td>
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<td>ENPARD</td>
<td>European Neighbourhood Programme for Agriculture and Rural Development</td>
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<td>ENPI</td>
<td>European Neighbourhood and Partnership Instrument</td>
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<td>EaP</td>
<td>Eastern Partnership</td>
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<td>EOS</td>
<td>Egyptian Organization for Standardization and Quality Control</td>
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<td>EP</td>
<td>European Parliament</td>
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<td>ERRADA</td>
<td>Egyptian Regulatory Reform and Development Activity</td>
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<td>ERT</td>
<td>European Roundtable of Industrialists</td>
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<td>EU</td>
<td>European Union</td>
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<td>EUROPIA</td>
<td>European Petroleum Industry Association</td>
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<td>FAO</td>
<td>Food and Agriculture Organization of the UN</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>FEMIP</td>
<td>Facility for Euro-Mediterranean Investment and Partnership</td>
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<tr>
<td>FIPA</td>
<td>Foreign Investment Promotion Agency</td>
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<td>FSAP</td>
<td>Financial Sector Reform Programmes</td>
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<td>GAER</td>
<td>General Affairs and External Relations</td>
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<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
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<td>GMP</td>
<td>Global Mediterranean Policy</td>
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<tr>
<td>IBRD/WB</td>
<td>International Bank for Reconstruction and Development/ World Bank</td>
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<tr>
<td>IER</td>
<td>Integrated Economic Region</td>
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IMF  International Monetary Fund
IR   International Relations
JHA  Justice and Home Affairs
MEDA Mesures D'Accompagnement
MENA Middle East and North Africa
MEP  Member of the European Parliament
MFA  Ministry of Foreign Affairs
MNCs Multinational Corporations
MSP  Mediterranean Solar Plan
NA   North Africa
NGO  Non-Governmental Organization
NMS  New Member States
NSA  National Strategy on Agriculture
NTB  Non-tariff barriers
OECD Organization for Economic Co-operation and Development
PASOK Panhellenic Socialist Movement
PCA  Partnerships and Cooperation Agreements
RELEX Directorate General for External Relations
SAP  Structural Adjustment Programmes
SIGMA Support for Improvement in Governance and Management
SME  Small and medium enterprises
SODEA Société de Développement Agricole
SOGETA Société de Gestion des Terres Agricoles
SPRING Support to Partnership, Reform and Inclusive Growth
SPS  Sanitary and Phyto-Sanitary
TACIS Technical Assistance to the Commonwealth of Independent States
TAIEX Technical Assistance and Information Exchange instrument
UfM  Union for the Mediterranean
WTO  World Trade Organization
Introduction
After the Eastern enlargement of the European Union (EU) in 2004, the EU developed a new policy towards its Eastern and Southern neighbours. The European Neighbourhood Policy was formed with the objective of creating a ring of allies with the countries that share borders with the EU. With regard to its Southern partners the ENP was built on the Euro-Mediterranean Partnership (EMP) and offered bilateral incentives to develop closer links with the region (European Commission 2010a). This closer cooperation was translated into the EU’s attempt to integrate North African countries deeper into the EU market. The greater stake of the EU market was pursued through soft (non-legally binding) methods of coordination and with financial aid.

The EU offers financial assistance to the Mediterranean countries for more than three decades. The added value of the ENP in this area is found in the simplification of the EU aid tools that were used for the coordination of the EU assistance to South Mediterranean countries and in the soft agreements that surround the provision of the aid funds. The new aid tool was the European Neighbourhood and Partnership Instrument (ENPI), which replaced the geographical MEDA programmes in 2007. The heart of the ENP and the central point of this research are the Action Plans (APs) of the policy that have been implemented in Morocco, Tunisia and Egypt. The APs are bilateral non-legally binding agreements between the partner countries and the EU and their aim is to identify the priorities of the EU and of the neighbouring countries for reforms that the latter need in order to prepare for deeper integration into the EU market.

This attempt to build a new platform for reforms that relies on joint decisions continued the tradition of the EMP which wanted aid to neighbouring countries to be based not on a donor recipient model of help, but on shared values and goals between the partners of both regions. As in the case of the Barcelona Process, at the beginning of the ENP many analysts tried to analyse the new policy by categorizing the partners into different groups regarding their willingness to reform their structures. The fact that the ENP included all the neighbouring countries added a geographical element to the categorization of the partners. Many studies distinguished the old Southern neighbours from the Eastern partners and focused on
the Eastern borders of the EU (Asmus and Jackson 2004; Aydin 2004; Cichocki 2004; Tassinari 2005; Alieva 2006; Buscaneanu 2006; Paczynski et al. 2007; Pop and Manoleli 2007; Sasse 2008). This is unsurprising given that the ENP forms the first comprehensive attempt of the EU to deal with the problems that arose in its Eastern borders after its 2004 enlargement.

Articles that were written during the first steps of the ENP, and which tried to avoid geographical distinctions, tended to highlight the potential impact of the policy in selected case studies or the challenges that the ENP faced or might face in the future (Kaczynski and Kazmierkiewicz 2005; Balfour and Missiroli 2007; Emerson, Noutcheva, and Popescu 2007; Gstöhl 2008a). At the beginning of the policy, studies that analysed the Southern countries focused on the cultural differences between the EU and the countries of North Africa and Middle East or attempted to evaluate the connections between the EMP and the ENP (Del Sarto and Schumacher 2005; Pardo and Zemer 2005; Baracani 2007).

Later studies did not have the programmatic character of earlier works. A more comprehensive literature review follows in the next chapter, but it must be noted that works written after 2008 either highlight the problematic implementation of the policy in certain sectors or criticize the changing character of Euro-Mediterranean relations. These criticisms are valid and helpful in understanding the development of EU/North African relations, but the aim of this thesis is to go beyond distinctions, such as regionalism/bilateralism and to provide a more comprehensive analysis of the decision-making game and the implementation of the economic aspects of the ENP. The aims of the research are discussed in greater detail in the following section.

**Research aims**
The aim of this research is twofold. The first concern is to unravel and explain the decision-making game regarding the formation of the ENP. The second aim is to assess the performance of the ENP and more specifically the impact of the economic aspect of the policy in Morocco, Tunisia and Egypt. These two objectives are complementary; the interaction of the actors in the decision-making process informs the performance of the ENP and the nature of the EU’s external relations.
In this way, the research sheds light on a number of puzzles at once. From a theoretical perspective the aim is to identify the nature of the relations between the various actors that participate in the initiative. This task has a dual character. The first is to assess the explanatory power of integration theories regarding the ENP. Integration theories are used to explain almost every EU policy and initiative and the EU’s foreign policies are no exception to this rule. More specifically, the ENP as a policy that embraces all three pillars of EU competences (Smith 2005, 765; Wissels 2006, 13) has been a subject of these approaches (Moschella 2004) and several elements of the integration theories are used to interpret this initiative.

The second theoretical objective is to show the usefulness and the limits of a two-level game approach, which has emerged as a solution to the evaluation of international agreements (Putnam 1988; Moravcsik 1993). Putnam’s landmark work rekindled the idea that domestic politics play a significant role in international relations and many scholars have followed Putnam’s approach in order to appreciate the interaction between the domestic, the EU, and the international level and to better understand the relations between states and other actors in the international arena (Patterson 1997). A two-level game was introduced as well in the evaluation of the Euro-Mediterranean relations (Montanari 2007), but this, as will be discussed below, was accomplished in rather schematic terms. A three-level game analysis is at the heart of this research and the aim of this research is to appreciate the lessons that we can learn from this approach and to highlight the shortcomings of Putnam’s explanation.

However, this study is not a mere evaluation of different theoretical approaches. The theoretical discussion provides the basis for the empirical questions that this research attempts to answer. These are questions concerning the performance of the ENP from the beginning of the strategy through to June 2013. Here, this research attempts to shed some light on the economic sphere of the ENP and to evaluate the performance of the policy. It forms the first comprehensive attempt to examine the evolution of the economic aspect of Euro-Mediterranean relations, not only up until the beginning of the Arab Spring, but to also examine the development of the ENP after the changes of the regimes in Tunisia and Egypt, right through to the ousting of president Morsi in June 2013. More specifically, it attempts to
distinguish the winners and the losers of the ENP reforms and the impact of the Action Plans on the partner countries.

Such studies are scarce and as it will be shown more clearly in the literature review before the Arab Spring most analyses focused on questions concerning the future status of the partners, the meanings of Europeanization and the varied geometry of the EU’s external relations. Without much evidence from the implementation of the ENP APs, studies that attempted to assess the interaction between policymakers and other social actors were programmatic in nature (Comelli and Paciello 2007) or they reproduced stereotypical conclusions of the past (Montanari 2007). After the Arab Spring, the focus of most works that examine the Euro-Mediterranean relations has been placed on the political aspect of the ENP and the tools that the EU implements to promote deep democratic reforms to the region (Amirah-Fernández and Behr 2013).

This study compensates for the paucity of such works and it attempts to go beyond regional distinctions in order to avoid crude divisions. To ascertain who benefits and who loses from the ENP the level-game analysis relies on a sectoral basis. By following a sectoral approach, it is possible first to provide testable hypotheses and second to make clear which interest groups win and which lose from the policy (Talani 2011). As stated above, the focus of this thesis is on the analysis of the economic sphere of the ENP, because economic reforms and projects are perceived as the main levers for the development of the partner countries and absorb the vast majority of aid funds. More specifically emphasis will be placed on the macroeconomic adjustments of the North African countries from 2004 until 2013 and to reforms in the agricultural, industrial, energy and financial sectors.

Under this perspective, the theoretical questions of this thesis are as follows:

- To what extent can theories of integration explain the construction of the ENP?
- What are the merits and limits of a three-level game analysis in Euro-Mediterranean agreements?
The empirical part of this research attempts to provide answers to the following questions:

- What is the position and contribution of each actor in the decision-making process of the ENP?
- Which interest groups benefit from the ENP?
- What is the contribution of the ENP in the transformation of the economic environment of the partner countries?
- To what extent has the EU approach to the development of the North African partners changed after the Arab Spring?

In order to identify the winners and the losers of the economic reforms and to realise the impact that the policy has had in the partner countries, the analysis must assess the interaction of domestic groups with statesmen at both the national and international level. Following on from this notion, the investigation of the bonds between the domestic and the international levels remain at the core of the aforementioned research and the main question is not to ask whether or not these two levels affect each other, but instead to deconstruct their relationship. In other words and following Putnam’s argument

‘Domestic politics and international relations are often somehow entangled, but our theories have not yet sorted out the puzzling tangle. It is fruitless to debate whether domestic politics really determine international relations, or the reverse. The answer to that question is clearly “Both, sometimes.” The more interesting questions are “When?” and “How?” (Putnam 1988, 428).

This approach suggests that statesmen attempt to manipulate domestic and international politics simultaneously. Their strategies are constrained from what the other states and their domestic groups will accept. However, in our analysis, the EU institutions participate in negotiations. This unique structure of the EU requires an amendment to this framework. At this point, this thesis draws lessons from Paterson’s analysis, who attempted to explore the EU agricultural policy reforms and the final agreement in the Uruguay Round between the EU and the other states by using a three-level game analysis. According to Patterson
‘...in the case of the European Commission (EC), there is an additional level of play, the Community level, in which member states attempt to achieve domestic goals while simultaneously pursuing cooperative integration’ (Patterson 1997, 141).

A similar concept will be used to explain the decision-making process regarding the ENP. The ENP reflects the interests of the EU member states; it was negotiated at the Community level between the member states and the EU institutions and between the EC and the partner countries. So, in order to explain the role of each player at the ENP process, the levels are constituted as follows. The first level (Level I) includes the negotiations at the domestic level, and thus within member states. Level II refers to negotiations at the EU level while Level III embraces the international actors, referring to the recipient states and the influence of the international context on the EU agenda. The formation of an additional level suggests that the sector of external development relations must be analysed in a different manner to which the other internal EU policies have been analysed so far.

To sum up, the aim of this thesis is to capture the depth and comprehensiveness of the EU’s objectives in North Africa, which go beyond the general security and stability objectives. The aim of this thesis is to gain an understanding of which interests lie behind EU external policies and foreign assistance and to realise who is advantaged by the APs, which are the heart of the ENP. The following paragraphs briefly explain the logic of my argument.

**The argument in a nutshell**

The starting point of this thesis is the ENP’s focus on the positive integration of the partner countries and its correction of the gaps and shortcomings of the Association Agreements (AAs). This situation has important implications for the social actors in both the EU and the partner countries, because the deeper the integration of the ENP partners into the EU market the more changes there are to the distribution of costs and benefits. As a three-level game analysis captures the interaction of the domestic, the EU and the international levels it allows us to assess the winners and the losers of the strategy.

At the domestic level the changing distribution of benefits and costs means that in order to understand the win-sets in both regions, we should go beyond divisions between export-oriented industries and inward-looking companies. Particularly for
the North African partners (as these implement the ENP reforms) the argument of this thesis is that the North African states must be considered as actors with vested interests in the economic aspects of the policy and not only as negotiators of reforms. In the following discussion, it becomes clear that the North African states are part of the win-sets and manage to retain their powers, despite the neoliberal logic of the ENP APs which attempted to minimize their role in the domestic economy.

At the EU level, many papers have argued that Euro-Mediterranean policies have divided the Southern and Northern member states into different groups, but this study argues that the geographical interests of the EU states explain the development of the ENP only up to a certain point. The problem with such assumptions is that they imply that within the EU geographical interests create solid blocks with uniform preferences. As the findings of this study show, the division of the EU member states along geographical lines must be amended by the impact of sectoral interests at certain moments of the decision-making process and the political status of the ENP. The impact of sectoral interests and the low politicization of the policy are key elements that this research has borrowed from Putnam’s analysis and which work to improve our knowledge about the development of the ENP. They help us to understand the ENP, not only as a game of players with different geographical interests, but as a more complicated process with different phases and with changes in the leadership of the decision-making game.

As the research attempts to analyse the ENP before and after the Arab Spring, it cannot avoid the impact of an external shock on the policy. At this point, the focus of the thesis is not on the factors that led to the Arab Spring, but on the impact of the revolutions on the three levels. The argument is that at the second level the Arab Spring opened a window of opportunity for the EC to play a more important role in the development of the policy. Yet, technocratic engineering should not be overestimated when the situation at the first level remains unchanged. This research shows that the configuration of power has not changed significantly and that the attempt of the ENP to promote the ‘inclusive growth’ of the North African countries remains wishful thinking. Contrary to the rhetoric of the EU documents (European Commission 2012e; European Commission 2011d), this thesis shows that the win-
sets in both regions remain powerful and that at the third level the ENP still supports the development of the dual agricultural market; it does not help the North African SMEs enough and the financial reforms have so far empowered the state and business elites of the North African countries. Under these circumstances the ENP contributes to the perpetuation of the existing divisions in North African countries and it does not support the sustainable economic development of North African partners.

Methodology and sources
The suggested arguments and approach carry a set of different questions, which are about the method and the sources that this research is using to demonstrate its findings. The first one is about the use of the Action Plans as a tool for the analysis of the ENP and as a basis for answering the aforementioned research questions. Towards the Southern partners the ENP follows the EMP and the AAs work as an umbrella for the ENP Action Plans. So, what can the APs offer to the analysis of the Euro-Mediterranean relations? The following paragraphs highlight the differences between the AAs and the APs and the significance of the latter agreements. The second question is related to the selection of the case studies. At the beginning, it was mentioned that the three case studies are Morocco, Tunisia and Egypt. The following section illustrates the differences between the three countries and it shows that a deeper understanding of their position towards the ENP can improve our knowledge about the political economy of Euro-Mediterranean relations. The third question is about the decision-making game and how it is possible to unfold it. To answer this question the following paragraphs illustrate the merits of process tracing and the evidence that is used to identify the position of each actor.

The Association Agreements and the Action Plans
Towards the countries of North Africa, the AAs replaced the older co-operation agreements of the 1970s and they form the legal basis for governing relations between the North African partners and the EU. The AAs include a wide range of political economic and social issues. According to the European External Action Service (EEAS) the EU-Morocco AA is

‘In line with the new generation of Association Agreements between the EU and its Mediterranean partners [...] Emphasis is placed on [...] regional co-operation [...] Furthermore, the agreement includes provisions on freedom of establishment and
the liberalisation of services, free movement of capital and competition rules, the strengthening of economic co-operation on the widest possible basis and the co-operation on social matters, supplemented by cultural co-operation. The Agreement [...] reinforces the arrangements for free trade in industrial products, which have been in force since the late 1970s. There is to be progressive and reciprocal liberalisation of trade for agricultural products’ (EEAS 2012a).

For the AA between the EU and Tunisia the EEAS mentions that

‘Tunisia was the first Mediterranean country to sign an Association Agreement with the EU on 17 July 1995 [...] Under the term of the Agreement, the EU and Tunisia commit themselves to co-operate in a wide range of areas including: strengthened political dialogue, trade, economic, social and cultural issues. The Agreement foresees also financial co-operation to accompany reform measures in Tunisia. An important component of the Association Agreement is the clauses providing for the establishment of an EU-Tunisia free trade area by the year 2010’ (EEAS 2012b).

In the same line, the EU-Egyptian AA

‘incorporate free trade arrangements for industrial goods, concessionary arrangements for trade in agricultural products, and opens up the prospect for greater liberalization of trade in services, and farm goods’ (EEAS 2012c).

Upon these legally binding documents, the ENP is called to build the APs. The APs are considered as political agreements, which do not carry the legal obligations of the AAs, but they still offer incentives in return of reforms. According to the EU these incentives are

‘greater integration into European programmes and networks, increased assistance and enhanced market access’ (European Commission 2010a).

So, the texts above highlight two main differences between the AAs and the APs. The first is the type of the agreement (legally and non-legally binding) and the second is the level of integration that they promise to the partner countries. These characteristics are not unrelated to each other. Many analysts of the ENP saw the APs as wish lists of the EU for reforms that Europe wanted to see in the partner countries (Harasimowicz 2007, 84; Bindi and Angelescu 2012, 110). Due to the absence of legally binding penalties (and of the EU membership), the APs become less credible than the AAs, and they do not give much leverage to the EU to promote the suggested reforms (Bindi and Angelescu 2012).

However, the situation is more complicated than the conclusions of these observations. Indeed, a legally binding agreement enjoys greater credibility than a
political document and governments are more likely to comply with it. Yet, non-legally binding documents offer greater flexibility to state actors and become more attractive solutions, especially in situations where states feel uncertain about the costs and benefits of closer cooperation (Lipson 1991). Especially, when this uncertainty is followed by a high degree of power asymmetry between the two parties and of divergent preferences, these flexible arrangements become very attractive tools for states that want to reach an agreement (Abbott and Snidal 2000; Hodson and Maher 2004). In addition, the informal character of non-legally binding agreements gives the opportunity to governments to act fast by avoiding public scrutiny (Lipson 1991). Under these circumstances, the design of non-legally binding agreements is determined by the distribution of costs and benefits and the degree of uncertainty about the suggested policies (Koremenos et al. 2001; Jojarth 2009).

In the case of Euro-Mediterranean relations, the distribution of costs and benefits and the degree of certainty of the suggested policies were related to the different concepts of integration that the two agreements promoted. The AAs followed the logic of shallow and negative integration, which was about the removal of trade barriers between two partners (Marks et al. 1996, 15; Montalbano 2007). Hence, the negotiations were mainly about the removal of border controls between the two sides of the Mediterranean Sea. The AAs left issues of deeper integration for the future (e.g. liberalization of services) or they included them in a very general manner (e.g. standardization proceedings) (Ghoneim 2007; De Wulf and Maliszewska 2010). Under this logic the interests that supported the AAs were clear and were distinguished in the related literature along regional lines, as the agreements deregulated certain sectors and protected others (Montalbano 2007). The clearest example that highlighted this regional categorization came from the agricultural sector, which illustrated the protectionist logic of the EMP towards the European farmers.

However, the concept of shallow and negative integration has led to poor results and other measures/policies had to be modified for the deep integration of these economies into the European market. The aim of the APs was from the beginning to confront these problems and to deepen the trade and economic relations between the EU and the Southern partners. This deepening was followed by the positive
integration of the partner countries as the ENP referred to the creation of common rules that mitigate regional inequalities (Montalbano 2007). In that respect, the APs do not replace the AAs. They complement them by attempting to converge regulations and to solve ‘behind-the-borders’ problems, such as sanitary and phyto-sanitary rules, standards for industrial products, regulations of investments and government rules that restrict trade.

The modification of regulations and standards beyond borders needs a deeper and more elaborated understanding about the distribution of costs and benefits, because as markets expand different coalitions form. Under the ENP APs, the extensive harmonisation of national laws and regulations with the EU acquis and the stabilization of the macroeconomic environment of the partner countries alter the coalitions that express these standards. Hence, the distinction between winners and losers cannot be seen only from a regional perspective, as in the case of the AAs. In addition, another factor should be taken into account; the (un)certainty of the APs. The outcomes of positive integration are not as certain as those of the negative integration of the AAs, not only due to the non-legal character of the former, but also because these regulatory responsibilities are left to national bureaucracies. Therefore, the role of the North African states becomes important for the evaluation of the regulatory implications of the economic part of the ENP. This issue should be highlighted, because so far the main focus of the ENP literature has described the state as an actor interested only in keeping the EU outside the domestic political affairs of the partner countries (Bechev and Nicolaïdis 2010, 482). So, overall, in the economic part of the ENP the equation has to take into account the domestic environment of each region (the EU and the North African countries) and the preferences and power of the state and the interest groups that are influenced by the ENP reforms. The significance of these parameters will be discussed in the next chapters, but at this point it is important to understand why the selected case studies matter in our understanding of the ENP.
**The significance of Morocco, Tunisia and Egypt as case studies in the analysis of the ENP**

In order to explore the relation of the EU with the other partner countries this research uses a case study approach. The cases that are included are Egypt, Tunisia and Morocco. The selection of these countries is not accidental. While the domestic environment of the three cases presents a degree of variance, the three countries share many similarities regarding their relations with the EU.

First, let us examine the similarities between these countries. The countries belong to the same geographical region, the EU is one of the biggest donors to Egypt, Morocco and Tunisia and until 2013 the region absorbed the majority of ENP funding. According to the OECD, in 2007-2008 the EC was the biggest donor of Morocco and the second biggest donor of Egypt and Tunisia behind the US and France accordingly (OECD 2012).¹ Under the ENP, from 2007 until 2012, Morocco received €1086m, Egypt €960m and Tunisia €590m, whereas the three biggest recipients of Eastern Europe have received much less from the EU. During the same period, Ukraine has taken €806m, Moldova €425,9m and Georgia €355m (European Commission 2013d). After the Arab Spring the EU increased further her support to the region and more than €1.1bn has been made available for the Mediterranean partners through various programmes (European Commission 2012e)

Furthermore, the three countries are old partners of the EU. Egypt was a member of MEDA I programme and a recipient of EU aid since 1996 (European Commission 2009a). Morocco and Tunisia also share long historical ties with the EU and both countries were members of the EMP, which was succeeded by the ENP. Even though the ENP includes all the countries of North Africa, the crucial element, that played a vital role in the selection of these countries, is that these are the only countries of the region that proceeded to the signature of the Action Plans. Thus, it is in these three cases that we can properly understand the impact of the ENP in North Africa.

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¹DAC uses the term ‘EC aid’ for the funds provided by the European Commission. The term ‘EU aid’ has a dual meaning according to the context. In some cases, it is similar to the ‘EC aid’ and this is the way it is used in this thesis. However, many authors use the term ‘EU aid’ to show that Europe is the biggest donor in the world, but this term reflects the sum of the funds provided by the EU member states plus the EC aid funds.
Moreover, the structure of their economies is similar. In 2008, the share of the agricultural sector in the Egyptian GDP was thirteen per cent, the share of the manufacturing sector was thirty-eight per cent and the share of services was around forty nine per cent of GDP (IBRD/WB 2010a). In Morocco agriculture provides almost fifteen per cent of GDP, the industrial sector thirty per cent and services fifty-five per cent (IBRD/WB 2010a). In Tunisia agriculture offers almost ten per cent to the GDP, industries provide thirty-three per cent and the service sector offers fifty-eight per cent (IBRD/WB 2010a). These data show that these economies rely heavily on agriculture when compared to the EU. In West Europe the share of agriculture does not exceed three per cent of the GDP and in East Europe five per cent of GDP.

Yet there are crucial differences between the three selected cases. Even if these countries belong in the same region, North Africa is not a homogenous area. First, the size of the three countries and their markets vary significantly. Compared to the EU standards, Egypt is a big market of more than eighty million people, Morocco forms a middle-size market of thirty-one million people and Tunisia is a small economy of ten million people.

Moreover, even when the sectoral analysis of these economies illustrates some similarities, these countries have different needs and priorities, which are highlighted by the use of bilateral aid. According to OECD, Egypt spends almost thirty-five per cent of the received funds in building economic infrastructure and services and less than eight per cent in production, whereas Morocco spends more than thirteen per cent of aid funds in production and more than eighteen per cent in social sectors. Tunisia spends more than eighteen per cent of the provided assistance in production, less than twenty-five per cent in building economic infrastructure and services and less than eleven per cent in social sectors (OECD 2012). They also use the ENP tools for different priorities. For example Morocco and Tunisia use the Support for Improvement in Governance and Management (SIGMA) funds for improving the state agencies responsible for financial controls and public procurements, Egypt uses these funds for improving the legal framework and the policy-making structures (European Commission 2013d, 84–87).
Beyond the distribution of aid, the ENP progress reports illustrate that the three countries have developed differently. Tunisia has made some progress in economic and trade issues, but little progress in political reforms. On the other hand, Morocco has reformed to a much greater extent its political structures, but it needs to perform better economically. According to the EU, for Morocco, poverty reduction and creating jobs remain serious challenges (European Commission 2006a, 5). Egypt is the laggard partner, which slowly implements the agreed actions of the APs (European Commission 2008d).

Overall, two factors illustrate the contribution of these case studies to the analysis of the ENP in the region. The first and most important factor is that the deeper engagement of these countries in the ENP, which were the first states that agreed to implement the related APs facilitates the researcher to realise the outcomes of the policy in North Africa. However, this is not to say that all the actions agreed under the APs have been implemented at the same pace at the national level. These differences in implementation are the second merit of this comparative analysis as they help the analysts of the ENP to realise the different domestic environment of the partner countries and the different ties that they share with the EU.

**Unfolding the decision-making process: The merits of process tracing**

The interaction of the actors in the decision-making process informs the dynamics and the nature of the EU’s external relations. The case study approach attempts to inform us about the relationship between the EU and the partner countries of North Africa. However, in order to analyse how the ENP was shaped, the analysis of the cases must be complemented by a different method that reveals the interaction of the actors at every step of the agreement. The method that is going to be followed is process tracing, as it helps to identify the steps by which causes affect outcomes (George and Bennett 2005, 206). At the ENP level, a close study of the process by which the EU and the partner countries cooperate helps the analyst to see the expressed motivations of actors and the nature of the agreement (King et al 1994, 227). Thus, process tracing is used as a tool in order to explore the intervention of the various interest groups at every level of the agreement and can provide us with a comprehensive idea about the nature of the ENP. More specifically, in this thesis, process tracing helps to scrutinize groups’ preferences, their access to leadership,
the institutional response to the influence attempts and how preferences are reflected to outcomes.

Moreover, by generating observations within a case, this method can be used as a tool for theory testing. More specifically, the production of many findings at every step of the decision-making process helps to find weaknesses in the theory that surrounds the ENP. A large part of the ENP literature perceives the cooperation within the EU and among the EU and the partner countries as a result of common interests in a given set of outcomes or as an outcome of exploitation. By evaluating the process, the researcher can appreciate to what degree these assumptions are correct.

However, process tracing poses some difficulties. These are the collection of evidence that cover every step of the process and the control of the sources. To overcome these problems the research combined qualitative and quantitative data in order to find out how the actors of each level interact and under which conditions the decisions are formed. More specifically, the use of official statements about aid decisions, legal papers and annual reports gave insights about the entanglement of international, the EU and the domestic politics and their effect on the formation and implementation of the APs. Moreover, in-depth analysis and insights were based on interviews with officials from the EC, the partner countries, national representatives in the EU Council, people who work in the private sector, for NGOs and in other European platforms. The combination of these sources provided the opportunity to better access leadership and to trace the decision-making process. Also, it helped to identify causalities and interactions between policy outcomes and various actors.

This wide range of interviewees helped to overcome another important problem often found in research; the problem of biased results. This is a crucial issue, given the fact that interviewees represent different interests. For example, some articles written by people that worked for the EC described the policy as a result of genuine partnership between the EU and its neighbours, which yielded positive outcomes for both regions (Dodini and Fantini 2006; Canciani 2007). Of course, it is of vital importance to take into account the argumentation of the people that work for the

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2 The interviewees wanted to keep their anonymity. Their position and organization they worked for can be found in the bibliography.
EC, but these arguments must be cross-checked with other sources. These sources are not only interviews with other leaders of different interest groups (they may be subject to similar bias). They are corroborated with quantitative sources, such as annual reports and statistical data.

This combination gives the opportunity to see the strategy to a microscopic detail (e.g. interviews reveal personal estimations about the initiative that cannot be seen otherwise). Also, the use of qualitative information validates quantitative findings (Madey 1982). On the other hand, quantitative data helps to discover paradoxes and contradictions of the qualitative research and under this condition they provide a testable basis for addressing the aforementioned research questions.

This synthesis goes beyond the polarization of qualitative and quantitative methodology, which leads students to believe that the two methods are incompatible. In this thesis, the qualitative analysis complements the quantitative data and vice versa. The inclusion of qualitative information helps to discover relationships that are not obvious by a quantitative analysis and quantitative data compensates for the fact that qualitative data typically cannot be generalized (Onwuegbuzie and Leech 2005, 383).

**Contents and structure of the thesis**

The thesis consists of five chapters. Following the introduction, Chapter One explores the main points of the related literature and it presents the theoretical framework of this thesis. At the beginning, a note on the existing classifications of the Euro-Mediterranean relations illustrates the weaknesses of the existing attempts to classify the related literature. Then the study presents a typology under which the existing works on the ENP can be better charted. The first category analyses the different approaches and perceptions of the policy. The second explores the role of the related actors, their priorities and the governance modes that rule the ENP and Euro-Mediterranean relations after the EMP. The third part of the literature review focuses on works that evaluate the performance of the ENP and concludes with the weaknesses of the existing literature.

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Howe’s (1988) *The Incompatibility Thesis* is a classic study about the division between qualitative and quantitative research methodologies.
The analysis of the related literature illustrates the need to incorporate the role of social actors into the ENP and it is followed by the second chapter, where the theoretical framework of this thesis is presented. This framework has two dimensions. The first one explains the limitations of the EU integration theories to explain the ENP. Then, I turn my focus on how a three-level game analysis can better analyse the interaction between the various actors that participate in the strategy. Following the logic of a three-level game analysis, the third chapter analyses the domestic situation in the European countries and in the countries of North Africa. This chapter examines thoroughly the different preferences of the domestic interest groups and it attempts to evaluate, on a sectoral level, the various coalitions and what kinds of priorities these groups have and how they influence and are in turn influenced by the statesmen. From this perspective, this chapter ranges widely both geographically and conceptually. This happens because of the heterogeneous interests both within Europe and within the countries of North Africa.

Given the fact that the ENP is a European initiative, the fourth chapter focuses more specifically on the intra-European level and it deals with the negotiations between the EU member states and between the states and the EU institutions. Also, it is in this chapter that the institutional characteristics of the ENP are analysed in greater depth and explores how the ENP is supposed to meet the EU commitments and its priorities regarding the provision of aid. Chapter Five, the final chapter of this thesis covers the international level, meaning the negotiations and the implementation of the ENP in the three countries of North Africa. The chapter begins by explaining the priorities of the EU and the North African partners and the commitments that the latter undertook. Then by following the sectoral logic of the analysis it explains the impact of the macroeconomic and financial reforms and of the implementation of the agricultural, industrial and energy actions in the North African countries before and after the Arab Spring. Finally, the conclusion reviews the main findings of the research; it highlights the elements of the ENP that shape the win-sets in both regions and also looks at the future role of the EU as a development actor in the North African region.
Chapter 1 Analysing the ENP: The existing debate

Introduction
In many cases the literature on the ENP (especially early papers) sees the EU as a unitary actor, and under this notion these scholars explore the ENP from a region-to-region perspective (Tassinari, 2005; Scott, 2005; Zaiotti, 2007). From this regional perspective the reader can find many examples where the ENP is perceived as a positive initiative that benefits both regions or in some cases as a policy with winners that take everything and with losers that are soundly beaten (Zaiotti 2007). Yet, holistic approaches to agreements that cover different topics and embrace many different actors are often misleading and the results tend to be simplistic or ambiguous.

On the other hand, many scholars use integration theories in order to understand who plays a leading role in the EU decision-making process and to evaluate the impact of these decisions. Therefore, we observe a growing body of works of European integration increasing not only in number but also in the range of disciplinary backgrounds they have drawn from. These theories have been used so far to explain how, when and why the EU launched the ENP and the characteristics of the policy over the North African region. As the objective of this thesis is to deliver a comprehensive analysis of the ENP, a policy that is concerned not only with security but is developmental in nature, the issues pertaining to the integration debates are of central relevance.

Therefore, this analysis of the ENP literature is organised as follows. The first section of this chapter presents the existing classifications of the Euro-Mediterranean relations after the EMP and their weaknesses to fully comprehend the depth of the related works. Then, the chapter charts the ENP bibliography with the aim to draw on the increasingly diverse literature in the field and to trace the most important contributions in the analysis of the policy. In particular, these works are divided in three different areas of the ENP. The first section assesses the different perceptions

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4 Holland (2002) shows how the various integration theories are related to the EU development policies towards the Third World.
of the ENP by the EU and the partner countries and the different meanings of Europeanization that inform the policy. The main idea here is to show the degree to which the ENP is perceived as a new threshold for the relations of the EU with the neighbouring countries and to show how these approaches inform questions about the success of the policy and evaluate the outcomes of the ENP.

The second part shows how the scholarship so far has explained the policy priorities, the role of actors and the governance modes of the ENP. At this point emphasis is given to two points. First, this category attempts to illustrate how analysts of the ENP describe the governance components of the EU-partners relations and which elements and actors play the most important role within the ENP. Second, it seeks to demonstrate how the literature understands the position of the partners in this framework and why they stay in the ENP. The third part shifts from the analysis of the actors to the evaluation of the policy. Here, what is outlined is a number of criticisms about the operation and the performance of the ENP. At this point, the review of the literature assesses the different solutions that are suggested. The concluding remarks highlight the weaknesses of the existing works and suggest a different framework of analysis.

**Charting the literature of Euro-Mediterranean relations**

A common theme of the existing literature about the ENP is that this policy was a reaction of the EU to the new situation created after the enlargement in 2004. Furthermore, almost every paper highlights two issues, which are of primary concern for the Union. These are related to the external security of the Union and to the possibilities that the neighbor countries have to create and sustain a democratic political environment and a stable market (Aliboni 2005; Tassinari 2005; Balfour and Missiroli, 2007). Security and stability were perceived as complementary aims, thus the remaining main question is how to achieve these objectives. So, the dilemma was to integrate the new neighbors and enlarge further the EU or not? This question was immediately answered and the words of Chris Patten outline the response of the EU to the prospect of membership for the new neighbors

‘Over the past decade, the Union’s most successful foreign policy instrument has undeniably been the promise of EU membership. This is not sustainable. For the coming decade, we need to find new ways to export the stability, security and
prosperity we have created within the enlarged EU. We should begin by agreeing on a clearer vision for relations with our neighbors’ (European Commission 2003).

The fact that the EU realised that enlargement is not an infinite process made the analysts of the ENP turn their focus to the concept of ‘regional cooperation’, trying to define what it encapsulates and their work on the ENP is an attempt to evaluate how the EU builds this relationship. However, at this point we need to say that for the EU regional cooperation is not a new concept, but a rather old way to promote its external relations and establish international agreements. This is evident from the history of the EU with the countries of Africa, Caribbean and Pacific (ACP) and from the EMP. The EU-ACP cooperation was introduced in 1957, whereas the Euro-Mediterranean cooperation dates back to 1969. So, as an organisation, the EU shares fifty years of relations with its Southern Mediterranean neighbours.

The EU signed the first agreements with Morocco, Tunisia and Algeria and in 1972 the Global Mediterranean Policy (GMP) was formulated as a more comprehensive policy towards the Mediterranean countries. The three countries analysed here, signed the GMP agreements in 1976 (Morocco, Tunisia) and in 1977 (Egypt). Since then, many analysts have tried to evaluate the achievements and setbacks of the Euro-Mediterranean policies and explain the problems and the factors that have influenced the development of this relationship. Most of them argue that one of the main problems of the agreements prior to the ENP was that the Mediterranean countries were perceived as a relatively homogeneous region (Bicchi 2007, p1). This misunderstanding has led to many delays and disputes, which the ENP attempted to solve by the introduction of the APs.

However, the ENP as a novel experiment of regional cooperation is at its first steps. The Southern rim of the policy has entered a different phase after the Arab Spring, and the new suggestions try to compensate the failures of the first few years of

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5 Bicchi (2007) provides a good analysis of the EC/EU relationship since the late 1950s. Attina and Stavridis (2001), Del Sarto (2006), Adler et al (2006) highlight the impact of later agreements, such as the EMP on the Euro-Mediterranean relations. General books on the EU’s external affairs include a chapter on the EMP (Peterson and Sjursen 1998, Dannreuther 2004). A number of studies on specific topics of the EMP and of the development of the Euro-Mediterranean relation can be found in the Journal of Common Market Studies, Mediterranean Politics, European Foreign Affairs Review. Also, online information about the relations of the EU with the Southern Mediterranean region can be found in the websites of the Centre of European Policy Studies (CEPS), of the European Institute for Research on Mediterranean and Euro-Arab Cooperation (MEDEA) and of the EuroMeSCo platform.
implementation (European Commission 2011d). These few years of implementation mean that the scientific debate on the ENP is at an early stage. Actually, very few attempts have been made so far to classify the literature of Euro-Mediterranean relations and especially of the ENP. One of the few categorizations was made by Attinà, who focused on the EMP literature (Attinà 2003). Attinà utilised the concepts of ‘realism’ and ‘liberalism’ to explore the relations that the EU tried to build with the countries around the Mediterranean Sea after the signature of the Barcelona Process. Under this notion, he distinguished the related bibliography in two broad categories.

Under the title ‘The Hegemony/Domination View’, the first category draws lessons from Marxism and realism to include all these criticisms that saw the EU as a dominant force, which tried to exploit the weakest links of the Mediterranean Sea. This exploitation was both political and economic. Politically, the EU used the North African states to minimize the new security threats that emerged after the end of Cold War, such as illegal immigration and trafficking. Economically, the EU used the North African states as a pool of cheap energy sources (and labour) and as a market for the European products.

On the other hand, Attinà put in the same group all the papers that saw the EU as a benevolent partner, who tried to modernise the region. For this category, the need for economic development of the region was taken for granted, what was analysed in these studies were the tools that the EU used for stabilizing her relations with the Arab partners. Under this perspective, the Barcelona Process is perceived as a gap-reducing process, not only in economic terms, but in political categories related to democratic reforms and other socio-cultural areas (Attinà 2003, 8). Recognized as the first comprehensive strategy towards the non-EU states of the Mediterranean Sea, the EMP needed to bring positive results in all the three spheres which are interrelated. For most analysts of this group what counted more for the success of the policy is the overall social legitimacy of the process. So, most articles in this group attempt to evaluate the behaviour of the partners and their socialization (Attinà 2003, 8).
This division has still a strong place in the literature that surrounds the foreign policies of the EU (Scott 2005, 430). Many scholars see the ENP as another policy of the EU to exploit the region or as a progressive form of postmodern regionalism (Scott 2005, 430). In the existing bibliography of Euro-Mediterranean relations the idea of postmodern regionalism is informed by constructivism, which has emerged as the dominant theoretical framework for the analysis of the relations between the EU and the Arab countries (Costalli 2009). Costalli argues that the Mediterranean policies so far try to create a security community between the two shores of the Mediterranean Sea, but the constructivist understanding of the EMP and the ENP places too much emphasis on the role of culture, norms, communication and identity. The view of the EU as a teacher that uses its normative power to persuade its neighbours to accept its values does not reflect all the parameters of the Euro-Mediterranean relations. His article is an attempt to introduce ideas informed by neoclassical realism, which are overlooked and can shed light on other dimensions of this relationship. In this way, he argues that Euro-Mediterranean relationships are adversarial and the collective identities are constructed in a conflictual context, which has to take into account power configurations at the national and international level (Costalli 2009, 328).

Both classifications are reasonable and, indeed, there is a need to incorporate deeper the role of social groups in the analysis of the Euro-Mediterranean relations. Yet, many ENP studies come from a wider range of institutional contexts, comprising expertise in policy advice and comparative politics and are not properly covered by the aforementioned attempts, which conceptualize the literature in rather schematic terms. Discussions about the governance of the ENP, debates about the origins of the policy and about the reasons for its development and changes are not charted adequately in these broad categorizations. Under these conditions, the following classification does two things. The first is to relate the existing literature to these issues. The second is to underline the shallow incorporation of interest group politics into the ENP. This more elaborated assessment about the differences of the papers on the ENP will help us to understand better the discussion so far and to highlight the input of this work to the debate about the policy.


**Writings on the ENP: The three main questions**

1. **Is the ENP something new? Competing perceptions and approaches**

As stated above, a common attempt of the existing literature is to present the ENP as a reaction of the EU to the enlargement of the Union. In addition, the security and the stability of the neighbouring countries are perceived as the main concerns for the EU. Yet, when the literature tries to go beyond the rhetoric of the EC and the enlargement of the EU to explain the origins of the ENP one of the first questions that emerges is whether, or the extent to which, we are dealing with a new policy.

The answer to this question has important political ramifications. As many analysts argue that the ENP was based on the enlargement process critical questions arise about the path dependency of the policy and how the partners conceptualize their roles within the ENP framework (Kelley 2006; Meloni 2007, 98). Some authors highlighted the fact that the ENP was firstly perceived in DG Enlargement to illustrate the line that connected enlargement of the EU with the ENP (Kelley 2006, 31), while at the beginning of the policy other works that focused on the Southern borders of the EU mentioned the structural similarities between the EMP and the ENP (Attina and Rossi 2004; Del Sarto and Schumacher, 2005). These underline the fact that the APs follow the structure of the EMP. The APs cover a wide range of policies but their thematic core lies on the same three axles; these are related with political reforms (the protection of human rights and democratic values), economic reforms (establishment of free market institutions and reforms in various sectors) and changes in areas such as civil society, education, public health and cultural cooperation.

As the role of the ENP is to become a platform for the political communication of different parties, the strong path dependencies with previous policies lead analysts to an exercise of decoding how the EU perceives her relations with the new (and old) neighbours. The differences between the stabilization and the integration of the neighbours is widely discussed and the challenges for the Union to become a vehicle for change and a teacher who will show to the partner countries the right reforms are often highlighted in many papers (Batt et al. 2003; Magen 2006; Leino and Petrov 2009). However, given the fact that accession to the EU was the carrot for any potential member to reform, a typical and common question in the bibliography about
the ENP (especially in earlier papers written until 2007) is whether it is feasible that the EU can persuade the members of the ENP to adopt the EU acquis without the carrot of a potential membership (Milcher and Slay 2005; Kelley 2006; Lippert 2006; Magen 2006; Bendiek 2007, 27).

The emphasis on the interpretation of the ENP goes beyond the problem of membership and other dimensions of the policy are often highlighted in the literature. More specifically, what concerns many analysts is the perception of the partners about the ENP. Judging from the comparative analyses of each paper, these works can be subdivided into two sub-strands. The first strand examines the different interpretations of the EU and the partner countries of the discourses that the ENP covers. For example, Bicchi and Martin (2006) highlight the increasing divergence of the EU and the Arab partners on security issues, which undermines the coherence of the Euro-Mediterranean relations despite the increasing cooperation of the two sides (Bicchi and Martin 2006).

In other papers the EU is perceived as a genuine supporter of values such as democracy, human rights, open market and good governance, which contribute to the liberal security of the region (Joenniemi 2007, 141–142). Comelli and Paciello (2007) argue that the ENP attempts to change the external borders of the EU ‘from areas of demarcation and division to areas of exchange and interaction, thus overcoming the logic ‘inclusion versus exclusion’...and to transform the EU external borders from boundaries to borderlands’ (Comelli and Paciello 2007, 204).

Under this notion, the creation of a ring of friends and the ENP as a recipe for togetherness are conditional upon the performance of the Mediterranean counterparts regarding these issues and upon their will to change.

On the other hand, the second sub-strand of the literature does not attempt to analyse the differences between the EU and the partners. It focuses only on the side of the neighbouring countries and tries to investigate the different perceptions the Southern and the Eastern partners have of the ENP in order to realise the potentials for the success of the policy. At the centre of these analyses there is the political perception and the response to the common values of the ENP and the mutual commitments of these parties.
The political perceptions of the partners about the ENP are directly linked with the social legitimacy of the strategy. As the focus of this research is the Southern rim of the ENP, emphasis will be given to the papers that explore the perceptions of the Arab partners. For these papers, the crucial question is what confers legitimacy. Here, the notion of partnership is highlighted as a source of social authority.

The idea of partnership does not illustrate only a relationship between equal parties, but in the case of the Southern partners the ENP is perceived as a gap-reducing process, meaning that older disagreements and structural variations – the political, economic and social differences - of the partners do not matter significantly (Comelli and Paciello 2007). What plays a significant role is the ways to shorten the distance between the different parties in the issues included in the Action Plans. In other words, the ENP does not simply follow the footsteps of the EMP, but it offers a long-term platform for strengthening the Euro-Mediterranean relations. The statement of the Belgian minister of Foreign Affairs Karel De Gucht (2005) in a conference held in Brussels between the EU and its neighbours, illustrates this logic regarding the problem of migration

‘...for a migration policy that goes well beyond the question of border control, no matter how important the latter is. We need a long-term vision that takes into account the complexities of causes and consequences to migration, as well as the benefits and drawbacks. In other words we have to work on a horizontal approach of migration, across the different departments and levels of government, both nationally and internationally. More coherence between different policy areas is necessary: between migration and development...coherence also between migration and foreign relations, as well as between migration and trade;' (De Gucht 2005, 2) [Emphasis added].

From the side of the recipient states, the statement of the Egyptian Ambassador in Brussels Abdel Latif in a conference about the progress of the ENP illustrates a similar view

‘This relationship culminated in the last decade in a comprehensive partnership addressing all aspects of our relations, based on the principles of mutual respect, equality, shared interests and mutual benefits... Co-ownership is an essential principle for the establishment of a fruitful and sustainable dialogue, understanding and interaction between parties willing to establish an effective relationship of partnership... The Parties of this process jointly, and by consensus, formulated a common vision for a Euro-Mediterranean Partnership centered around the Mediterranean as the cornerstone for their future relations, and a unique regional
framework enabling all parties to express their views on equal footing on all issues of mutual interest, including policies adopted by the European Union with relation to its Southern partners, such as the European Neighbourhood Policy and ways to strengthen it.’ (Abdel Latif 2007, 2) [Emphasis added].

These statements highlight the fact that the governments of the countries outside the EU recognize a cluster of dangers, ranging from migration to illegal trade that they share with the EU with potential negative effects for them domestically. For example, economic instability supplemented with demographic explosion can lead to extensive migration and increased organized crime with subsequent effects on human trafficking affecting both the EU and her neighbors. On the other hand, political stability requires democratic institutions and a strong civil society. Moreover, these countries acknowledge that all the neighbors outside the EU must act in the same manner because unilateral decisions or inaction can aggravate the problem or transfer it into their own territory. Under this notion, good-neighbor ties based on policy coordination, economic assistance and intensified dialogue can help the existing states to mitigate these problems.

The fact that Action Plans are tailor-made, unique for each country and a product of compromises strengthens the idea of ‘ownership’ in the recipient states. Again, the words of the Egyptian ambassador Abdel Latif (2007) illustrate this point

‘...the mechanism of this Policy, the Action Plan, is based on the principle of co-ownership and on Egypt’s reform priorities, and is, therefore, a tool with a value added in supporting Egypt’s efforts to achieve the comprehensive development it aims at, and enhancing the European Union’s role and Egypt-EU cooperation in dealing with the regional and international issues of common interest. We have started with our European partners to implement this Plan, and it is worth mentioning that measures going beyond the Action Plan have already been taken, reaching for a higher level of cooperation in areas such as energy, higher education and scientific research.’ (Abdel Latif 2007, 2–3) [Emphasis added].

This process of formulating stronger relations between the two sides of the Mediterranean Sea that go beyond the implementation of the APs brings to the fore the Europeanization of the North African region. Some authors argue that in the case of the ENP the term ‘Europeanization’ is simply an incremental process through which the EU attempts to transfer to the national administrations of the partner countries all the norms and rules that the EU members share (Gstöhl 2008b; Gänzle
Under this notion, Europeanization is perceived as the adaptation of the EU acquis and the ENP as a stage in a process of closer coordination between the EU and the close neighbourhood.

The outcomes of this process depend on the costs of adaptation, the capacity and the willingness of the partners to respond to the requirements of the APs (Börzel 2010, 11). Studies that concentrate on specific issues included in the APs, such as human rights and democratization, show that it is far from obvious that these countries change significantly (Pace 2009). Interviews with officials from the partner countries illustrate that the costs of Europeanization are too high in politically sensitive areas and the returns are negligible in politically invisible areas, such as the environment (Bechev and Nicolaïdis 2010).

However, other authors go beyond the convergence of regulations to investigate the normative components of Europeanization. In this sense, the term Europeanization represents the projection of a European vision about the future of the neighbourhood and a process that legitimises the presence of the EU internationally (Jones and Clark 2008). In this attempt, the EU is partially successful for various reasons that can be found in both sides of the Mediterranean Sea. The EU does not take into account the neighbours’ priorities (Haukkala 2008), it constructs a discourse which perceives the neighbouring countries as the ‘Other’ and results in the alienation of the partners (Kostadinova 2009). In addition, the scepticism of the Arab countries towards Europeanization when it goes beyond administrative reforms and touches political issues (Jones and Clark 2008, 563) and fears of the westernization of the Muslim societies (Harasimowicz 2007, 84) make the EU’s attempts to change these countries a difficult task. The fact that the EU does not share land borders with the Arab countries and the rhetoric within the EU, which distinguishes the ENP partners into European neighbours and neighbours of Europe increase the worries of these authors, who ask whether or not the EU can promote its norms and values within a single framework.
II. Policy priorities, roles of actors and governing modes of the ENP

The differences in the interpretation of the ENP that are highlighted above are not the only issues that are raised in the related literature. As it happens for every new policy, analysts of the ENP have tried to understand the priorities of the actors and to assess the governing modes of the ENP.

Again, in this case, the related bibliography is divided in different groups. This division follows the two broad aims of the ENP; the stability and the security of the region. Many articles focus on the economic stability of the partners and the main question here is if the EU actually promotes the development of the region or not. Econometric analyses describe developments in the EU/North African trade under the EMP AAs and highlight the existing problems the shallow integration of North African countries impose on the trade relations and development of both regions. Such papers make suggestions for economic policies that deal with behind-the-borders issues in order to improve the trade volumes and to attract more Foreign Direct Investments (FDIs) that can foster the economic growth of the North African partners (Portelli 2004; De Wulf and Maliszewska 2010).

For the more cynical critics of the ENP, the strategy is an attempt to further integrate the Arab partners in the common market for the advantage of the EU (Hettne 2007; Joffé 2007; Holden 2009). The ENP offers economic assistance and aligns the partner countries to the EU acquis in order to change political and economic aspects of the countries of North Africa to promote the EU interests (Holden 2009). Most of these criticisms highlight the straightforward argument, which is related to the economic potentials that the developing markets of the North African states provide to European companies and to the available resources of these states (Missiroli 2003). What is understood through this prism is that the ENP attempts to create asymmetric economic relationships in which the partners’ economies will be complementary to that of the EU (Holden 2009, 9).

At the political/security level, the security threats that the countries of North Africa and the other Arab countries have signalled to the EU, especially from the 1990s onwards, are used to illustrate the political exploitation over the close region. In this respect the ENP is perceived as a strategy of the EU to maximize its security (Johansson-Nogués 2004, 242; Zaiotti 2007; Barbé and Johansson-Nogués 2008,
From this perspective, the ENP creates a fence between the EU and the close region. According to Zaiotti

“The European Neighbourhood Policy is actually reproducing - if not reinforcing - some of the existing barriers between the EU and its neighbours and, more problematically, is creating new ones. There is therefore an inherent tension within the ENP between the goal of ‘friendship’ and the construction of ‘fences’” (Zaiotti 2007, 144).

Zaiotti’s article is an attempt to illustrate the relations between the Schengen Agreement and the ENP. For Zaiotti the spirit of the former agreement informs the latter initiative. The ENP forces the partner countries to take more actions in order to stop any threats before these reach Europe and to keep out of the EU anyone that the EU member states consider as a potential danger (Zaiotti 2007, p149).

This sort of connection between the Schengen Agreement and the ENP sees the partner countries as a buffer zone of the EU, which seeks to further securitize its borders. Under these conditions the ENP cannot be perceived as strategy that benefits both regions, but at minimum as an unsuccessful strategy to eliminate the dividing lines between the EU and its neighbours. Similarly, Bensaad highlights the ‘Schengenization’ of the ENP and he argues that the ENP exports the tensions of the Schengen Agreement (Bensaad 2007). Holm goes a step further and she criticizes the EU for ‘migration conditionality’, meaning that if the North African regimes do not comply with the EU’s conditions on illegal migration, they will not get any aid support (Holm 2008, 28). The result of the ENP is the movement of the EU borders southwards and the fact that the policy has made North Africa an advanced post for the control of illegal migration (Bilgin 2009, 4). Under this notion, the ENP contributes to the ‘dehumanization’ of migrants and to the increased racism in the area (Daguzan 2005; Lutterbeck 2006; Holm 2008, 27).

This kind of exploitation helps the analysts of the ENP to understand the relationship between material and ideological aspects of power, the function of capitalism at the regional level and the priorities of the EU. However, the ENP is also used as a case study for understanding how the EU ensures the participation of the partner countries in her strategies. The focus of these studies is not on the beneficiaries of the ENP, but on the modes of governance through which the EU organises her external relations (Cambini and Franzi 2013; Lavenex and Wichmann 2009).
Articles on these matters focus on the emergence of networks and on the applicability of transgovernmentalism for understanding the relations of the EU with the close region (Lavenex and Wichmann 2009). These studies underline the fact that a key feature of the ENP is the growth of horizontal networks of various types (information, implementation, regulatory), which are responsible for the deeper integration of the partner countries in certain areas (such as Justice and Home Affairs (JHA) and energy) and the EU’s indirect network-based rules promotion (Cambini and Franzi 2013). Therefore, it is not the adoption of the EU legislation that matters, but the operational cooperation of these networks for the successful expansion of the internal sphere of governance outwards.

Towards the Mediterranean partners, the simultaneous existence of different policy frames (the EMP, the ENP and the UfM) informs the debate about the multiple institutional arrangements which have been created after 1995 to govern the Euro-Mediterranean relations (Cardwell 2011). The differences between the institutional components of the policies (Johansson-Nogués 2011), the importance of the actors involved in the formation of the Euro-Mediterranean strategies (Heijl 2007; Gillespie 2011a; Gillespie 2011b), the failures of previous governance modes in specific sectors (such as energy) that inform later frameworks (Darbouche 2011) and the shift from regionalism to bilateralism regarding the organisational context of the Euro-Mediterranean agreements (Bicchi 2011) are the main issues that are discussed for the development of the Euro-Mediterranean policy frameworks.

Criticisms about the governance modes of the ENP, which serve the self-interest of the EU, are followed by questions about the reasons why the partner countries remain in this relationship. The answers to this question are informed by IR theories which draw lessons from different schools of thought. For example, analysts that rely on realist (and Marxist) ideas to explain the policy argue that the partner countries stay in this agreement, because they will be worse off if they deviate (Holden 2009). The method that the EU uses to monitor the behaviour of the ENP members takes action through the progress reports that the EC does every 18 months and through the introduction of technical subcommittees consisting of the EU member states, the EC and the ENP countries to supervise the implementation and set the priorities of the programmes (Lavenex and Wichmann 2009, 820).
Here, constructivism, culture and ideas are not irrelevant, but have an instrumental role. Paraphrasing Gramsci, ideas and norms are used to establish the hegemony of the EU in the close region. The strategies that the EU exercises to establish its hegemony are promise and reward and financial assistance is the main tool that serves these tactics. By promise I mean that the EU indicates to the recipient states the prospect of benefiting if they behave in the desired way (Isaković 2000, 111). The rhetoric of mutual benefit found in every European paper displays this promise. Reward correlates with this promise and implies actions that benefit the states of the close region, which fulfil their political commitments to adopt the EU reforms signed in the Action Plans. Aid is the main economic tool that supports this continuation of ‘good’ behaviour.

Alternatively, positive constructivist accounts of the role of the EU in the region offer different explanations about the reasons why partners stay in the policy. Again, the interpretation of the ENP is central to the understanding of their interests. These interests are endogenous to the ENP and the actions of the partners depend on the cognitive and moral maps that the ENP provides. Here, the norms and the communication between the partners are central elements that affect their preferences (Del Sarto and Schumacher 2005; Tulmets 2007; Barbé and Johansson-Nogués 2008). In this case, the EU is perceived as a benevolent actor that tries to communicate its norms and modus operandi to the neighbouring countries. Civilian or normative power are some of the favoured terms that are used to explain the role of the EU (Haukkala 2008). The words of Tassinari capture the way that these ideas are interpreted in the related bibliography. These ideas implicitly mean that

‘Brussels is an inherently civilian and ‘soft’ power: the EU does not aim to impose but to persuade its neighbours; it does not aim to coerce them but to attract them’ (Tassinari 2005, 5).

In general terms, studies that see the ENP as a positive step towards closer relations between the two regions perceive the policy as a relationship between two actors with different roles. For the proponents of the strategy, the role of the EU is to provide the funds in this relationship, to work as a stabilizer of the economies of its partners and as an example to be followed. The term ‘Europeanization of the
neighbourhood’ signifies the capacity of the EU to work as a teacher and to create a wider market by including its neighbours. By providing aid funds, the EU mitigates the costs of this transition and enforces cooperation among states, even if we assume that the EU does care about its material interests. It is in this way that the proponents of the ENP distinguish exploitation from partnership. Even if the EU is the strongest link of this relationship, it strengthens the voice of the developing partners and prepares them for deeper integration into the EU.

III. Evaluating the ENP: Performance and efficiency problems
The discussion about the governing modes of the ENP is not followed only by questions about the partners’ position, but also by an analysis of the performance of the existing institutions and from policy suggestions for the improvement of the policy. Several studies highlight the political weakness of the ENP to change the structures of the close region and the low political status of the policy, which has not yet yield significant results (Comelli and Paciello 2007; Pace 2009; Bechev and Nicolaïdis 2010). In this case, they urge the EU member states to be more determined and intensify the political dialogue with the partners in order to overcome the political paralysis (Ortega 2003, 101; Pardo 2008). Lippert suggests a new type of association with the neighbouring countries and a pan-European Confederation of Tasks for the modernisation of the partners, which in terms of membership resembles the Council of Europe, but with more solid structures (Lippert 2006). Bechev and Nicolaïdis (2010) offer a different solution and they call on the EU to give to the ENP a higher political profile through the decentralisation of the policy (Bechev and Nicolaïdis 2010). Such changes could give a different vision and a higher political status to the strategy.

Plans for the improvement of the EU relations with the neighbouring countries do not cover only such big-scale alterations as these in Lippert’s work. Many authors suggest smaller changes of the ENP, which can make the policy more efficient and minimize the transaction costs of the first single framework for the entire neighbourhood (Turkey and Russia have different agreements with the EU) (Emerson and Noutcheva 2005; Jones and Emerson 2005; Kaczynski and Kazmierkiewicz 2005; Emerson et al. 2007; Meloni 2007).
These papers concede that the ENP is better than the previous policies towards the close region, but not good enough. They admit that the Action Plans are more precise than the vague AAs of the Barcelona Process (Del Sarto and Schumacher 2005; Emerson and Noutcheva 2005), but there are still some operational difficulties and unclear points, which slow down the modernisation of the partners (Smith 2005, 764–765; Balfour and Missiroli 2007).

A wide range of suggestions starting from very general ideas down to more specific policy recommendations are given by the analysts of the ENP in order to overcome some of these deficiencies. Some rather unclear views for the improvement of the ENP propose more open discussions and to leave the ENP not only to the hands of politicians and diplomats, but to those of other experts (Senyücel et al. 2006; Pardo 2008, 72). Such commentaries seem very short to comprise the comprehensiveness and the complexities of the ENP and they have very weak analytical value. Yet, other suggestions are more precise. For example instead of country specific reforms in the energy sector, Escribano suggests corridor-specific policies in order to create an ENP energy community (Escribano 2010). Comelli and Paciello propose a more flexible visa regime to mitigate the refusal of full membership and a direct EU budget line for the local NGOs (Comelli and Paciello 2007). Four years before the Arab Spring, Haddat and Pogodda had suggested the engagement of the EU with mainstream Islamist movements to support the democratic reforms in the Arab countries (Haddad and Pogodda 2006).

Jones and Emerson highlight the need from the side of the partner countries to define their priorities more clearly when they communicate with the EC and suggest to the latter stronger cooperation with the other international organisations that work in the area (such as the International Monetary Fund (IMF) and the World Bank) (Jones and Emerson 2005). Others suggest the categorization of the recipient states in ‘willing’ and ‘passive’ partners, which will be accompanied by the adoption of different incentive packages in order to make the strategy more efficient (Comelli and Paciello 2007; Emerson et al. 2007, 5; Bodenstein and Furness 2009). This suggestion is supported by the complaints of some recipient states about the uniform approach of the EU, which puts all the neighbours in the same basket and does not recognize the efforts of the states that reform their institutions faster than the others.
For example, through the unsuccessful attempt of Morocco to join the EU, the country has shown evidence that it wants closer connections with Europe and that it attempts to change its political system (Baracani 2007). However, the EU has appreciated the progress of some partner countries and it rewarded the performance of Ukraine, Moldova, Israel and Morocco with more advanced integration packages (European Commission 2008a).

**Conclusion**

This chapter attempted to summarize, evaluate and criticize the most important papers on the ENP and on the development of the Euro-Mediterranean relations. To determine the design of these works a range of different approaches related to IR, integration theories and comparative politics have been used. Yet, the related literature leaves some questions unanswered. My assumption starts from the point that if there is never a general interest that embraces all possible particular interests, then we must define which interests the ENP marginalizes in order to privilege others not only from an EU/North African angle, but also which interests are benefited within the EU.

Articles that are critical to the role of the EU fail to clarify the specific interests that gain from this relationship. As mentioned above, these criticisms highlight the neoliberal concepts of privatisation, deregulation and liberalization of the market that facilitate the creation of a free market area, which creates new opportunities for Europe. Through this prism, the EU attempts to create asymmetric economic relationships, in which the partner’s economies will be complementary to that of the EU (Holden 2009, 9). So the fact that the related literature does not specify whether the beneficiaries of the EMP and the ENP are the dominant European classes, the big European member states or specific sectors of the European economy leaves unanswered the role of the social forces in the ENP.

Therefore, a more precise definition of the different interests that are involved in the ENP and how they influence the economic development of the partners is needed. To do that, a sectoral approach which at the same time takes into consideration the different levels of relations between the ENP actors is followed, because this method makes clear which interest groups win and which lose from the policy (Talani 2011).
As stated in the introduction, the main focus is on the economic sphere of the ENP, because economic reforms and projects are perceived as the main levers for the development of the partner countries and absorb the vast majority of aid funds. However, before going to the analysis of the role of the different interest groups, the next chapter will answer the first theoretical question of this thesis, which is about the adequacy of the integration theories to explain the ENP.
Chapter 2 The ENP and integration theories

Introduction
Historically, EU studies show that the development of the EU was accompanied by the prevalence of certain theoretical divides. During the first decades of its existence, EU studies drew examples from international relations theories. Neo-functionalism and intergovernmentalism emerged in order to explain the process of European integration. The central tenet of neo-functionalism is that European integration is an outcome of a spill-over effect coming from the integration of individual sectors. In contrast, intergovernmentalism is based on the assumption that states are the primary actors behind integration. After the stagnation of the 1970s, the revival of the vision of the single market reformulated neo-functionalism and the belief that increasing transactions between the member states would lead to a form of supranational governance.

Meanwhile, the input of comparative politics and public policy studies illustrated a different function of the EU, that of a polity. This different perception of the EU from a mere international organisation to a more complicated system triggered a different theoretical conflict, this time between supranationalism and intergovernmentalism. In the 1990s the work of Moravcsik on liberal intergovernmentalism added a subtle nuance in this division. Furthermore, the general literature has been characterized by the rediscovery of multilevel governance and a new split between rationalism and constructivism.

This section focuses on these theoretical approaches, paying particular attention to the different views on the role of the interacting actors in the decision-making process. As stated in the previous chapter, the interesting question for this analysis is how far can these theories be used to explain the formation of the ENP? Hence, the following sections attempt to show the limits of the aforementioned approaches about the nature and role of the ENP and not to summarize the current debate. The discussion starts by demonstrating the links between integration theories and the ENP. The main idea is to describe the conceptual link between EU external development policies and the process of European integration in order to explore how the EU works and why. The discussion concludes with a comparative analysis, which shows the shortcomings of the existing theoretical works and how my own
approach can help to reconceptualise the ENP and to capture the role of the different actors involved in the policy

**Intergovernmentalism**

Intergovernmentalism emerged in the 1960s as a reaction to neo-functionalism and it is based on the core assumptions of realism. These assumptions highlight the significance of power and rationality and the fact that states are perceived as the primary actors in the international arena. In short, in the global context, states seek to maximize their power and their interests are primarily defined in geopolitical/security terms. As stated, rationality is the other key assumption of realism, meaning that state actions are based on rational calculations about expected results. In neorealist writings, the most powerful form of realism, changes in the international level trigger foreign imperatives, meaning that foreign policies are reactive and that even if domestic actors are active participants, it is the international environment that determines foreign policies (Moravcsik 1993, 5).

Given that power and states are the main driving forces behind realism, intergovernmentalism places national governments at the centre of EU decision-making. Again, drawing lessons from realism, theorists of intergovernmentalism assume that states are unitary actors, meaning that the political elite and the public share the same conception of the national interest. Furthermore, states make rational choices meaning that their actions are predictable (Hix 2005, 374–375). Given the significance of the state in the international arena, intergovernmentalists acknowledge the existence of the EU basically as an advanced place where national governments can demonstrate and negotiate their foreign policies (Ginsberg 2001, 34). So, the EU’s foreign policies come as a product of the interstate bargain between member states with stable domestic preferences and the ability to control domestic interest groups. Also, their relative power inside the EU forms the final outcome of the negotiations.

The pillar structure of the EU reinforced an intergovernmental approach to foreign policies. The construction of the Common Foreign and Security Policy (CFSP) did not allow much space for the other EU institutions, namely the EC and the European Parliament (EP). Indeed, many writings regarding the ENP implicitly adopt a realist
approach towards the policy (Asmus and Jackson 2004; Cichocki 2004; Tassinari 2005; Alieva 2006; Buscaneanu 2006; Paczynski et al. 2007; Pop and Manoleli 2007; Sasse 2008). These analysts illustrate the cause-effect relationship between an external shock (the collapse of the iron curtain) and the formation of the ENP, meaning that the ENP is a reactive policy towards a change in the international environment (Aydin 2004; Cichocki 2004; Emerson and Noutcheva 2005; Tassinari 2005; Dodini and Fantini 2006; Pop and Manoleli 2007; Sasse 2008). Regarding the North African countries, the fear of terrorism and migration, but above all of further marginalization of the Southern neighbors if not included in the ENP, dominates the related literature (Lefebvre 2006, 21; Comelli and Paciello 2007; Pace 2009, 42). The latter threat leads some analysts to argue that the ENP does not necessarily show a change of the EU’s attitude towards the countries of North Africa, and that the new policy leads to a zero-sum game (Zaiotti 2007).

A different version of intergovernmentalism, which informs this thesis, is Moravcsik’s liberal intergovernmentalism. Moravcsik’s version draws lessons from contemporary theories of international political economy and from Putnam’s two-level game theory and elaborates further the intergovernmental bargain inside the EU. Under the notion of liberal intergovernmentalism, Moravcsik affirms that the main drivers of integration are the member states and that the EU forms an intergovernmental regime. His main assumption (which strongly resembles Putnam’s theory) and deviation from the classical realist narrative, which sees states as actors with stable preferences is

‘that state behaviour reflects the rational actions of governments constrained at home by domestic societal pressures and abroad by their strategic environment’ (Moravcsik 1993, 474).

This shows that for Moravscik states do not have the unquestionable ability to manipulate the domestic environment and pressure groups, nor are their domestic preferences fixed. His framework has three main components. The first is that states are rational actors, meaning that their moves on the international chessboard are an outcome of a costs-and-benefits equation. Influenced from liberal theories on national preferences formation, the second element is that foreign policies alter reflecting the changing domestic environment and the fact that states do not have constant domestic preferences. This notion about the domestic environment
separates Moravscik’s analysis from the other realist approaches described above. Firstly, foreign policies are not only about geopolitics and security, but other domestic interests can shape the agenda, most notably, economic interests. Moreover, domestic groups do not just complement the analysis of international relations as realists claim, but they influence heavily foreign policies and this latter element represents the third component of his framework.

Under this perspective, liberal intergovernmentalism can offer a deeper insight about the formation of the foreign agenda of the EU member states and about the creation of the ENP than the classical analysis based on realism. Continuing to treat states’ diplomacy as a consistent preference function, the fact that this is not fixed or uniform shows better the different approaches and the political strife between the member states regarding the ENP. In the following pages we will see how domestic interests shape the preferences of the member states and how states interact in order to achieve political co-operation.

**Neo-functionalism**

Neo-functionalism has been applied to the integration process since the 1950s and its intellectual roots come from functionalist and communication theories. Haas and Lindberg are among the most influential neo-functional writers emphasizing the role of technocratic decision-making, incremental change and learning processes (Lindberg 1963; Haas 1968). Without denying that states are important, this theory argues that supranational actors may be more significant in explaining integration. Another fundamental assumption is that when established, supranational institutions can increase their own powers, escape from the control of their principals and influence the perceptions of the other participants and governments’ interests. The aforementioned idea of spill-over is at the heart of the theory. The logic is that economic sectors are interdependent and integration in one sector at the regional level pushes the integration of other sectors, as problems arising from the functional integration in one task can be solved by integrating more activities. This expansive logic pushes states to cooperate and it is characterized by a positive sum game.

Within the ENP context, firstly it is important to see how the underlying assumption of neo-functionalism, that has to do with the role of the supranational institutions in the
EU policies, has been used to explain the decision-making process and secondly, what is the role of the spill-over effect on the policy and over the provided assistance.

For some authors the ENP is an administrative baby of the EC, which since the beginning was leading the development of the policy. For example, Kelley argues that the ENP was born in the corridors of DG Enlargement and Canciani that the EC was the body that realised the problem of facilitating cross-border cooperation (Canciani 2007; Kelley 2006). The argument of the latter author was that the EC successfully managed to highlight the fact that better cooperation needs simplified procedures and that the existence of many external relations instruments could create dividing lines between the neighbours of the EU and put in danger the cooperative character of the ENP. Based on her knowledge and capacity the EC could curb the resistance of the EP and the European Council to resist these reforms (Canciani 2007). The official status of the EC as the sole representative of the EU abroad reproduces also the power of the EC, which puts pressure on the Southern partners to adopt the EU’s rules (Cambini and Franzi 2013, 2).

Considering the spill-over effect on the ENP, neo-functionalist argue that the decision of the EU to create a ‘ring of friends’ has influenced more areas than the geopolitical security of the Union. The claim that the security of the EU is related to the stability of the outer neighbourhood provides the opportunity for spill-over from CFSP to development policy. The formation of the Action Plans shows that the security of the EU cannot be seen separately from the development of other various sectors and that the initiative has necessitated a common response to questions as diverse as immigration, environmental and trade sanctions and regulatory convergence, revealing the interdependence of those issues and the need of further cooperation. As stated above, many argue that the ENP is a cross-border cooperation component and that by financing joint operational programmes the ENPI will bring together the participants indicating the positive effects of the policy for every member.
Multilevel Governance
Multilevel Governance relies on neo-functional elements and it forms one of the most important conceptual developments of the 1990s. This theory suggests that decision-making in the EU involves multilevel activity. This assumption recognizes not only the existence of national governments in the EU but of many different actors across different policy levels (Peters and Pierre 2009, 95). These actors and levels are characterized ‘by mutual dependence, complementary functions and overlapping competences’ (Marks et al. 1996, 378). This means that member states share their decision-making authority with other actors and among them with the supranational institutions. The implementation of the European directives highlights the core of this complex model. The formal procedure is that the EC initiates legislation but the agenda-setting process is open to various actors national and social (Peters 2001, 69). Given the limited implementation capacity of the EC this procedure shows that the EC depends upon the various actors to put policy choices into effect and the actors rely on the EC to promote their interests in the EU level. This complexity constrains the power of the states and introduces multiple actors in the decision-making process, such as regional governments and NGOs.

Under the multilevel governance framework, the ENP can be seen as a multi-layer policy. The recognition of other actors, such as sub-national actors, the recipient states and the Commission suggests that the ENP can be a subject of a more extreme form of multilevel governance than that found in the internal EU policies. As noted above, the conflict between the EC and the EP illustrates the multilevel process of the formation of the ENP. The rhetoric about the composition of the Action Plans provides another example of multilevel governance. These papers are an outcome of the negotiations between the EC and the neighbors of the EU and their unique character illustrates not only the different priorities among the recipient states, but also the relative power of their national government and the different positions of their domestic interest groups regarding the ENP. In other words, multilevel governance, sympathetic to the neo-functional approach of the supranational institutions, theorizes the interacting nature of different policy levels (local, regional, national, international) in the ENP process and the enhanced role of actors at the expense of the states’ power.
**Constructivism**

The aforementioned theories - intergovernmentalism, neo-functionalism, multilevel governance rely on a rationalist logic to explain European integration (Risse 2009, 146) and in the same manner explain the EU’s external relations. The emphasis of these theories is on the actions and on the power game between rational actors, whether these are states, the EU institutions or other agents. Yet, the failure of the main theories of international relations to anticipate the end of the Cold War opened up a space for the rise of constructivism. By the end of the 1990s, constructivism entered the field of EU studies leading to a new divide with rationalist theories.

Constructivism is based on three propositions. The first is that normative and ideational structures are just as important as material structures. This means that shared ideas, systems of common values and beliefs can also influence the political actions. Material resources and power are not the only conditions that shape political outcomes and their meaning derives ‘from the shared knowledge in which they are embedded’ (Burchill et al. 2009, 220). The other characteristic of constructivism is that the actors’ interests are not exogenously determined, but actors’ identities inform their actions. Lastly, constructivism emphasizes the mutual constitutiveness of agency and structure (Risse 2009, 147), meaning that ideas define the actions of actors and at the same time these actions maintain ideational structures.

At the EU level, constructivism gives a more profound role to the EU institutions making the differences with neo-fuctionalism less clearly discerned. However, constructivism highlights the importance of norms on agents’ behaviour and hence the role of the EC in diffusing these norms and ideas. As stated in the literature review constructivism is among the dominant theoretical frameworks under which Euro-Mediterranean relations are analysed after the EMP (Costalli 2009). By stressing the role of norms within the EU institutions, constructivism sees the EC not as a passive mechanism, but as a structure with its own preferences and internal dynamics.

Such works view the changes of the North African regulations as an outcome of the normative power of the EU, which through her networks persuades the Southern partners to change their rules (Adler and Crawford 2006; Cambini and Franzi 2013). Moreover, constructivism provides useful insights about the attempt of the EU to
Europeanize the close region (an element stressed in the related bibliography) and its emphasis on the promotion of the core liberal ideas and values (Schimmelfennig 2009, 17). The promotion of these ideas externally maintains these ideas also internally. The engagement of the EC in the ENP strengthens not only these ideas, but also the role of the EC internally, showing that regional agreements have indirect effects on the internal environment.

**Limits of integration theories and the importance of a level-game approach in the analysis of the ENP**

Having analysed how integration theories inform us about the nature of the ENP, we need to clarify how the strategy of the EU has been decided within the EU institutions. By explaining the EU decision-making process, we can see which actor plays a leading role regarding the ENP and which conditions leadership is contingent upon. In the previous sections, I showed that integration theories that typically explain internal processes of European integration are relevant to Europe’s external development policies. However, which one can better describe the European foreign policy-making regarding the ENP?

Firstly, we need to define whether a rationalist or a constructivist explanation should be used to explore the decision-making process. Under constructivism, the general understanding is that actors are affected by EU social norms and that these values constitute their preferences. Regarding the EU/North Africa relations constructivism can inform us about the accumulation of experiences of cooperation between the two sides and on the ENP level about actors’ strategies, which are socially informed by these longer-term values and experiences. Yet, putting the ideational structures at the front as self-fulfilling prophecies means that EU social norms define predominantly states’ interests. This approach does not allow any space to theorize the role of material interests in the actors’ agenda. The main problem that remains unsolved is how the material interests of states inform the EU norms. With this in mind, rationalist self-interest should not be forgotten.

Actually, the prominence of material interests of the states becomes clearer when one takes a better look at the reforms that are decided in the APs. The first thing that becomes obvious from the analysis of the APs is the prominence of the economic sphere (in terms of financial support for the reforms and more detailed targets) over
the other two areas of the agreements. Even if the Arab Spring changed the balance between the economic and the political reforms that the North African countries need to do, the majority of funds still go to the former sphere. The significance of the material interests becomes even more explicit when the implementation of the ENP reforms will be analysed (in Chapter Five).

The rationality of actors, who give more emphasis to their hard interests than to other values, is highlighted many times in the history of Euro-Mediterranean relations. The Schengenization of the North African partners at the security level (Bensaad 2007; Zaiotti 2007), the problematic understanding of democracy promotion which serves other purposes (Pace 2009), the partial implementation of ideas by the EU (which promotes the idea of the free market, but at the same time puts restrictions in agricultural trade and on the free movement of people) and the exploitation of the liberal norms by the partner countries for achieving economic gains (Dillman 2002) illustrate the limited impact of normative values in the development of the ENP.

Yet, rationalism should not be used as a vehicle for an old-style realist explanation of the decision-making process. This sort of analysis is too static and it neglects the role of the various domestic interest groups in each member state and the impact of the other EU institutions in the construction of the ENP. Therefore, a more sophisticated analysis is necessary to explain the decision-making framework of the ENP.

Keeping in mind that rationalism is an important element of the ENP and that the EU institutions participate in the process, we need to define whether neo-functionalism can explain the decision-making process. As shown above, this theory can explain certain parameters of the ENP, yet can it conceptualize comprehensively the ENP process? Even if it recognizes the role of the EU institutions and of the economy on the decision-making process, the main weakness of this approach is that it remains apolitical and it fails to explain how the domestic interests form political alliances and how they influence states’ decisions (Moravcsik 1993, 477). Lindberg and Scheingold argue that

‘neo-functionalism describes domestic processes, but says little about basic causes of variation in national demands of integration’ (Lindberg and Scheingold 1970, 284).
For the analysis of ENP neo-functionalism holds two problems. The first is that it fails to appreciate states’ trade policies and decisions on the basis of domestic pressures from certain coalitions and to appreciate the analogies of interstate cooperation at the EU and international level. The second problem is related to the spill-over effects that are supposed to occur from the deeper integration of the North African economies into the EU market. As the next chapter of this thesis shows the autonomy of the supranational institutions should not be overstressed as EU member states played a catalytic role in the development of the ENP. In addition, neo-functionalists argue that functional spill-overs result from the threats that the incomplete integration of national economies poses to the effectiveness of existing policies. In this case, the deepening of policy coordination comes as a necessary (and unavoidable) solution to overcome economic distortions. However even if the ENP is meant to deepen the relations between the Southern partners and the EU the APs are not fully implemented. Functional spill-overs remain partial phenomena and definitely are not automatic in nature. They are undermined by governments, which work under domestic pressures.

From this perspective, an approach that considers equally the rational character of the participants and their influence at every stage of the process can better explain the decision-making framework of the ENP. As stated in the introduction, the explanation of this process is inspired by Putnam’s argument and expands his two-level game analysis to a three-level process (Patterson 1997). Yet, before unfolding the dynamics of each level, it is necessary to explain the characteristics of Putnam’s analysis in more detail and compare them with alternative explanations of how domestic politics influence further trade liberalization.

Putnam’s initial assumption is that both domestic and international politics matter in the conclusion of an international agreement. Statesmen bargain with other negotiators at the international level while they hold separate discussions with each group of constituents about the ratification of the agreement. Ratification does not necessarily have a formal character and it is not only a parliamentary matter. It embraces different social actors (such as interest groups and public opinion), it asks for general consent about the process and coordination between (and within) state
agencies and social actors for the successful implementation of the agreement (Putnam 1988, 436).

So in this case it is important to understand how the domestic environment informs decisions at the international level. Here, what plays a key role in conducting an agreement is the ‘win-set’ of every side. According to Putnam, the win-set is the sum of these coalitions, which form the majority among the constituents and allow the government to reach an agreement (Putnam 1988, 437). In an ideal scenario the conclusion of an agreement is an easy job for statesmen when they represent large domestic win-sets. This happens simply because the preferences of a wide domestic coalition in one country are very likely to overlap with the priorities of the other country’s win-set. Conversely, small win-sets hinder the efforts of state representatives to reach an agreement.

The construction of small win-sets often leads to unsuccessful outcomes, because politicians cannot pass the discussed issues in their countries. Yet, what Putnam calls ‘involuntary defection’ of statesmen from the negotiations table is not always the reason why international agreements are not reached. There are cases where small win-sets provide a useful excuse for the partial implementation of the agreement, but it is not the only parameter that counts. A negotiator can voluntarily defect if the agreement is not legally binding and the other side proceeds first to its ratification and to domestic changes, despite the power of the domestic win-sets.

In this case, the defector attempts to interpret his actions as involuntary for reputational reasons. To retain their credibility in the international stage, politicians seek to show that it is the small size of the win-set in their country that does not give to the government the strength to proceed to the necessary reforms (Putnam 1988, 439). At this point, some similarities between Putnam’s assumptions and the ENP are striking. The AP are non-legally binding documents and according to the ENP evaluation reports the North African countries implement some parts of the APs, but not others. So, one of the main questions regarding the implementation of the ENP is whether or not the piecemeal implementation of the APs is a matter of voluntary or involuntary defection. This discussion follows in the next chapters.
Another characteristic of Putnam’s work is that it determines the size of the win-set on a single axis. On one end, we can find the isolationist groups, which oppose international cooperation (and trade liberalization) and on the other are gathered all the supporters of increased trade openness (Putnam 1988, 443). In situations where the costs and benefits fall on the shoulders of specific actors the mobilisation of the domestic groups is more intensive. At this point, the skills of politicians are demonstrated by their ability to trade-off across different issues in order to achieve an agreement. This counter mobilisation of interest groups and the synergistic linkage of different issues can be found in the literature of the political economy of Euro-Mediterranean relations, especially when analysts compare the preferences of European agricultural lobbies with those of the European exporters (Montanari 2007).

Yet, as shown in the next chapters, this is not the only factor that determines the power of the domestic interest groups and more elaboration is needed in order to understand which parameters shape the societal demands for protection or for increased international cooperation. Besides the societal counter mobilisation argument, sectoral attrition provides useful insights for the erosion of the size of protectionist groups. According to this explanation, the impact of the increased international competition determines the power of societal actors (Hanson 1998, 61). In other words, uncompetitive sectors lose their political and economic significance and their size diminishes to the extent that they are not strong enough to resist any reforms. In addition, the increasing dependence of one sector to the global political economy can drive subgroups of one sector to different preferences and to a change of their protectionist orientation, which weakens the overall power of the group (Hanson 1998, 61). Sectoral internationalization is a very useful tool to realise the internal dynamics within a sector and changes in the size of domestic coalitions.

The different explanations about the role of interest groups politics have helped to enrich Putnam’s level-game analysis, but interest groups are not the only actors that shape domestic politics and are not necessarily the most influential ones. State-centered approaches which rest on the assumption that formal institutions and state bureaucracies define policy outcomes are often used to explain foreign policies (Garrett 1995). However, are these approaches more appropriate to explain the
economic parameters of the ENP than the societal actor approach that is followed in this thesis?

Contrary to the theoretically uncertain interactions between domestic and international politics of the state-centered literature (Putnam 1988, 433), one of the main merits of the societal actor approach is that it provides testable hypotheses (Talani 2011). Yet, the provision of testable findings does not mean that societal actor approaches are more appropriate than state-based theories to explain the ENP. Nor is it good enough to generalize and argue that by definition any economic policy mobilises business interests willing to create alignments in order to shape final decisions. It is the nature of the APs and of the policy outcomes at stake, which show that societal actor approaches are better to explain the economic sphere of the ENP. The APs are soft law agreements, which were not scrutinized in most European parliaments and they were not a subject of conflict between parties or other national institutions. In addition, the fact that the main aim of the ENP is to change the regulations of the partner countries makes the policy different from other international agreements in the sense that in the short-term regulatory decisions determine who will win and who will be deprived. Changes in the regulations affect all individual companies of the same sector roughly in the same way and as Lowi correctly mentioned as early as in 1964

‘Since the most stable lines of perceived common impact are the basic sectors of the economy, regulatory decisions are cumulative largely along sectoral lines; regulatory policies are usually aggregable only down to the sector level [...] the typical political coalition is born of conflict and compromise among tangential interests that usually involve a total sector of the economy’ (Lowi 1964, 691–696).

But, is the sectoral approach more appropriate to define the impact of the domestic interest groups on the formation of the economic agenda of the ENP than class-based approaches? Heavily influenced by Marxist writings, class-based theories generally perceive the differences between workers and capitalists as the most important element in the analysis of the economy. In other words, the competition among these classes shapes the economic agenda of the states. However, the ENP is not a redistributive policy, even if certain winners and losers emerge from regulatory changes. As stated in the literature review, studies that distinguish winners from losers rely on broad regional categorizations (Hettne 2007; Joffé 2007;
Holden 2009). These studies support the idea that the EU becomes richer at the expense of its partners. Yet, the problem is that in these articles the conclusions are generic and they fail to explicitly show who exactly gains from the strategy and whether the dominant classes gain at the expense of their workers.

This happens because at the international level, the EU workers have cross-cutting interests (Frieden 1991, 438). For example, in the long term, agricultural workers have the same interests with industrial workers, but in the short term, and regarding the ENP policies, they share the same interests with their managers of the same industry. The gains in one sector are distributed to everyone involved in the sector (even if not equally). This is the main merit of the sectoral approach when it is compared with class-based theories. This analytical platform informs us about the costs and benefits of each sector and makes clear which interest groups win and which lose from the policy. So from this perspective, the domestic politics of the EU member states regarding the ENP are shaped primarily on sectoral lines, nor by class interests.

Furthermore, Putnam highlights two other issues as important for reaching international agreements. The first is related to the politicization of the discussed issues and the second to state autonomy. As discussed earlier, the low profile of the ENP reforms and the soft character of the Action Plans have increased the negotiating flexibility of both sides and they helped the EU and the partner countries to reach an agreement. However, what deserves more attention is the role of state strength in the ratification of an agreement. Putnam argues that the greater the autonomy of decision makers from domestic pressures the easier it is to reach an agreement (Putnam 1988, 449). Especially in the case of the North African partners, the state dominance over the economy is widely acknowledged (Hakimian 2003; Owen 2004; Richards and Waterbury 2007; Dawson 2009; Sayan 2011) and it is crucial to understand the development of the ENP.

Yet, what must be noted here is that the regulatory reforms that the ENP promotes in the North African states affect the priorities of the North African governments, which try to balance on a thin line. The main issue for them is not about Putnam’s idea of suasive or positive reverberation (in other words the efforts of North African
statesmen are not to expand their win-sets to the EU), but to make sure that they do not lose their political power over the domestic environment and at the same time apply the actions of the ENP agreements. In this case, the preferences of the chief negotiators do not necessarily converge with those of the majority and the domestic situation in the North African states differs from that in the European countries. That is why in the case of the North African states it is not enough to realise the sectoral preferences, but also to assess the power of the state elites.

A brief, but important clarification: Emphasis on state elites should not be confused with an analogous prioritization of state-centered theories for the explanation of the ENP. As stated above (and especially for the North African side), the ENP was not a subject of debate between the legislature and the executive or between other formal institutions. What is mentioned here is that the central executives of the North African countries do not have only a special role as mediators between domestic and EU pressures, but should be considered as a group with its own preferences. These preferences are not necessarily aligned with these of their populaces.

The introduction of the North African state elites and the evaluation of the North African win-sets are important elements for understanding the political economy of Euro-Mediterranean relations within a two-level game framework (three-level for this thesis). Now that the theoretical pillars of this research have been explained a short note should be made about Montanari’s work, the only study so far that has introduced a two-level game approach in the development of the Euro-Mediterranean relations (Montanari 2007), to explain the shortcomings of his study and to compare its findings with the new elements that this thesis wants to highlight.

**The need to revisit two-level explanations of Euro-Mediterranean relations**

Montanari’s work is the only study so far that applies Putnam’s concept on the Euro-Mediterranean agreements after the Barcelona Process. Yet, this analysis is a partial deployment of Putnam’s approach to explain the Euro-Mediterranean economic agreements and as such it remains an incomplete account of the trade integration of the South Mediterranean partners into the EU market. The main problem with this work is that it explains Euro-Mediterranean relations only as an outcome of intra-European negotiations between different EU member states and sectors. In this
respect the two conflicts that emerge are between the North and South EU member states and between the agricultural and industrial sectors. The main priorities of the North European countries (N) are rapid liberalization of markets and low levels of foreign assistance to the Arab Mediterranean countries (they are net contributors to the EU budget), whereas the South European countries (S) are interested more in a slower liberalization of markets and higher levels of aid to the Mediterranean partners. Conversely, the agricultural lobby (A) is protectionist and the European industrial sectors (I) ask for more trade liberalization.

Under these conditions the possible outcomes are the following:

1. `'Protectionism + large financial support (A and S win);`
2. `'Small financial support + protectionism (A and N win);`
3. `'Free trade + small financial support (I and N win);`
4. `'Free trade + large financial support (I and S win)' (Montanari 2007, 1019).`

According to Montanari the winners of these conflicts are the agricultural groups and the North European states, which pursue protectionist measures for their products and small financial support (A and N win). Their success is an outcome of the effective lobbying activities of the farming groups vis-a-vis industrial interests and of the financial constraints of the EU budget that does not allow to the Southern member states to ask for more aid for the Arab partners (Montanari 2007, 1020). This situation is mainly responsible for the poor results of the EMP and even if Montanari is in favour of more aid and trade openness, future arrangements do not seem enough to change the existing framework (Montanari 2007, 1031).

Yet, this conclusion leads to a very schematic picture of the Euro-Mediterranean relations. The first problem that emerges from this study is the absence of the Arab Mediterranean countries in the negotiations of the EMP. For Montanari, the fact that the EU acts as a unitary actor in international trade agreements does not leave much room for manoeuvre to the partner countries (Montanari 2007, 1020). This is true and if we also consider here the economic strength of the EU, which acts as the provider of aid to the North African countries, then the negotiating capacity of the North African partners diminishes even further.
Yet, a comprehensive account of a two-level game analysis of the Euro-Mediterranean trade agreements needs to go beyond discussions at the negotiating table. As Putnam mentions the ratification of the agreements does not consider only the discussions between governments, nor the formal ratification of the agreements from the parliaments of both regions. Following on from this notion, the ratification of the Euro-Mediterranean agreements is a dynamic process, which has to take into account the implementation of the agreed reforms. Thus, the focus of the Euro-Mediterranean trade relations cannot be only on Brussels and on the European capitals, but also on Cairo, Tunis and Rabat. Hence, the evaluation of the power of the North African states has to take into account the implementation of the policies, not only the international meetings of the North African partners with officials from the EU.

Another important weakness of this work is that it applies a shallow interpretation of the European win-sets and their dynamics. Montanari states that (for the reasons mentioned above) the small win-sets win in this equation (Montanari 2007, 1020). Yet, according to Putnam small win-sets enjoy more power than large coalitions only if they have nothing to lose from international agreements. This is not the case for European farmers and Northern states, which have many issues at stake and the problem here is how Montanari measures success.

Montanari mentions the protectionist logic of the AAs in agricultural trade and the levels of aid that the Mediterranean partners received vis-a-vis the New Member States during their accession period in order to demonstrate that the European agricultural producers and North European countries get more than the other groups from these agreements. Yet, such comparisons are static and misleading. Agreements in agricultural trade are evolving and the economic parts of the AA (and the APs) have to be seen more comprehensively. In addition, Mediterranean partners cannot be compared with the accession countries, as the EU never tried to integrate them as full members. The vision of a Mediterranean free-trade market by 2010 cannot be considered as a substitute for accession or as a compatible (and comparable) platform with the accession process.
In order to understand the dynamics of the win-sets and to fully appreciate the economic part of the Euro-Mediterranean relations the politicization of the discussed issues, the reverberation strategies that the domestic coalitions used to increase their effectiveness and their internationalization have to be taken into account. These ideas which inform the (voluntary or involuntary defection of statesmen) are totally absent from Montanari’s work, which sees the domestic game only under sectoral counter mobilisation lenses within Europe. Hence, the Euro-Mediterranean relations as a two-level game should be revisited and include not only an additional level, but also the other aforementioned explanations about societal demands in order to understand the dynamics of the small win-sets, which are perceived as the winners of the EU policies. Under these conditions the three levels of this thesis are formed in the following way.

Level I: The domestic level
At the first level (Level I), the focus of this research is on the impact of domestic interests on national governments’ decisions. Similarly to Putnam’s framework and to Moravcsik’s liberal intergovernmentalism theory, the position of this thesis is that there is a wide range of domestic actors involved in foreign policy-making. This liberal notion of state-society relations leads to the identification of the various domestic groups affected by the ENP, which and what sort of domestic coalitions they form and how these coalitions define the preferences of their governments.

As stated previously, this research will analyse the agricultural, industrial, energy and financial sectors. Given that the main economic objective of the ENP is to deepen the trade relations between the EU and the other Mediterranean countries, the first assumption (which is in line with Montanari’s work) is that the beneficiaries of easier trade will support greater openness, whereas the ones that lose from free trade will demand protection (Putnam 1988; Rogowski 1990, 5).

However, the mobilisation of each group is not the only issue that is going to be discussed at the first level. Starting sectoral mapping from the agricultural sector, one could easily agree with Montanari’s study about the protectionist requests of the European farmers. In Europe, agriculture accounts for less than five per cent of the labour force, meaning that farming groups form a small win-set. Moreover,
agricultural enterprises use land intensively leading farmers to seek protection (Rogowski 1990, 7). Yet, the situation is more complicated than this due to the increased levels of interdependence between the agricultural companies of both regions. The increased synergies between European and North African agricultural firms must be assessed in order to realise the divisions within the farming community and to understand to what extent the agricultural sector should be perceived as a homogeneous group that lobbies successfully for more restrictions.

In the industrial sector an array of factors again determine the development strategy of the domestic groups. The macroeconomic conditions, the nature of the industries (labour-intensive or capital-intensive industries) and the level of interdependence shape the domestic pressures for protection or for free trade. Bhagwati argues that adverse macroeconomic conditions increase the demands and the level for protection (Bhagwati 1988, 61). Following on from this notion, the macroeconomic situation of the countries of the EU and of the North Africa should be analysed in order to understand its impact on the implementation of the suggested reforms.

As macroeconomic factors influence the implementation of the ENP reforms, they will be analysed in the last chapter of this research, which concerns the application of the APs. What must be noted in this level is that even if the declining macroeconomic conditions work as a lever for further insulation from the international competition, there are other interests within the industrial sector that demand liberal economic policies. For example, export interests suffer from protectionist practices and they oppose import-competing industries’ demands for protection. Multinational corporations (MNCs) that hold a big percentage of FDIs in the developing countries are particularly in favour of free trade (Bhagwati 1988, 74).

In this case, MNCs’ influence strategies against protectionism take various forms. Lobbying politicians and policymakers, the production of reports to influence the public and threats to shift production to other destinations are some of the responses of MNCs against trade restrictions. Export-oriented interests can be found in both regions and the sectors that are perceived as spearheads of the North African development are both agriculture and energy.
In Europe, the increasing energy demands from both industries and households and the declining indigenous production of oil and gas have led the EU to seek more energy imports. However, the disputes between Russia and the EU and the political uncertainty in the gas exporting countries of the Middle East and of the sub-Saharan Africa (especially Nigeria) have forced the EU to seek other ways to secure its supplies (Lutterbeck and Engelbrecht 2009, 386). Within Europe, the interests related to energy have called the EU to build stronger relationships with the countries of North Africa (Belkin and Morelli 2007, 17) and this is perceived as a big opportunity for the domestic energy sector of the North African countries. North Africa is actually the only region that will increase the volume of pipeline gas dedicated to Europe (Stern 2006, 15). This is the reason why significant energy cooperation objectives are included in all the ENP Action Plans (European Commission 2006a). For example, in the Action Plan of Egypt, one of the main priorities is related to the development of energy networks including facilitation of natural gas transportation between Egypt and the EU via the Arab gas pipeline (European Commission 2006b, 5).

In services, the circumstances are different. Services include a wide range of activities, but the financial services, communications and transport of goods are considered as the backbone services of the North African economies and their function affects all industries (Muller-Jentsch 2005, 15). The focus of this research is only on the financial sector in which the EU is more decisive in promoting liberalization. Financial activities comprise banking activities, financial advisory services and other specialized forms of lending such as trade financing and loan syndications (Walter 1985). In these instances, European domestic groups are in favour of free trade due to their comparative advantage against the countries of North Africa. This advantage relies on two sources. The first source is skilled labour and the second is capital (Sagari 1989). Moreover, the openness of the financial sector is perceived by many scholars as a necessary policy instrument to achieve a variety of macroeconomic goals (Kireyev 2002; Muller-Jentsch 2005). Under this condition, financial liberalization and the economic stability of the partner countries are perceived as parallel processes (Kireyev 2002, 14). On the other hand, the big

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6 Algeria, Libya and Egypt are the biggest exporters of gas to Europe.
agricultural sector is perceived as a comparative disadvantage for the developing countries, because it absorbs resources from the other sectors (Sagari 1989, 12). From this perspective, the structure of the North African economies decreases the output of the financial services.

On the other hand, there are significant domestic interests in North Africa that do not allow the North African governments to liberalize their financial sector. For example, the governments of the North African countries fear that financial liberalization will lead to macroeconomic problems and that these structural reforms will lead to social unrest (Comelli and Paciello 2007, 6). Due to the unique characteristics of services (they are non-storable and intangible), barriers to trade do not take the form of import tariffs, but the governments create several prohibitions and regulations in order to protect their services from external competition (Hoekman and Kostecki 2001, 246).

**Level II and III: The European and International level**
At level II, the negotiations at the EU level will be analysed. These negotiations refer to the bargaining between the member states and the other EU institutions. In external affairs the EU acts as one unit, thus a single agent is required in order to express the common position. Hence, the main question at this level is to explore how the EU states and the EU institutions have managed to reach an agreement about the content of the ENP.

The first assumption at this level is that member states have strong geographical preferences. For example, Germany had strong economic interests beyond the east borders. More than 800 German NGOs are involved in activities in Belarus alone. Germany desired to further reinforce these strong ties with the Eastern neighbours and to penetrate deeper into these emerging markets. Under these conditions, the ENP was perceived as a tool for the establishment of a new Ostpolitik (Kempe 2007a, 28–30).

On the other hand, for Spain, the EU institutions are used as a shield to protect the country’s bilateral interests in the North African region. According to Garcia and Larramendi

‘Spanish diplomacy, without dissociating itself from EU positions, acts as a mediator vis-à-vis the Maghrebian regime in order not to lose the position it has achieved with
them. It therefore tries to neutralize the positions of other EU countries that are geographically remote from the Maghreb, have less direct interests in the region and thus place the issue of human rights before economic and security relations’ (Garcia and de Larramendi 2002, 173).

France shares not only maritime borders with the countries of North Africa, but strong cultural and historical ties. The control of immigration from across the Mediterranean is a crucial issue for France and for the other Southern members of the EU, but not the most important. France has a high Arabic population and a considerable Jewish community (Lefebvre 2006, 21). The exclusion of the Southern neighbours from the ENP would mean a shift of EU resources towards the Eastern neighbours and such developments are not welcomed by these groups. These cultural ties and the protection of the French business interests in North Africa explain why France insisted on a comprehensive EU initiative that included the countries of the Mediterranean.

However it is important to note that the geographical classification of the EU states should not be carried out on the basis of a North/South axis. In the next chapters it will be shown that the German, and especially the French initiatives, did not get the support of all the other North and South EU members. Furthermore, some of the former East European countries that accessed the EU in 2004 complicated the decision-making process, as they pursued their own agenda.

In addition, national preferences do not always reflect pressures by domestic groups. As stated above, the low politicization of the ENP gives politicians more flexibility and under low domestic pressure or fragmentation, the government has more room to manoeuvre. For example, Poland saw the ENP as a way of redefining relations with the former Soviet states and as a lever to strengthen their position in the EU. In the Polish case it was the Polish government that recognized the potential that the ENP had created in order to strengthen its position in the EU. According to Buras and Promorska

‘The Polish political elites soon recognized the fact that better relations with their Eastern neighbours also meant gaining a stronger position within Western Europe’ (Buras and Pomorska 2006, 34).

As it will be discussed in Chapter Four, the EU states do not share the same preferences and geographical groups should not be considered as homogeneous.
Moreover, what must be taken into account is the input of the other EU institutions (the EC and the EP). The role of the EC was significant, as it participated in the design of the ENP tools and it provided crucial information after the shock of the Arab Spring. The EP was important in widening the scope of the policy.

The role of the EU institutions in the decision-making process offers a good platform to test the second assumption of this thesis. The hypothesis here is that the EU member states are considered as principals that delegate the authority to the EC to initiate the ENP. At this point close monitoring is expected and given the fact that each individual member state has different interests, it is important to see how much control each one retains over the policy and how much control the member states, as a collective, retain over its conduct by the Commission. To answer this question we need to explore how the member states delegated power at each stage of the process to the EC in order to limit each manoeuvre. According to Meunier and Nicolaïdis, it is possible during the decision-making process for the member states to adopt a flexible initial position depending on the complexity and sensitivity of the matter, but to reduce the autonomy of the EC at a later stage (Meunier and Nicolaïdis 1999, 481–482).

On the other hand, we must identify the interests of the EC. Did the EC attempt to increase the degree of its autonomy and to further influence decisions that lie on the third pillar? If so, when did it do that and which tools did it use? Some studies have already argued that the EC was in charge of enlargement and of other tools that the ENP drew lessons from (Schimmelfennig 2009, 18). This fact gave to the EC a high degree of specialization in the policy design. The main issue is to see when the EC employed its specialization to improve its position in the decision-making process. To understand the power game between the member states and the EC we must explore the decision-making process step-by-step and investigate the powers that each actor can deploy at each point.

The fact that the EU presents a single position in the negotiations with the other ENP partners leads the EC to appear as a federal-like polity seeking to maximize benefits and minimize costs. It is at this level that the EC negotiates the Action Plans with the recipient states. Thus, the negotiations at the ENP level are considered as
international negotiations and they form Level III. The main question here is how did the EU and the partner countries of North Africa manage to reach an agreement? The answer reflects not only the negotiations between the EU and the North African partners, but as stated above the implementation of the ENP APs.

**Conclusion**

Moving from the classification of the literature review to the two theoretical questions of this thesis, this chapter attempted to analyse the relevance of integration theories and the significance of a sectoral, three-level approach to the development of the ENP. A comparative analysis between the different integration theories showed that a rational framework can better explain the ENP from constructivism and the assumptions of liberal intergovernmentalism can help to understand the role of social forces in Euro-Mediterranean relations after 2004.

Keeping in mind that the ENP generates certain political and material benefits to particular groups, it is important to firstly assess the impact of the domestic environment on states' foreign policies and then to evaluate the actions of the EU as a unified actor.

At the first level of analysis, a sectoral approach is used, in order to specify the influence of the domestic interests on states’ preferences. From this approach, it is possible to appreciate the domestic coalitions and their impact on the external policies of the EU. The main sectors of the economy and the impact of the domestic interests at level I (agriculture, industry, energy and financial services) help us to define precisely, who the winners and the losers of the ENP are and to explain the nature of the initiative.

At the second level, the aim is to see how the participants managed to reach an agreement at the European level. As shown above, the EU states pursued different objectives and the main point is to explore the negotiations between the European states and see which interests were marginalized in order to privilege others. Moreover, it is at this level that the role of the EU institutions will be appreciated. Is the EC a mere instrument of the member states or does it play a more significant role in the formation of the ENP? An investigation of the interaction between the EC,
the EP and the member states is important, in order to uncover which mechanisms each player uses to achieve the desired outcomes.

The third level perceives the ENP from a region-to-region perspective. This thesis assumes that whatever the rhetoric of the ‘common interest’ or ‘common values’ that the ENP employs, these are misleading terms insofar as they aggregate different interests. Yet, it is important to see what these interests are and to uncover where these interests lie. The exploitative views of the policy simplistically argue that the EU is the main beneficiary and that the aim is to use the economies of the countries of North Africa as complementary to that of the EU. Yet, even if this observation is correct, it does not define which specific interests of the EU are promoted. Under this notion, the next chapters attempt to show how the interests of the EU and of the three partner countries are articulated and which interests the ENP serves at the expense of others.
Chapter 3 The configuration of power in Level I

Introduction
As stated in the previous chapter, in order to identify the winners and the losers from the ENP reforms this thesis will start by analysing the domestic dynamics in the European countries and in the three countries of North Africa.

More specifically, the analysis of the domestic level (Level I) in both regions helps to recognize the win-sets within the EU and the North African countries. Let us remember at this point that the larger the win-sets are the more likely it is to reach an agreement. The size of the win-sets and their priorities are explored through a sectoral analysis.

Methodologically, a sectoral analysis is very useful as it helps to identify the priorities of the domestic actors and how their preferences shape the related reforms. However, the fact that the EU has twenty-seven members makes the provision of evidence and the evaluation of the domestic interest groups in such a diverse environment a difficult task. To overcome this problem this research combines quantitative and qualitative information. The use of both data helps to understand the main concerns of the domestic interest groups and their influence on policymakers.

A combination of qualitative and quantitative information is also used to explain the situation in North Africa. Yet at this point, we should keep in mind that the North African economies are heavily controlled by the state. As explained in Chapter Two, the political institutions in the North African countries are different from the EU states and the state elites have the power to control the sectoral interests in the three case studies. Therefore, in order to identify the distribution of power and the size of the win-sets in the North African countries the chapter goes beyond a sectoral analysis of the North African interests and attempts to appreciate the role of the state elites and the businesses that have strong relations with the North African statesmen.

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7 At this point it is very important to remember that within a three-level game framework the size of the win-sets does not depend only on the preferences of the domestic groups, but also on the political institutions of each side and on statesmen's strategies. The strategies of the negotiators are explained in the following chapters.
The sectoral analysis of this chapter starts by explaining the preferences of the European and North African interest groups in the agricultural sector. What follows is the investigation of the business preferences in the industrial, energy and financial sectors. Then, the research uses the findings of Eurobarometer to illustrate the public opinion in the EU countries for the ENP. The chapter finishes by explaining the role of the state and business elites in the North African countries.

**The agricultural sector**

A sea of ink has been written so far regarding the impact of the farmers' lobbying groups on the policies of the EU (Anderson and Tyers 1995; Keeler 1996; Patterson 1997; Garzon 2007). Starting from the creation of the EC's Common Agricultural Policy (CAP), the agricultural lobbies have succeeded in subsidising exports and in creating barriers for food imports. At the international level, the power of the agricultural lobbies on the national governments and on the EC is reflected in the outcomes of many international agreements. The insistence of the EC on a state-supporting agricultural sector has led to the breakdown of General Agreement on Tariffs and Trade (GATT) negotiations in 1990 and when a provisional agreement was accepted by the EC, it was the French resistance that led to new negotiations (Keeler 1996, 127).

The French resistance to international agreements that were accepted by the other EU institutions manifests a well-recorded reality. The agrarian lobbies do not share the same level of power in every EU member state. In some states (for example in France, Greece and Spain) these pressure groups are more powerful and widespread than in others (such as Belgium) (Hogwood and Roberts 2003, 112).

Another interesting point that should be noted here is that the power of farming lobbies does not have references only to certain countries, but also to the size of the farms and the crops that are produced. For example the MacSharry reforms of 1992, which replaced the old coresponsibility levies that allowed nontransparent consumer subsidies with a new more transparent subsidies system that derived from consumers, benefited the smaller less-intensive landholders, not the intensive grain and animal product growers. Similarly, the Euro-Mediterranean AAs protected some
‘sensitive’ products, such as vegetables and fruits that are produced mainly by small South European farmers.

Yet, are these facts good enough to reach the conclusion that the small European farmers that are situated mainly in the peripheral European countries continue to form a win-set that benefits from the ENP reforms? The following pages show that the ENP reality is more complicated than this. Let us see at this point the aims of the APs regarding the agricultural market.

In the agricultural sector the main objective of the ENP reforms is almost the same for the three North African countries. For Egypt, which was the laggard in agricultural reforms, the AP starts from a lower level and it has provisions for the preparation of the country in order to participate in the World Trade Organization (WTO) and to enhance her cooperation with the EU (European Commission 2006b). For Morocco and Tunisia the aim of the ENP is clearer. This is to ‘facilitate trade in agricultural products with the EU’ (European Commission 2004a; European Commission 2004b). Yet, as the ENP attempts to deepen the integration of the North African partners into the EU market, it does not deal with border controls (as the AAs), but with behind the border issues, such as the improvement of the health and safety of consumers in both regions and the modernisation of the agricultural sector of the North African partners.

The implementation of the ENP reforms is analysed in the fifth chapter of this thesis. What is important here is to mention that the ENP promotes the trade of agricultural products between the two regions without becoming a hot political issue for agricultural producers, as it does not deal with the sensitive issues of quotas and tariffs that mobilise these groups. So what is important here is to see how this situation affects the formation of win-sets in the EU and in the partner countries.

In theory the low politicization of international agreements favours their conclusion (Putnam 1988). Findings from interviews have corroborated this argument. Interviews with officials from the EC and the Greek representation in Brussels illustrate that the low politicization of the ENP agricultural reforms played an important role in the ratification of the APs in the EU countries. In essence, the argument of the Greek interviewee was that the country accepts free-trade
agreements in the agricultural market when there are not any significant domestic pressures for the opposite direction (Personal interview 17/12/2010). More specifically, the Greek official said that

‘The Greek farmers are very powerful, they often close the streets when the stakes are high and they disrupt the entire economy, but we do what we can (in order to open the market)’ (Personal interview 17/12/2010) Emphasis added

Indeed, the Greek interviewee underlined explicitly the fact that that the country’s position was determined by the low profile of the policy in the parliamentary discussions. The ENP never became a significant issue in the public debate about agricultural reforms in the country. In fact, the discussions about the ENP were made in an empty parliament and the only criticism about the policy was made by the Greek Communist Party, which criticized the EU for its ‘imperialist’ policies in the close neighbourhood. The ENP reforms were never linked with the Greek agricultural sector (Plenary Minutes 2003; Plenary Minutes 2004).

The low politicization of the ENP was not only a Greek issue, but a wider phenomenon that was found in many EU countries. What is important here is to see other cases, especially of EU members that share borders with the ENP partners, not only because they produce similar products, but also because the input of agriculture in their GDP is higher than the EU average (Tables 1,2 in the appendix). In Poland the ENP was again not an issue of extensive parliamentary debate, the agricultural actions of the APs were never linked to consequences in the domestic production and the low mobilisation of the Polish groups left a lot of room for manoeuvre for the national government (Buras and Pomorska 2006).

The low political status of the ENP did not offer to the protectionist groups, within the EU, the fertile ground that was necessary for their mobilisation, but it was not the only parameter that helped the ratification of the policy. The free market reforms that the ENP promised helped the EU to show a more liberal face in other international organisations and to control the prices of agricultural products. Officials from the EC were clearer in these issues. According to one official that works for DG Agriculture, the EU will liberalize its agricultural market gradually and it cannot maintain the existing levels of protection for ‘sensitive’ products for long (Personal interview 12/01/2011). This was due to two factors. The first one was related to the
commitments of the EU to the WTO. For the last three decades the pressure of the US and the other developing countries for changes in the EU’s protectionist agricultural policies has continually escalated and this is reflected in the negotiations in the WTO.

The other factor that mattered was the price of agricultural products. The official from DG Agriculture said that the prices of food products were increasing in the EU faster than the average inflation rate and he was especially worried about the prices of the vegetables and fruits (Personal interview 12/01/2011). According to the EC, the further liberalization of the agricultural market could keep the food prices low and the lower cost of production for fruits and vegetables at the other shore of the Mediterranean Sea can help to achieve this aim (European Commission 2006c, 3). The following tables (Tables 3.1,3.2) corroborate the views of the official at DG Agriculture. According to these tables, the price of the total agricultural production in the EU has increased by twenty-nine per cent from 2000 to 2008 and the price of crop products has increased by more than thirty-six per cent during the same period (Eurostat 2010a). This situation makes the ENP reforms even more urgent for European consumers.

Table 3.1 Producer price indices, total agricultural production (2000=100)

<table>
<thead>
<tr>
<th>Region/Year</th>
<th>2000</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Union</td>
<td>100.0</td>
<td>108.6</td>
<td>106.5</td>
<td>112.2</td>
<td>122.6</td>
<td>129.3</td>
</tr>
</tbody>
</table>

Source: Eurostat 2010

Table 3.2 Producer price indices, crop products (2000=100)

<table>
<thead>
<tr>
<th>Region/Year</th>
<th>2000</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Union</td>
<td>100.0</td>
<td>113.0</td>
<td>107.7</td>
<td>116.6</td>
<td>133.1</td>
<td>136.1</td>
</tr>
</tbody>
</table>

Source: Eurostat 2010

The European consumers did not apply any direct pressure for the ENP reforms, but EU public opinion shared the pro-trade orientation of the ENP (this issue is
discussed below). This pro-trade approach in the agricultural sector was shared by the North African partners, which in many cases have asked for more access to the EU market for their food products. Officials at the EC have admitted that in the past, many negotiations about the AAs have failed due to disagreements over the quotas of agricultural products (Personal interview 04/11/2010). In more descriptive terms, it was stated that the ‘discussions about AAs have been drawn in a sea of ketchup’ (Personal interview 04/11/2010).

According to the officials of the EC what has changed this time is that the ENP reforms are linked to the modernisation of the North African economies and not to trade limits per se (Personal interview 04/11/2010). That is why they did not face any resistance within the EU and were welcomed by the North African countries. Especially for the latter, the modernisation of the sector is perceived as the first step for further exports to the EU market and a strategic move for an industry that adds significant value to North African GDP (Table 3.3). Here one must add not only the agricultural share of the GDP, but also the fact that agriculture absorbs a high percentage of the North African labour market (Table 3.4). In Egypt more than thirty per cent of the total labour force is employed in the agricultural business, in Morocco this number is over forty per cent (OECD 2011).

Table 3.3 Share of agricultural sector in the GDP of Egypt, Tunisia and Morocco

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>14,7%</td>
<td>14,9%</td>
<td>14,1%</td>
<td>13,5%</td>
</tr>
<tr>
<td>Tunisia</td>
<td>14%</td>
<td>13,1%</td>
<td>12,3%</td>
<td>10,6%</td>
</tr>
<tr>
<td>Morocco</td>
<td>16,8%</td>
<td>23,5%</td>
<td>15,7%</td>
<td>17,1%</td>
</tr>
</tbody>
</table>

Source: OECD 2011

Table 3.4 Employment in the agricultural sector of the North African economies (Egypt, Tunisia Egypt)

<table>
<thead>
<tr>
<th>Year/Countries</th>
<th>Egypt</th>
<th>Tunisia</th>
<th>Morocco</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003 - 2008</td>
<td>31,2%</td>
<td>n/a</td>
<td>43,3%</td>
</tr>
</tbody>
</table>

Source: OECD 2011
However, it is wrong to assume that the countries of North Africa have net profits from the ENP reforms and that European farmers face the consequences of a more open agricultural market. In fact the ratification (and the nature) of the ENP APs is linked with the access of the EU companies and products in the North African markets and this situation makes the intra-sectoral game a more complicated issue.

This argument was made by people that worked in the EC, who argued that the ENP reforms do not benefit only the North African farmers, but also the increasing number of EU food companies that operate in North Africa. In fact, it was stated that the Spanish and French representations, which were asking for more protectionist measures during the previous AAs against the North African products, did not oppose the ENP actions. The reason was that many Spanish and French food companies operate in North Africa and have created synergies with local companies (Personal Interview 12/01/2011).

Statistical data corroborate the findings of the interviews. In Tunisia, more than ten per cent of the nine hundred and fifty agricultural companies with more than ten people are owned entirely by foreigners or have foreign shareholders (FIPA 2006). The number of the EU companies is not specified, but officials from the EC have said that most of these companies are owned by French nationals (Personal interview 12/01/2011). These people bring in these markets their technical know-how and marketing expertise whereas the local industries handle supply, field knowledge and distribution (FIPA 2006).

In Morocco, the privatisation schemes attracted French and Spanish farmers and allowed the expansion of the South European agricultural operations in North Africa (“A New National Strategy for Agriculture” 2008). The increasing internationalization of the South European agricultural sector changed the preferences of the South European farmers, who in many cases worked as a solid block against the openness of the food sector. Thus, the politicization of the ENP reforms and the need of the ENP partners to receive aid for modernisation are not the only important factors for the ratification of the ENP. In fact the increasing dependence of many EU food companies and farmers on the North African economies has driven their orientation
and switched their logic towards a pro-trade regime, which supports the modernisation of the North African agricultural sector.

The internationalization of the food sector demonstrates the complicated picture in the South European countries and helps to explain the positive attitude of these countries towards the ENP reforms. However, the implementation of these reforms does not benefit only the EU companies that have created synergies with North African firms and operate in the North African markets. It gives more leverage to the EU to ask for more access (through the reciprocal AAs) to the North African market for products that are produced entirely in Europe. More specifically, it was stated that producers of meat and dairy products seek access to new markets and the ENP reforms are used as a soft tool in order to persuade the North African states to open their markets and to increase the penetration of these products into the North African countries (Personal interview 12/01/2011).

The lobbying activities of the European meat and dairy producers are very intense and they are linked with the position of the EC against the subsidies systems in the North African countries. For example, the export subsidy system that is administered by the Egyptian government has attracted the criticism of these lobbying groups, which mention the benefits of the liberalization of the agricultural trade between the EU and the country (“Egypt Pushes Poultry and Meat Imports Against Rising Prices” 2010). Through the consultation meetings that these groups have with the EU institutions, they inform the EU position and put pressure on the EC to criticize such measures by the ENP partners (Personal interview 04/11/2010; Personal interview 16/11/2010). Such pressures have led the EC to criticize several restrictions that the Egyptian government put in place without any prior consultation with the EU (European Commission 2012a; European Commission 2013a).

The European meat and dairy producers are watching very closely the developments of the North African markets as the demand for their products is very high. As the following tables show the meat and dairy products are among the top twenty imports of the North African economies analysed here (Tables 3.5-3.7). In Egypt, boneless cattle meat has lost three positions from 2004 to 2008, yet it is still among the top

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8 Dairy products are also among the top exporting agricultural products of the EU (Table 4 in the appendix).
eight importing goods of the country. Imports of cheese, butter and milk have increased, in some cases the quantities have doubled, from 2004 to 2008. For example, imports of butter were fewer than twenty thousand tonnes in 2004; more than forty thousand tonnes were imported in 2008. The other two North African countries, Tunisia and Morocco follow a similar pattern in imports. Some changes occur on the type of products, yet they belong to the same broad categories. Since 2004, imports of cheese are increasing in both countries; milk, dry skimmed or whole dried is among the top twenty imports of Morocco and Tunisia accordingly. Thus, the data by Food and Agriculture Organization of the UN (FAO) below show that the markets of Egypt, Tunisia and Morocco offer great opportunities for the European meat and dairy companies (FAO 2008).

Table 3.5 Top imports of Egypt (tonnes) 2004 – 2008

<table>
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<tr>
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<tbody>
<tr>
<td>1/1</td>
<td>Wheat</td>
<td>4366840 / 8327790</td>
</tr>
<tr>
<td>5/8</td>
<td>Meat-Cattle Boneless</td>
<td>102385 / 69118</td>
</tr>
<tr>
<td>14/13</td>
<td>Milk Skimmed Dry</td>
<td>19499 / 36272</td>
</tr>
<tr>
<td>16/10</td>
<td>Butter Cow Milk</td>
<td>19870 / 45707</td>
</tr>
<tr>
<td>17/ n/a</td>
<td>Meal Meat</td>
<td>92534 / n/a</td>
</tr>
<tr>
<td>n/a / 14</td>
<td>Cheese of Whole Cow Milk</td>
<td>n/a / 19586</td>
</tr>
</tbody>
</table>

Source: FAO 2008

Table 3.6 Top imports of Tunisia (tonnes) 2004 – 2008

<table>
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<tr>
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<tbody>
<tr>
<td>1/1</td>
<td>Wheat</td>
<td>1043470 / 1762440</td>
</tr>
<tr>
<td>13/ n/a</td>
<td>Cattle meat</td>
<td>8799 / n/a</td>
</tr>
</tbody>
</table>

9 The need for wheat is the most urgent for the three partner countries. France is the largest exporter of wheat in Europe and among the top five global exporters.
Table 3.7 Top imports of Morocco (tonnes) 2004 – 2008

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<tbody>
<tr>
<td>1/1</td>
<td>Wheat</td>
<td>2646110 / 4083580</td>
</tr>
<tr>
<td>7/6</td>
<td>Butter Cow Milk</td>
<td>30665 / 34075</td>
</tr>
<tr>
<td>14/20</td>
<td>Milk Skimmed Dry</td>
<td>10778 / 10436</td>
</tr>
<tr>
<td>17/15</td>
<td>Cheese of Whole Cow Milk</td>
<td>5849 / 9537</td>
</tr>
</tbody>
</table>

Source: FAO 2008

The increasing imports of meat and dairy goods is a key issue for the formation of the win-sets in the agricultural market, because if the potentials of the North African economies were low, the pressures for further facilitation of agricultural trade with these countries would bring insignificant results for the companies that trade these products. This strategy does not lead only to unnecessary spending of political (and lobbying) capital, but it can be even damaging for the producers of meat and dairy products, because they face the risk of forming a very small win-set and be put against the EU farmers of fruits and vegetables, who will bear the costs of the pro-trade agreements as their products will face the direct competition of the cheaper North African ones.

In addition, the demographic rise of these countries and the changes in the diet of the population will lead to a further growth in imports of these products. Yet, an important element that must be taken into account is the current position of the European companies in the market of these countries and the competition that they face. Due to the long historical ties between Europe and North Africa, it is safe to assume that the European meat and dairy companies already enjoy a privileged position in the markets of the North African countries and if the competition (domestic or international) is weak, then the statements of the interviewees about the
pressures of meat and dairy producers could be exaggerated. Again, these producers could take a more relaxed approach towards further liberalization, given again the fact that the less competitive European farming lobbies have much to lose from the facilitation of trade that the ENP actions suggest. Yet, do the North African markets reflect this assumption?

In the dairy market it is the New Zealand-based Fonterra, the world’s largest exporter of dairy products, which is the main source of supply for products in Egypt. The situation in the meat market is not much better for the EU firms. Indian and Brazilian companies dominate the largest economy of North Africa (“Egypt, One of the World’s Largest Food Importers” 2011). So, for the European companies, the facilitation of trade is crucial and will lead to net profits. These companies face severe competition from the companies of the developing world and from New Zealand when they try to penetrate emerging markets. Any reforms that ease the agricultural trade between the EU and the North African countries are of paramount importance to EU firms.

An official from the EU that works for DG Agriculture added that agreements like the ENP that facilitate trade will benefit not only the European meat and dairy companies, but also the North African consumers, because prices will drop. However, such agreements will not improve the situation of the vegetable producers, especially the small farmers of Southern Europe (Personal interview 12/01/2011).

However, is the assumption of the EU official correct? Are the small farmers of Southern Europe going to face competition from the North African producers through the facilitation of trade with North African partners? Tables 3-5 in the appendix clearly show that the small farmers of Greece, Italy and at a lesser degree of Spain, Portugal and France lose from the implementation of the ENP reforms. For example, Greece has only produced sixty thousand tonnes of cattle meat and Portugal just over one hundred thousand tonnes per year. Yet, Greece and Italy are among the biggest producers of vegetables. Their products compete with the North African exports as the following tables show. For Egypt, in 2008, the most exported agricultural product was oranges. Dehydrated or frozen vegetables are among the top twelve exporting products of the country. For Morocco, tomatoes, mandarins and oranges are the top three exported products, oranges are among the top twenty
exporting products of Tunisia as well. Hence, Tables 3.8-3.10 justify the assumption of the EU official. Indeed, the farmers of Southern Europe face already the competition of the North African exports and any further liberalization will have a direct impact on their competitiveness.

Table 3.8 Top exports of Egypt 2008 (tonnes)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Product</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Oranges</td>
<td>454401</td>
</tr>
<tr>
<td>3</td>
<td>Potatoes</td>
<td>397944</td>
</tr>
<tr>
<td>7</td>
<td>Vegetables Dehydrated</td>
<td>24769</td>
</tr>
<tr>
<td>12</td>
<td>Vegetables frozen</td>
<td>33558</td>
</tr>
<tr>
<td>20</td>
<td>Frozen Potatoes</td>
<td>23610</td>
</tr>
</tbody>
</table>

Source: FAO 2008

Table 3.9 Top exports of Tunisia 2008 (tonnes)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Product</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>Paste of tomatoes</td>
<td>23179</td>
</tr>
<tr>
<td>14</td>
<td>Oranges</td>
<td>25851</td>
</tr>
</tbody>
</table>

Source: FAO 2008

Table 3.10 Top exports of Morocco 2008 (tonnes)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Product</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tomatoes</td>
<td>346222</td>
</tr>
<tr>
<td>2</td>
<td>Tangerines, mandarins</td>
<td>296097</td>
</tr>
<tr>
<td>3</td>
<td>Oranges</td>
<td>294572</td>
</tr>
<tr>
<td>6</td>
<td>Fruit Prp Nes</td>
<td>78123</td>
</tr>
<tr>
<td>15</td>
<td>Veg in Tem Preservatives</td>
<td>12505</td>
</tr>
</tbody>
</table>
The aforementioned findings illustrate the complicated reality of the agricultural sector. The trend is moving towards a more liberalized market for the agricultural products and it unravels the different priorities of the related farming lobbies, which perceive this development with mixed feelings. The ones that face the losses from this development are the small farming communities (especially of South Europe), which cannot compete with cheaper produce from North Africa. Yet, their weaker position is not an outcome of counter mobilisation from outsiders that push for more liberal reforms (such as industrialists) (Montanari 2007). The low politicization of the ENP reforms has not mobilised these farmers and gives more room for manoeuvre for the EU statesmen, which can promote the ENP without any considerable pressure. In addition, the internationalization of the sector and the potentials that agricultural companies (and farmers) see in the North African markets has divided the sector and led many food firms to ask more openness of the EU (and the North African) market. The worries of inflation and the pressures that the EU receives from other external sources (such as the WTO) were also factors that shaped the ENP reforms and provided a useful platform for the pro-trade win-set within the EU in order to promote its preferences.

**The industrial sector**
The interests of the industrial sector in the European states are expressed mainly by the national industrial federations. Among other things, their work is to influence national governments in matters that affect corporate competitiveness. On a separate basis, multinational companies (MNCs) lobby statesmen individually or through other coalitions. This happens because their free trade interests are not always aligned with those of the national industrial federations, which represent different sizes and types of companies, such as small and medium enterprises (SMEs) and bigger conglomerates, firms that produce labour-intensive and capital-intensive products. The general assumption is that MNCs are more determined to put pressure on statesmen to sign free-trade agreements with third countries that
enjoy cheaper labour costs, because they profit from exports and from their reallocation in new markets. Labour-intensive (SMEs and large) companies are not supportive of such arrangements as they lose from more intense competition.

Under this assumption, what is the position of the European industries in the case of the ENP reforms towards the three Arab Mediterranean countries (which have lower costs of production than the EU countries)? Do they form a solid block that creates a large win-set supportive of the suggested APs or do we see a repetition of the fragmented agricultural sector?

Before starting the analysis of this sector let us briefly look at the evidence of this section. For this part, the analysis was based on interviews with people that work for BusinessEurope (BE) and for the European Round Table of Industrialists (ERT). These discussions were extremely helpful in explaining the priorities of the industrial sector and the influence industrialists exert on national governments. The findings of these interviews collated with position papers of other organisations, such as Eurochambres and related academic articles provided insights about the interests of the European industrial sector.

A quick look on the work of these organisations sheds some light on the importance of the provided information: BE is the main horizontal business organisation at the EU level. This means that the organisation does not deal with the governments of the EU member states, so at first glance it seems paradoxical to use the function of this organisation in order to analyse the work of the lobbying groups at the first level of our analysis, which deals with the domestic interests. Yet, the organisation represents forty federations (all the federations of the EU member states) and twenty million companies from thirty-four countries. This representative role of the organisation provides its officials insight into the priorities of the European industrial groups. Indeed, discussions with officials that work for BE reveal crucial information about the operation of the domestic industrial groups and how they perceive the ENP.

Eurochambres was created in 1958 and it is the European Association of Chambers of Commerce and Industry. It represents the interests of twenty million enterprises, more than 2000 regional and local Chambers and forty five national and
transnational organisations. Its members come from every industrial sector and are of any size. BE and Eurochambres form the two key pillars of business representation to the European institutions. As in the case of BE, the position of Eurochambres reveals the priorities of the European industrial community and their perception of the ENP.

The ERT is the other main source of information regarding the views of the industrialists about the ENP. ERT is an informal forum that brings together around forty-five CEOs and chairmen of major European multinational companies, which cover a wide range of industrial and technological sectors. These companies are situated widely across Europe and are considered as the big players of the industrial field, so it is logical to assume that their preferences about international agreements are taken into consideration. In fact, on the main webpage of the organisation, it is stated that the

‘European industry cannot flourish unless it can compete in a global economy [...] ERT therefore advocates policies, at both national and European levels, which help create conditions necessary to improve European growth and jobs’ (ERT 2010).

The representatives of these organisations mentioned that they participated in the preparatory stage of the ENP policies. Below we will see that some of them have also published position papers about the orientation of the EU as a global economic actor and with regard to the logic that the ENP should have towards the partner countries.

So, which are the ENP reforms in this sector and at what extent the preferences of the business groups are aligned with the APs? At the heart of the ENP reforms are changes of technical regulations and standards in order to facilitate the access of industrial products to the North African markets. More specifically, the two sides have agreed to negotiate an agreement for the acceptance of industrial products and to continue the liberalization of the regional market through the implementation of the Agadir Agreement. In this sense the aim of the APs is to integrate further the North African countries into the EU market does not have only a bilateral character, but also a regional and intra-regional dimension.
At what extent are these measures in line with the preferences of the European industrialist groups? If one asked what these groups seek from the ENP APs, the answer with a single phrase would be ‘more trade’. More specifically, the representative of the ERT has mentioned that the main priority of the members of the group was not the creation of infrastructures, but the stability of pro-business regulations (Personal interview 04/11/2010). In other words, at the centre of his arguments were state reforms, which let the market decide which sectors would survive from free-trade competition. Aid funds without liberal reforms were misallocated in projects that did not help much the North African countries to develop their economies (Personal interview 04/11/2010).

This idea was advocated by BE as well. The answer to the stagnation of the Mediterranean economies was the creation of regulations that facilitate trade, the reduction of tariffs and the abolition of any high customs (Personal interview 16/11/2010). Under this notion, BE supported the agreement for establishing a Mediterranean Free Trade Area, the agreement was launched in Agadir in 2001 and it was an initiative of the Arab Mediterranean countries to establish a free trade area. The agreement, which is commonly known as the Agadir Agreement, was signed in Rabat in 2004 by Morocco, Tunisia, Egypt and Jordan and came into force in 2007.

The following lines demonstrate that the rhetoric of the agreement is aligned with the views of the European industrialists. According to the charter of the agreement, the main aims of the signatories are

‘to develop and support economic and trade cooperation among them on the basis of equality in order to broaden the base of mutual trade interests and benefits in different fields, and reinforce economic integration among them [...] to develop and liberate trade exchanges and support the Mediterranean Arab partnership and to promote exchanged investments among them and to cause its economic space to become more integrated and more attractive to foreign investments [...] Beginning from the partnership agreement (partnership) of each party with the European Union and in realisation of the aims of the "Barcelona Declaration" regarding the establishment of a Euro-Mediterranean area for free trade’ (“Agadir Agreement” 2004, 1–2).

This part illustrates the significant role of the EU in the development of the region and the fact that the EU is the biggest trade partner of the Arab countries. According to the officials that work for BE, the main merit of the initiative was not only its
content, but that the plan was organised by the Southern partners (Personal interview 16/11/2010). Being a North African plan means that the agreement cannot be perceived as a European project which promotes the hegemonic goals of the EU and in that respect the European support to the initiative does not mean that the EU intends to dictate its rules to the Arab countries. The Agadir Agreement aims to upgrade the low status of the regional market with the wishes of the EU and the members' economies have to converge to create economies of scale, which are good for FDIs (Personal interview 16/11/2010).

Yet, at this point another significant element must be mentioned. The Agadir Agreement is open to new memberships only if the new applicants are members of the Greater Arab Free Trade Area and have already signed Free Trade Agreements or an Association Agreement with the EU. According to the third chapter of the agreement regarding the industrial products:

‘The goods (commodities and products) traded among the Member Countries shall be subject to the Dismantling Custom Duties and other Charges and Taxes with a Similar Effect Regulation upon being imported in the following manner:

   a. Instantaneous trade, when the Agreement enters into effect, for complete exemption of the list subject to immediate and expeditious dismantling with the European Union’ (“Agadir Agreement” 2004).

The significant point of the paragraph above is that in order to dismantle the trade barriers with the EU, the Agadir Agreement uses EU rules of trade. In fact, they resemble those adopted by the EU and the South partners when they signed the AAs (Ghoneim 2010, 81). These are different from the US rules, which is the second biggest trade partner of these countries. This element is very important for the European industrial groups, because it is very difficult for the Mediterranean and the Middle East countries to apply both rules in their trade agreements with the two competing blocks. For the European industrialists it is crucial that the EU member states support the Arab partners to cumulate value-added, because such moves help them penetrating into new markets.

The inclusion of the strategy in the ENP APs offered an advantage to the European industries against the US efforts to establish a US-Middle East Free Trade Area (by 2013), but it was not entirely successful. US companies have managed to penetrate
in some North African markets; the US signed a Free Trade Agreement with Morocco in 2006, which eliminated duties on more than ninety-five per cent of all goods and services and the US export sectors gained immediate duty-free access to the Moroccan market (for the next 25 years). According to an interviewee at the EC this development was not welcomed by European industrialists and rose concerns within the EC (Personal interview 08/11/2010), given the fact that the country has not yet signed a similar agreement with the EU, which is its biggest donor and trade partner. That is why for BE it is a weakness that the Agadir Agreement does not cover the whole region (Personal interview 16/11/2010). The integration of all the Arab Mediterranean economies into the Agadir Agreement would consolidate the power of the European industries against the other competitors in the region.

The geographical scope of the Agadir Agreement is determined by the decisions of the North African governments, but the interviewee that worked for BE mentioned that the industrialists in Europe did try to influence the EU governments to the same degree in order to expand the scope of the agreement (Personal interview 16/11/2010). He also added that even if the preferences of the EU industrialists are aligned with the ENP APs, this does not necessarily mean that the European industrial federations value the North African countries in the same way (Personal interview 16/11/2010). The economic competition between the EU and the US is fierce, but North Africa is not a key player in the global trade (Talani forthcoming) and this low position of the region is reflected on the work of the European industrial federations about the region. For example, the US-Moroccan agreement was criticized more explicitly by few EU member states (Personal interview 08/11/2010). Only the South European members, the Netherlands and the German federation showed active interest about the situation in North Africa and the North African APs.

For the South European federations and for German industrialists the industrial parts of the ENP reforms were crucial due to the presence of textile and automobile companies in the area. This is not a surprise as France and Germany are among the biggest car manufacturers in the world, Renault and Volkswagen have shown interest in investing in North Africa. Renault has intensively lobbied the French government for the easier trade of industrial products. The CEO of the company has
commented that the French manufacturer intents to build a plant in Morocco and exploit the opportunity of the creation of a Free Trade Zone in Tangier, in order to 'supply low cost cars to the international market, noting that it was now impossible to achieve this level of production in Western European plants because of cost factors' (Kilkelly 2008).

In the same vein, the vision of Volkswagen for the EU/North African relations was the creation of a 'huge market, without duties, without problems at customs' (Reppert-Bismarck 2011).

The significance of these companies in the Euro-Mediterranean relations went beyond the scope of the ENP regulatory reforms as mentioned by the people that worked for BE and the EC. An official from the EC stated that the funding priorities of the ENPI (and particularly of the UfM) were linked with the locations of the automobile plants (Personal interview 13/12/2010). His words were collated with the ENPI reports, which mentioned that works for increasing the handling capacity of the Tangier were funded by the ENPI (and the EIB) and owed much to the operation of the European automobile companies in the region (EuropeAid 2008; “EIB Signs €420 Million in Loans for Moroccan Highways and Port” 2010).

Yet, as stated before, the pressures of certain companies for reforms and projects in the North African countries does not mean that all the EU industrialists were interested in the region or that their interests were related to the industrial parts of the APs. For example, the British industrialists did not show any particular interest in the region and the national authorities were usually absent from the meetings of the BE (Personal interview 16/11/2010), nor did the country have any specific programmes for the region (European Commission 2007b, 49). The federation of Netherlands was interested in the development of the ENP and of the AA (only with Morocco), not because of the economic significance of the country, but because there are many Moroccan migrants in the Netherlands (Personal interview 08/11/2010). These comments are consistent with the statistical findings of Eurostat, which show that the biggest European trade partners of the country are France, Spain and Italy, not the Netherlands. Yet, the largest immigrant community in the Netherlands comes from Morocco (Eurostat 2012).
The weak engagement of some European federations in the development of the ENP reforms and North African APs illustrates not only the trade preferences of these countries, but again the impact of the low politicization of the ENP in many EU states. As long as the ENP guaranteed the promotion of free trade reforms and the convergence of the North African regulations with the EU acquis, the industrial lobbies that share weak ties with the North African countries were satisfied. The low interest of many industrial organisations is reflected in the shallow response of Eurochampres, which generally encourages the EC to strengthen its ties with the partner countries. The following part of the position paper of the organisation regarding the ENP highlights this point

‘With regards to the backbone of the ENP framework, Eurochampres shares its fundamental elements, and more clearly, from a business perspective:

- its overarching goal to strengthen economic, particularly business, cooperation between the EU member states and their Eastern and Southern neighbours, inter alia through preferential trade policies and the gradual participation in a number of EU programmes;
- its regional dimension, and the focus on promoting regional trade, which is nevertheless combined with the consideration of each country’s specificities and existing cooperative frameworks;
- its complementarity with the Barcelona Process, especially in reinforcing and securing the trade accomplishments of the Euro-Mediterranean Partnership, and with the implementation of the Common Spaces with Russia;
- its single financial instrument, or European Neighbourhood and Partnership Instrument (ENPI), to be created in time for the 2007-2013 financial programming and ideally designed to include simplified and more efficient procedures;
- the foreseen increase in financial support for the ENP region to about €15 billion for the above-mentioned period;
- the idea to involve local and regional, including non-governmental, actors, to ensure the full benefit of regional and sub-regional cooperation, as we are in the position to assert that Chambers of Commerce are the key actor in coordinating and facilitating change in the way, form and outcomes associated with business development;
- the stated connection between ENP Action Plans with each country and progress towards WTO accession/rules implementation’ (EUROCHAMBRES 2005, 2).

The part above shows that Eurochampres shares the same ideas with BE regarding the future of regional trade, but it does not have anything to add to the development of the ENP. In the following chapter we will see that the weak engagement of many
domestic groups in the formation of the ENP was reflected in the position of the EU member states, but what matters here is that this situation left more room for MNCs to shape the win-sets in the EU countries. This is not only evident by the lobbying activities of individual actors, such as Renault as shown above, but by the work of ERT, which represents the largest EU companies.

The ERT goes a step further than BE and Eurochampres regarding the ENP. It supports the Agadir Agreement (as analysed below for different reasons than the BE) and its ambitions about the facilitation of trade go beyond the expectations of BE. The ERT prepared two reports in 1999 and in 2001 to express its support for the enlargement of the EU, which was viewed as the basis upon which the European companies could rely in order to become more competitive in the global market (ERT 1999; ERT 2001). In the same vein, it produced a position paper in 2004 regarding the nature of the ENP and how it would like to see the future between the EU and the neighbouring countries to be shaped (ERT 2004). Drawing lessons from the European integration, the ‘Integrated Economic Region’ (IER) is the model that the ERT promotes, to improve the ENP, in order to strengthen the economic incorporation of the partner countries into the European market.

The main position of the ERT is that the creation of the EU has benefited both consumers and businesses across the European continent. When formulating the ENP, the EU should build on the experience of the previous enlargements and design a win-win strategy that ensures the strong economic growth of the neighbouring states, a development that benefits both the EU and the partner countries. Its members lobby for the creation of a single market that allows the free movement of goods, services, capital and people. In that respect the IER could mitigate the ageing problem that the EU faces today and would have a negative future impact on the European shrinking workforce. Moreover, the members of the ERT are concerned about the skills mismatch problem of the European labour market, especially in the sectors of engineering, maths and science, which requires the European industries to look for manpower from the close region.

The main element that signifies the big difference between the other European interest groups and the ERT is that the previous groups do support (or are against)
the further economic liberalization of the North African economies, but are silent regarding the political parameters of the partnership. On the contrary, the ERT, through the IER, claims to become the strongest supporter of the partner countries considering their political connection with the EU. To guarantee an optimal outcome for every member, the ERT argues that it is crucial for the partner countries to have a voice in the decisions regarding Single Market rules. Certainly, this would require prior adaptation of the existing acquis communautaire, yet it would give the chance to the partner countries to step into the Single Market as participants, not as partners.

The creation of the IER should be measurable and be made in certain steps, which are made only when the partner countries meet certain criteria. So, at this point it is important to see what these steps are and in the next chapters we will see to what extent the ENP aligns with the thoughts of the ERT (and of the other interest groups). The first one is related to the legal framework of the neighbouring countries. The neighbouring countries have different priorities and can move at their own speed, but the target remains the same for all of them. This is to create a legal framework, which is the safeguard of a functioning market economy, a state that protects and promote private investments. This transformation can rely on the principles of the EMP and according to the ERT ‘any EU financial assistance to the neighbouring countries should be geared towards the achievement of a stable economic framework conducive to doing business’ (ERT 2004, 7). More specifically, aid should be provided for technical assistance dedicated to institutional reform and to the development of a suitable regulatory framework. The highest priorities of the aid projects should be related to the reform of the legal, tax and banking systems and to the fight against corruption, to the strengthening of civil society and of intellectual property rights. Aid programmes should also prepare the membership of these states for the WTO, support small and medium firms and the mobility of people (ERT 2005).

When these reforms are in place, then trade liberalization can be the next step. However, the creation of a free market economy is not solely based on the bilateral Free Trade Agreements, but it is connected to the WTO. That is why the previous aid programmes should support the WTO memberships of the partner countries. The
partner countries should be WTO members, any sort of Association Agreement has a deadline and does not guarantee the stability of the free market in the long run. As stated above, the ERT supports the Agadir Agreement, but not only because it creates economies of scale. A free trade area between the EU and the partner countries on a bilateral basis would be problematic if trade barriers still existed between them. That is why the Arab countries should diminish their border controls.

When a free market area has been created, then the next move should be one that includes the countries into the EU’s Single Market mechanisms. This action will ensure the effectiveness and the stability of the market and should be gradual. Firstly, the partner countries should participate in the EU’s standard-setting bodies and in the comitology structure in order to understand how the Single Market operates. When the partner countries adopt the technical knowledge that is required for the market to function, they can participate in the higher levels of the decision-making process.

The political element that the ERT introduced to its reports was not welcomed by the European member states. In fact, the officials that work for the forum of the European multinational companies admitted that their members did not push this issue further at the state level, knowing that their political capital is not endless and they would have wasted it if they tried to put this issue higher on their agenda (Personal interview 04/11/2010). Moreover, the political reforms of the neighbouring countries and the idea of the free market were the hottest issues for the ERT and preconditions for the political transformation of the ENP. Not surprisingly, their argument about the political structure of the policy found more supporters in the Arab countries. Morocco, which has applied for the EU membership in the past, was the strongest supporter of this view.

Even if for ERT it is essential to strengthen the voices of the partner countries for an effective relationship, this does not mean that for the members of this forum the neighbouring countries have the same weight. This is obvious from the tools that the ERT uses to support the internationalization of businesses. In the older candidate countries the ERT organised Business Enlargement Councils (BECs) and Business Advisory Councils (BACs). For example, the Hungarian BEC, organised meetings
between representatives of ERT companies, senior managers from local companies, government and Commission officials to facilitate accession and to support the transnationalization of Central and East European (CEE) countries’ production structure through FDIs (Holman 2001, 174–177; Cecchini et al. 2001, 161–162). In North Africa the ERT showed some interest in organising BECs and BACs, but only in Egypt due to its market size. Yet, according to the officials that worked for the ERT, their plans did not bring any significant results, due to the structural problems of the Egyptian economy (Personal interview 04/11/2010). Put simply, the domination of the Egyptian state over business did not allow the creation of these councils.

Overall, the main industrial groups agree that the ENP should seek the abolition of border controls and greater market openness. These reforms should be accompanied by the transformation of the state, which should minimize its role in the local economy. However, their lobbying activities vary and it is only in some countries that these groups try to influence the national governments. Yet, it is only the European multinational companies which argue for a different ENP, which will give a political voice to the partner countries. Their argument is not followed by considerable deeds, thus, giving more room to the statesmen for manoeuvre.

**The energy sector**

All the Action Plans between the countries of North Africa and the EU consider energy issues as matters that require priority actions (European Commission 2004b, 3; European Commission 2004a, 4; European Commission 2006b, 24–25). These priority actions are very similar and they are related to the integration of the Maghreb electricity markets into the EU internal energy market, to the protection of environment and to the security of oil and gas supplies.

Morocco and Tunisia are considered as transit countries of oil and gas, whereas Egypt is a producer of fossil fuels. The following tables (3.11 and 3.12) show the significance of the North African oil and gas exports for the EU (Eurostat 2010b). Libya and Algeria remain the most important North African energy suppliers of Europe. Yet, Egypt is a considerable supplier of gas to the EU and it holds the seventh position in the related table since 2006. The increasing importance of the
country is evident in the more detailed energy part of the Egyptian AP, which mentions the need to facilitate natural gas transportation in Europe through the Arab gas pipeline (European Commission 2006b, 5).

Table 3.11 Crude oil imports into the EU 27 (in Mio tonnes)

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<tr>
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<tbody>
<tr>
<td>Russia</td>
<td>112.4</td>
<td>136.8</td>
<td>154.7</td>
<td>170.8</td>
<td>188.9</td>
<td>188.0</td>
<td>189.6</td>
<td>185.3</td>
<td>34.0</td>
</tr>
<tr>
<td>Norway</td>
<td>115.9</td>
<td>108.1</td>
<td>103.1</td>
<td>106.4</td>
<td>108.6</td>
<td>97.5</td>
<td>89.1</td>
<td>84.3</td>
<td>15.5</td>
</tr>
<tr>
<td>Libya</td>
<td>45.5</td>
<td>43.8</td>
<td>39.2</td>
<td>45.9</td>
<td>50.0</td>
<td>50.6</td>
<td>53.2</td>
<td>55.5</td>
<td>10.2</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>65.1</td>
<td>57.5</td>
<td>53.1</td>
<td>61.5</td>
<td>64.5</td>
<td>60.7</td>
<td>51.1</td>
<td>39.5</td>
<td>7.2</td>
</tr>
<tr>
<td>Other Middle East countries</td>
<td>54.7</td>
<td>48.3</td>
<td>43.2</td>
<td>27.8</td>
<td>28.5</td>
<td>30.0</td>
<td>32.5</td>
<td>34.4</td>
<td>6.3</td>
</tr>
<tr>
<td>Iran</td>
<td>35.5</td>
<td>31.4</td>
<td>25.9</td>
<td>34.7</td>
<td>35.9</td>
<td>35.4</td>
<td>36.4</td>
<td>34.1</td>
<td>6.2</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>9.9</td>
<td>9.1</td>
<td>13.4</td>
<td>15.9</td>
<td>22.2</td>
<td>26.4</td>
<td>26.8</td>
<td>18.3</td>
<td>3.4</td>
</tr>
<tr>
<td>Nigeria</td>
<td>22.4</td>
<td>25.7</td>
<td>18.4</td>
<td>23.2</td>
<td>14.9</td>
<td>18.6</td>
<td>20.2</td>
<td>15.5</td>
<td>2.8</td>
</tr>
<tr>
<td>Other origin</td>
<td>58.3</td>
<td>62.3</td>
<td>64.2</td>
<td>56.6</td>
<td>56.6</td>
<td>66.2</td>
<td>66.0</td>
<td>78.1</td>
<td>14.3</td>
</tr>
<tr>
<td>Total imports</td>
<td>519.8</td>
<td>523.0</td>
<td>515.3</td>
<td>542.9</td>
<td>570.1</td>
<td>573.4</td>
<td>564.7</td>
<td>545.0</td>
<td>100.0</td>
</tr>
<tr>
<td>In Million barrels</td>
<td>3794</td>
<td>3818</td>
<td>3761</td>
<td>3963</td>
<td>4162</td>
<td>4186</td>
<td>4122</td>
<td>3979</td>
<td></td>
</tr>
</tbody>
</table>

Source: Eurostat 2010
Table 3.12 Gas Imports into the EU-27 in TJ (terajoules)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>4539.709</td>
<td>4895.252</td>
<td>4865.365</td>
<td>40.8</td>
</tr>
<tr>
<td>Norway</td>
<td>1985.231</td>
<td>2699.473</td>
<td>3061.751</td>
<td>26.7</td>
</tr>
<tr>
<td>Algeria</td>
<td>2203.075</td>
<td>2158.803</td>
<td>1943.976</td>
<td>16.9</td>
</tr>
<tr>
<td>Nigeria</td>
<td>172.020</td>
<td>335.929</td>
<td>588.317</td>
<td>5.1</td>
</tr>
<tr>
<td>Libya</td>
<td>33.442</td>
<td>80.414</td>
<td>383.615</td>
<td>3.3</td>
</tr>
<tr>
<td>Qatar</td>
<td>12.443</td>
<td>80.414</td>
<td>275.496</td>
<td>2.4</td>
</tr>
<tr>
<td>Egypt</td>
<td>-</td>
<td>-</td>
<td>221.305</td>
<td>1.9</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>36.334</td>
<td>1.365</td>
<td>104.917</td>
<td>0.9</td>
</tr>
<tr>
<td>Other origin</td>
<td>112.810</td>
<td>100.023</td>
<td>213.995</td>
<td>1.9</td>
</tr>
<tr>
<td>Total imports</td>
<td>9095.064</td>
<td>10301.649</td>
<td>11478.737</td>
<td>100.0</td>
</tr>
<tr>
<td>In Mio Cubic meters</td>
<td>240.610</td>
<td>272.530</td>
<td>303.670</td>
<td></td>
</tr>
</tbody>
</table>

Source: Eurostat 2010

However, regardless of the important position of Egypt among the suppliers of energy to the EU market and the fact that energy issues are included in the priority actions of the APs the findings of this research show that the oil industry did not participate actively in the development of the ENP APs. The European Petroleum
Industry Association (EUROPIA) has not produced any position paper about the ENP, as the other industrial associations did. In a general paper about the security of supplies in the enlarged EU, it only mentions that

‘security of supply is better served by diversification of sources and of the means of transportation. Therefore further development of the oil pipeline network, in, or into, Europe should be regarded as supplemental to the effective existing port and pipeline facilities’ (EUROPIA 2003, 1).

In addition, EUROPIA points out that the EC should carefully evaluate which pipelines improve the EU security of supply (EUROPIA 2003, 3). In this position paper, nothing else is written specifically about the ENP or about the role of the partner countries as in the previous cases of the other industrial groups. Also, officials from the EU were not aware of any attempts of the oil companies to lobby the EC in the construction of the APs (Personal interview 13/12/2010).

What does this silence of the oil companies really mean? Shall we consider them as a small set, which was not mobilised due to the low politicization of the policy and was marginalized by intra-sectoral dynamics (as in the case of the small agricultural producers)? Moreover, what is the position of the other energy companies in the construction of the energy parts of the APs in North Africa and in the domestic win-set coalitions?

The low mobilisation of oil and gas companies does not mean that they lose out from the energy parts of the ENP. In the Egyptian case, the actions that promote the further connection of the country with the EU reflected the ambition of the country to become one of the most important gas suppliers of Europe (Arab Republic of Egypt Ministry of Petroleum 2010). This situation reinforces the already established position of the European oil and gas companies in the country and of the local oil and gas elites.

European oil companies, such as ENI (Italy), BP (UK) and Shell (Netherlands) have worked for many decades in Egypt, but their position in the gas market (one of the energy sectors that matters in the APs) was established in the mid 1980s after the debt crisis, which marked the reforms of the national gas sector. Until then, the gas that was discovered went to the Egyptian General Petroleum Corporation (EGPC) and the incentives for foreign companies to invest in the country were limited. To
increase FDIs in the sector, the Egyptian government offered attractive investment terms.

These changes started in 1988 when the EGPC signed a Gas Clause with Shell, which became the model for future gas agreements (Fattouh and Darbouche 2010, 1124). Since then foreign companies were entitled to various development and production bonuses, whereas the royalties and income taxes were still paid by the EGPC to the Egyptian government (Fattouh and Darbouche 2010, 1122). This situation was totally different from the other North African countries, where oil companies had more limited space for investments. For example, in Algeria, foreign investors had to pay income taxes, royalties and they were not entitled to any production bonuses.

These reforms made British Gas, BP and ENI the largest foreign investors in gas exploration and production in Egypt. The fact that the European oil companies had already penetrated into the Egyptian market and that they did not face any competition from third actors (as in the case of the food companies or the other EU industries) made them less willing to participate actively in the formation of the ENP APs. Their dominant position is evident from the fact that the connection between Egypt and the EU that these plans promote is organised mainly by EU companies. ENI, BP and British Gas are involved in expanding the Egyptian Liquefied natural gas (LNG) projects (Energy Information Administration 2012). However, it would be a mistake to describe this situation as one from which only European companies gain profits. The Egyptian government has offered more than 150 contracts to local and foreign companies for exploration and drilling (Fattouh and Darbouche 2010, 1125). Even if the distribution of the contracts is unequal and in favour of the EU investors, EGPC and the local enterprises still win from the ENP reforms.

The opposite situation occurs in the field of renewable energies and the electricity market, which are heavily regulated and foreign companies have a minimal presence in the North African countries. At this point, the suggested reforms in the electricity market, which form the other pillar of the energy parts of the APs, are heavily influenced by domestic actors and international factors. How do these two levels interact?
The two tables above illustrated not only the significance of the North African region, but also the heavy reliance of the EU on Russian oil and gas. Over dependency on one source, in this case on Russia, weakens the position of the EU in the international arena and any kind of disruption can cause many problems to the EU economies.\(^\text{10}\) The retaliatory actions of Moscow in the 1990s following the independence of the Baltic countries and Ukraine being punished for delayed payment by having its supply cut were the two main examples that showed to the EU how Russia uses its energy sources when blackmailing for political or commercial reasons (Bahgat 2010, 43). The situation in the other two regions that provide fossil fuels to the EU is not stable either. In the Middle East the war in Iraq and in Sub-Saharan Africa the fragility of the regimes threatens the constant flow of fuels into the EU market.

For these reasons, the EU seeks to reduce its dependency from unstable suppliers (Desertec Foundation 2009, 13). The EC has published several papers regarding its future strategies and in these documents the diversification of supplies and the reduction of imports are perceived as the most important targets (European Commission 2010e). According to the EC, Europe by 2020 should ‘reduce greenhouse gas emissions by at least 20% compared to 1990 levels or by 30%, if the conditions are right; increase the share of renewable energy sources in our final energy consumption to 20%; and a 20% increase in energy efficiency’ (European Commission 2010e, 9).

Within this framework, the North African region seemed a reliable alternative source to achieve the aforementioned targets for several reasons. First, the region has many oil and gas reserves. Second the regimes seemed stable (until the social unrests of 2010-2011). Third, the weather conditions of North Africa favour the production of electricity from renewable energies. The sunny weather and the uninhabited Sahara offer ideal conditions to produce electricity from solar (and wind) power.

\(^{10}\) The sixth table in the appendix illustrates the reliance of the European economies on energy imports. The British economy is the only one (among the big three European member states) that does not rely heavily on fuel imports. Germany and France import almost all their oil and gas supplies and they are in a similar condition as many other smaller EU member states.
The link between renewable energy and electricity helps not only to meet the 2020 targets, but also serves political aims. The nature of the produced energy secured the EU supplies, as electricity cannot be stored for long periods like fossil fuels. This situation rules out fears that the Arab Mediterranean countries could become the Russia(s) of North Africa and use energy for political ends, because they will have huge losses of revenues. Furthermore, the plants are situated in more than one country; Morocco, Algeria and Tunisia have shown interest in building infrastructure for the production of electricity from renewable sources and this diversification of energy production mitigates further any threats to the smooth flow of electricity into Europe.

Yet, the stability of regimes (before 2010) and the convenient weather conditions are not sufficient preconditions for building renewable energies infrastructure. What is needed for such plans is a different regulatory framework in order to secure private investments. Until the creation of the ENP, the North African markets were dominated by state monopolies and the reforms were very weak. In Morocco they started timidly in 1994 and in Tunisia in 1996, when independent power producers got the right to compete for generation licences (Brand and Zingerle 2010, 4). However, the inflexible character of the market did not change much after these reforms and most projects were still covered by the state companies. The EMP did not manage to change further the North African rules in this area (Escribano 2010, 217) and investors were discouraged from investing in the region (Komendantova et al. 2012).

Under these conditions the North African markets encountered many difficulties ‘when seeking project financing at the needed scale’ (Brand and Zingerle 2010, 3) and these problems hindered the efforts of the EU to diversify her energy supplies and the North African efforts to develop their economies.

More specifically, the EU demands for energy, demographic pressures and the rapid urbanization of the North African countries put reforms in the electricity market higher in the ENP agenda (Brand and Zingerle 2010; Desertec Foundation 2009). According to Anders Wijkman the ENP reforms are crucial for the implementation of
industrial-scale projects on renewable energy sources, which will create more jobs and growth for both regions.\textsuperscript{11} Similarly, in the strategy papers of the North African countries it is mentioned that

‘In the case of energy, EU assistance could possibly focus on the legislative and regulatory aspects with a view to developing a sound and sustainable energy policy’ (European Commission 2007b, 25)

The close connection between reforms in the electricity market, the market introduction of renewable energies and the interconnection of electricity grids between the EU and North Africa were promoted even more through the Mediterranean Solar Plan (MSP), which was linked with the UfM objectives. According to officials from the EC, the UfM suggested projects in order to advance the ENP reforms and under this logic the MSP focused on

- ‘setting up a regulatory environment to achieve large-scale deployment and trading of solar energy and other renewables;
- stepping up investments in renewable energy by making better use of the opportunities at hand;
- promoting the development of electricity interconnections’ (European Commission 2012g).

The outcome of this initiative was the establishment of ‘Desertec’, which is the largest private project regarding the use of solar power to produce electricity and is partially funded by the ENPI. According to the Desertec Foundation

‘A close cooperation between EU and MENA for market introduction of renewable energy and interconnection of electricity grids by high-voltage direct-current transmission are keys for economic and physical survival of the whole region […] Of great advantage for a fast transition to clean and secure power is an interconnection between the electricity grids of Europe, the Middle East and North Africa (EUMENA)’ (Desertec Foundation 2009, 25,44).

More specifically, the German interest for the project is very high, since the country is one of the biggest European consumers of electricity and German companies are involved in the project. When seeing the composition of the conglomerate, the best way to analyse Desertec is as a transnational lobbying group, based on a German axle, which tries to lobby the countries of the MENA region, the big European

\textsuperscript{11} Anders Wijkman is president of Globe EU and vice president of the Club of Rome.
countries and the EC.\textsuperscript{12} The lobbying activities are conducted by the Desertec Industrial Initiative (DII), the Desertec Foundation (DF) and Medgrid.

MedGrid is the newest partner of this project and the organisation was created in 2010 to promote further the project and to shape the regulations of the North African countries.\textsuperscript{13} According to the organisation

‘Medgrid’s work is carried out in coordination with other MSP projects and with Desertec [...] The Medgrid engineering department has several missions [...] to promote regulation favourable to investment and to viability of generation projects on the Southern rim of the Mediterranean’ (“Medgrid Project” 2012)

The DF has been active longer and it is comprised by members of the civil society, academia and politicians. Their role is to raise the awareness of the people regarding solar power and to promote the idea of clean energy in the countries of the MENA region and in Europe through conferences and networks (for example through the Desertec University Network). The work of this group has managed to alter the negative perceptions that other NGOs had about the project (such as Greenpeace) and to get the support of other civil society organisations, such as the German ‘Hamburger Klimaschutzfond’.

The DII is an international consortium that tries to promote Desertec as a profitable business project, to attract investors and aid funds. Questions in the German Federal Parliament were made regarding the actions and plans of the country to support the project and the official reply is that the country constantly supports the build of new solar stations in the MENA region (constructed by German companies). Germany, the EC, through the ENPI, and other countries (whose companies are involved in Desertec) provide aid for the creation of institutions that will become key instruments

\textsuperscript{12} The names of the most important European companies that take part in the project are the following: Munich Re (Germany), RWE (Germany), E.ON (Germany), Deutsche Bank (Germany), M & W Group (Germany), Siemens (Germany), Schott Solar (Germany), Flagsol (Germany), ABB (Germany), Abengoa Solar (Spain), Red Electrica (Spain), Enel Greenpower Italy, Terna (Italy), Saint Gobain (France). There are also two North African companies: Cevital (Algeria), Nareva (Morocco) (Van Niekerk 2010, 4).

in the political negotiations about the energy issues (Müller 2008). According to the replies provided in the German parliament

‘The market entry of German companies in the field of solar thermal power in the MENA region will be supported (by these initiatives)’ (Müller 2008).

These statements illustrate the successful lobbying activities of the group towards the German administration. In addition, German bureaucrats have convinced the French environmental agencies about the viability of the project (German Aerospace Centre 2006), that is why the project was linked with the French proposal for the Union of Mediterranean. North African companies (which belong to the state elites) participate in the project, which does not involve only the construction of solar power plants in North Africa, but also the first long-distance high-voltage transmission cables that can export energy to Europe with minimal losses (Escribano 2010, 88).

So, the game in the energy sector reflects the establishment of a wide win-set, with arms in both sides of the Mediterranean Sea. Within the EU, German and the other European companies win from the convergence of the electricity markets. At the other side of the Mediterranean Sea the local North African elites are involved in the construction of the plants. For example, Nareva, which joined the DII in 2010 is owned by Omnium Nord-Africain (ONA), the largest Moroccan conglomerate controlled by the royal family (Stromsta 2010). For the EU the ENP regulations open the gate for its gradual independence from the Russian supplies, even if the related projects will not bring electricity to Europe before 2020. In addition, the creation of jobs and cheaper energy for consumers widens further the consensus between the related actors about the necessity of ENP reforms and of the projects that follow the liberalization of the market.

**Financial Services**
The ENP APs include reforms for a range of services (e.g telecommunications, transport), but this research does not cover the entire field. It only focuses on reforms in the financial sector, which are considered the cornerstone for the macroeconomic stability of the North African countries. The APs include actions for the improvement of the regulatory framework of financial services, but what is interesting is that they rely heavily on prior frameworks that were created by other international actors. More specifically, the APs expect from the three countries to
follow the Financial Sector Reform Programmes (FSAPs) that were built by the IMF in 2002 (European Commission 2006b, 18; European Commission 2004a, 21; European Commission 2004b).

Such situations highlight the path dependency of the ENP on previous arrangements and show that history matters in processes of organisational change, as it constrains choices for future configurations. Under these circumstances the main questions that emerge are the following: What benefits does the EU have from the institutional reproduction of the IMF rules and how do these rules shape the win-sets in the EU and North African countries? The answers to these questions will help to make clear the links between the previous arrangements organised by non-EU actors and the preferences of the win-sets in the EU and the North African countries.

The aims of the FSAPs are analysed in a greater extent in the fifth chapter, where the responses of the North African statesmen are explored. Here it is sufficient to say that their objectives are to identify the existing problems of the North African financial sectors and to offer solutions in order to improve the financial infrastructure and to deepen the market (Tahari et al. 2007).

The conclusion of the FSAPs was that the domination of the state over the banks did not allow the expansion of the financial services. As the following tables show foreign banks face many restrictions and microfinance tools that could help the local economies are also underdeveloped. Under these conditions the legal, regulatory and supervisory frameworks of the North African banking sectors must change in order to allow FDIs in the region (Tahari et al. 2007, 3).

Comparisons between the state-owned banks in one of the EU states and the three North African countries are striking. In France the state owns only one bank out of the almost three hundred banks that operate in the country whereas the Egyptian state owns (partially or totally) six banks, the Moroccan state owns five (the country has the smallest financial market among the three ENP partners) and the Tunisian state has ten out of the twenty-five banks of the country (Table 3.13).
The domination of the North African states over the banking sector becomes more evident in the following tables. Table 3.14 shows that the Tunisian government owns twenty-five per cent of the banks in the country and forty one per cent of the banking assets. The Moroccan government owns a similar percentage of banks, but fewer assets, whereas the situation in Egypt is the opposite. There, the state owns fifteen per cent of the banks, but forty seven per cent of the banking assets. The large Egyptian share of banking assets is followed by a small six per cent of assets, which belong to private banks (Table 3.15). The situation in Morocco and Tunisia is different. In these countries foreign banks own a little bit more than thirty-one per cent and thirty-five per cent of the sector respectively. In the two North African countries the percentage of the foreign-owned bank assets is almost twenty-two per cent and twenty-eight per cent respectively.

Table 3.13 Number of banks (end of 2008)

<table>
<thead>
<tr>
<th></th>
<th>Banks owned by the state (partly or totally)</th>
<th>National private banks</th>
<th>Partially or totally foreign banks</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>6</td>
<td>27</td>
<td>7</td>
<td>40</td>
</tr>
<tr>
<td>Morocco</td>
<td>5</td>
<td>6</td>
<td>5</td>
<td>16</td>
</tr>
<tr>
<td>Tunisia</td>
<td>10</td>
<td>4</td>
<td>11</td>
<td>25</td>
</tr>
<tr>
<td>France</td>
<td>1</td>
<td>129</td>
<td>23</td>
<td>291</td>
</tr>
</tbody>
</table>

Source: Pons et al. 2009

Table 3.14 State presence in the banking market (end 2008)

<table>
<thead>
<tr>
<th></th>
<th>Part of banks owned by government (%)</th>
<th>Part of banking assets owned by government (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>15</td>
<td>47</td>
</tr>
<tr>
<td>Morocco</td>
<td>24</td>
<td>27</td>
</tr>
</tbody>
</table>
Table 3.15 Measure of foreign involvement in banking (2008)

<table>
<thead>
<tr>
<th></th>
<th>% of banks that are foreign-owned</th>
<th>% of banks assets that are foreign-owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>17.5</td>
<td>6.5</td>
</tr>
<tr>
<td>Morocco</td>
<td>31.3</td>
<td>21.7</td>
</tr>
<tr>
<td>Tunisia</td>
<td>35.0</td>
<td>27.6</td>
</tr>
<tr>
<td>France</td>
<td>55.3</td>
<td>10.9</td>
</tr>
</tbody>
</table>

Interestingly, foreign banks in the three countries control more assets than they do in France, but this point should not be exaggerated, as the restrictions that were mentioned before do not allow foreign banks to diversify their functions and expand their investments.

These restrictions are highlighted in the following table. According to Table 3.16, Tunisia offers the most restricted environment among the three partners of the EU and more restricted even when compared with other MENA countries (Bchir et al. 2009, 129). The access of foreign banks to security activities is totally prohibited, whereas in the other two countries foreign banks are allowed to expand their services into underwriting, dealing and brokerage activities. In the Tunisian insurance field the access of foreign banks is restricted as in Morocco (in Egypt insurance activities are prohibited). Similarly, real estate services are restricted in Tunisia, totally prohibited in Morocco and permitted in Egypt, meaning that in these countries banks rely heavily on the classical banking services and they are not allowed to diversify their services. Under these conditions, the sector remains under the control of the central bank, which decides which services the other banks can carry out. In that way, it reduces the dynamism of foreign banks and their further investments in the sector (Bchir et al. 2009, 129; Tahari et al. 2007, 4).
Table 3.16 Permissible powers of banks

<table>
<thead>
<tr>
<th>Securities activities (Underwriting, Dealing and brokerage services for securities and mutual funds)</th>
<th>Egypt</th>
<th>Morocco</th>
<th>Tunisia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permitted</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Restricted</td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Insurance Activities (Underwriting and selling all kinds of insurance, and acting as a principal or agent)</th>
<th>Egypt</th>
<th>Morocco</th>
<th>Tunisia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permitted</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Restricted</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Prohibited</td>
<td></td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Real Estate services (investment, development and management)</th>
<th>Egypt</th>
<th>Morocco</th>
<th>Tunisia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permitted</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Restricted</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Prohibited</td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

Source: Pons et al. 2009

The inclusion of the IMF guidelines in the ENP APs shows that the EC agrees with the Fund for the benefits that the liberalization of financial services will bring to the local economies. Furthermore, it reveals a more nuanced division of labour between

---

14 It is not specified to which extent permitted activities differ from unrestricted ones. The term might imply that a bank must take other factors into consideration while executing services in the related field, while this compliance is more remote in an unrestricted environment (Pons et al. 2009, 341).
the two institutions (the IMF and the EU institutions) and underlines the way that the EU transferred its preferences to the North African countries.

More specifically, the role of the IMF was more political and in the fore as it tried to push for structural reforms in order to tackle the weaknesses of the financial sector. In the past the hard line that the IMF followed about the implementation of these reforms raised public concerns about the severity of the measures and the ownership of the suggested policies, which made the North African statesmen hesitant to follow IMF advice. The aim of the European central banks was to avoid such confrontations with the North African politicians and public opinion as the ENP relies on the principle of co-ownership and it covers a wider range of issues (Personal interview 04/11/2010). Under these circumstances, the lower profile of the work that the EU institutions did in order to shape the North African environment was essential for the success of the ENP. That is why the ENP APs mention the IMF guidelines, the need for macroeconomic stability and public management, but not the sales of assets owned by the governments. However, as it is shown in the next chapters, sales of state banks are recognized in the ENP progress reports as positive steps for the development of the financial market and the implementation of the ENP reforms, despite the low politicization of the policy.

This division of labour protected the low politicization of the ENP reforms and encouraged the EU institutions to put more weight on the alignment of the North African regulatory systems with the Basel II standards. In this way, the assistance that the EU offered did not raise any public concerns and the EU central bankers worked with like minded technocrats, who were trained in the Anglo-Saxon world and had the required expertise to upgrade the regulatory systems of their countries (Leclerc 2010).

The technical support that was provided by the ENPI and the number of missions that were organised highlight the suasive reverberation of the EU pressures to the North African policymakers. Officials coming mostly from the South member states of the EU had many tasks. The production of discussion papers, quantitative impact studies, reports for the elaboration of guidelines and the construction of a ‘database warehouse’ to collect all the data related to every single North African bank were
among the works of these taskforces (Leclerc 2010). After the beginning of the ENP in 2004, the topics that were discussed between the Eurosystem (according to the European Central Bank) and the Mediterranean central banks increased and the meetings ‘turned into a regular series as a forum for pursuing an active and ongoing dialogue with the central banks of Mediterranean countries’ (European Central Bank 2005).

How does this division of labour between the IMF and the European Central Bank (ECB) influence the win-sets in the EU and in the North African countries? In this case, compliance with the IMF rules does not indicate the marginalization of the EU banks, as in the case of the agricultural sector, where the slow compliance of the EU with the WTO norms deteriorated the position of the small European farmers. On the contrary, as the following table shows, the opening of the North African financial sector does not only stabilize these countries (according to the ENP reports). It offers much potential for the penetration of the EU banks into the North African markets.

Table 3.17 shows the size and the power of the banking system in each country by measuring the banking assets as a percentage of GDP and as a percentage of the total financial system assets. In Egypt and in Morocco the banking assets represent more than the annual GDP indicating a stronger standing of the banking sector in the economy of these countries than that of Tunisia. This percentage combined with the correlation between the banking assets and the total financial system assets means that there is space for future investments (Pons et al. 2009, 338). In addition the banking system in these countries is underdeveloped, the banking services at a rudimentary stage and not easily accessible to consumers. Banking services reach only a small number of the total population. In fact, only 4.3 branches exist for every 100.000 people in Egypt, 10.9 in Tunisia and 14.9 branches in Morocco. The average number in the EU is 57.6 branches per 100.000 people and this illustrates the potentials that the European banks have for deeper penetration into these markets (Table 3.18).
Table 3.17 Banking Assets (2007)

<table>
<thead>
<tr>
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<th>Banking Assets as a percentage of GDP</th>
<th>Banking Assets as a percentage of total financial system assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>121.0 (as of June 2008)</td>
<td>55.0 (as of June 2008)</td>
</tr>
<tr>
<td>Morocco</td>
<td>106.0</td>
<td>55.0</td>
</tr>
<tr>
<td>Tunisia</td>
<td>92.0</td>
<td>86.4</td>
</tr>
</tbody>
</table>

Source: Pons et al 2009

Table 3.18 Measure of the accessibility of banking sector to the population: average number of branches serving every 100,000 people (2008)

<p>| | |</p>
<table>
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<tbody>
<tr>
<td>Egypt</td>
<td>4.3</td>
</tr>
<tr>
<td>Morocco</td>
<td>14.9</td>
</tr>
<tr>
<td>Tunisia</td>
<td>10.6</td>
</tr>
<tr>
<td>Germany</td>
<td>47.6</td>
</tr>
<tr>
<td>France</td>
<td>63.1</td>
</tr>
<tr>
<td>Euro area</td>
<td>57.6</td>
</tr>
</tbody>
</table>

Source: Pons et al 2009

Under the light of the above findings, pre-existing arrangements were not included in the ENP APs due to their stickiness once adopted. The work of the IMF complements the operation of the European central banks and it leaves to them a lot of room to reverberate the EU priorities to the North African elites. However, it is not only the EU banks that profit from the liberalization of the North African financial market. In the fifth chapter it will be shown that state elites benefit from the openness of the sector, even if the role of the state over the local economy is slowly diminishing.
European public opinion

Until now, the positions of the various European interest groups and their lobbying activities have been analysed. However, as the definition of the win-set is ‘the set of all possible Level I agreements that would win – that is, gain the necessary majority among constituents’ (Putnam 1988, 437), it is necessary to understand the position of the European public opinion about the ENP. In this way it is possible to clarify if the ENP reflects only specific economic interests and a small win-set determines the EU policies (as previous articles that use the two-level game framework argue) (Montanari 2007) or if there is a broader consensus about the future of the Euro-Mediterranean relations.

In order to analyse the position of the European public opinion about the ENP, the research uses a survey coordinated by DG Communication for DG RELEX. This survey follows the standard Eurobarometer polls, it presents the findings of 27,000 interviews in all the 27 EU member states and it was conducted in May 2007. The report explores the degree of awareness among European citizens regarding the ENP and it is divided in three parts. The first part is related to political issues, the second to economic matters and the third to social issues. In this way it is clearer to understand what sort of relations the interviewees want to see from the EU building with its neighbours.

Interestingly, the survey shows that more than sixty per cent of European citizens do not consider the three countries of North Africa as neighbours of the EU (this percentage drops to fifty-eight per cent for Morocco). Only Russia and Ukraine get a positive response from the European citizens regarding their proximity with the EU (forty-nine per cent of the EU citizens believe that Belarus should be considered as a neighbouring country). Geography does matter as only the partner countries that share land borders with the EU have the possibility to become EU members in the future.

Highlighting the role of geographic proximity in the attitude of the interviewees, it is not a surprise to see the public opinion of the South European states being more positive towards the Arab Mediterranean countries than the citizens of North Europe. Yet, still the majority of the answers show that even the South European citizens are
reluctant to accept the North African countries as neighbours of the EU (European Commission 2007a, 11).

What follows from this relation between the European public opinion and the North African states as close neighbours is the weak interest about the developments in the three case studies.\(^{15}\) The countries that show more interest in the three case studies are Cyprus, Greece and France as sixty-six per cent, sixty-two per cent and fifty-nine per cent of their citizens would like to know what is happening in North Africa.

As an outcome, Europeans were not aware of the ENP and only twenty per cent of the respondents knew of the ENP in 2007. Yet, they believe that it was important for the EU to develop its relations with its partners. Forty-three per cent of the participants argued that it was very important for the EU to foster her economic relations with the partner countries. For the sample, the economic development of the region followed the security and environment/energy priorities, which were considered as crucial for cross-border cooperation (European Commission 2007a, 22).

Considering the economic part of the ENP, one of the main questions is related to the benefits and the costs of the policy. A clear majority of the European citizens (sixty-one per cent) believes that the strategy will bring benefits for both sides; however, a biggest percentage (seventy-nine per cent) conceives the ENP as a costly instrument. At this point it is important to see how the mutual advantages of the policy could be achieved. Seventy-four per cent of the respondents argue that the ENP is an opportunity for the EU companies to expand their market power. Sixty-two per cent accepts the opening of the EU market to the partners as a tool that can help their development.

Interestingly, European citizens showed a homogeneous approach to this issue. Even the public opinion of countries with a bigger agricultural sector supported the further liberalization of the market. The Greek example is striking. Even if the Greek small farmers will lose from the further openness of the EU market to North African

\(^{15}\) Here we need to remember that this survey was conducted before the Arab Spring. After the revolts some of these findings are expected to be different. However, the main ideas about the economic relations between the EU and the North African countries are not expected to change.
products, seventy-eight per cent of the Greek sample, a much higher percentage than the EU average, believes that the partner countries should have better access to the EU market. Surprisingly, the UK citizens score the lowest percentage in that question, contrary to the standard position of the country about free trade. Only 48% believe that the EU market should open to the products of the partner countries (European Commission 2007a, 49).

Thus, the positive attitude of almost all the European lobbying groups towards the ENP regulations that facilitate free trade is shared by the European citizens. Even if the public opinion did not have any direct political demands from the policy, it is important to mention that the pro-trade win-set enjoys a broad consensus within Europe and there is a general belief that closer cooperation will enable the EU companies to establish their position in the broader region.

**The situation in the partner countries**

As stated in the first chapter, the size of the win-sets and the ratification of international agreements depend on the political institutions of the countries involved. In the EU the pluralist nature of the member states allows the competition of different interest groups and constituencies over the suggested policies. However, in the North African countries the domination of the market by the state alters the distribution of power between interest groups and statesmen and the domestic politics in the ENP partners.

The discussion about the persistence of authoritative regimes that control the local economies in the MENA region is not new. Since Huntington’s seminal work about the challenges that modernisation poses to the power of authoritative rulers (Huntington 1968), a sea of ink has been written about the factors that determine the process of democratic transition in these countries and the openness of their economies. Unsurprisingly, several observers argue that the reasonably free elections and the gradual openness of the markets in several MENA states are a positive signs towards democracy (Herb 2004), while others distinguish the process of democratization from political liberalization (Brynen et al. 1995) and claim that in the three North African cases the processes of political liberalization and
modernisation merely legitimise the authoritative character of the regimes (Dunne et al. 2007; Maghraoui 2011; Hibou 2011).

Despite their disagreement about the ways that modernisation was adopted by the North African regimes and the role of the hitherto reforms, analysts of the MENA region agree that the North African states have a long way in front of them to liberalize their markets (White 2001; Bellin 2002; Paczynska 2009). In fact, the dominance of the states over the North African economies and the various groups was mentioned as well in discussions with European lobbyists. A reason why the ERT did not organise any BECs in the North African countries was the strong relations of the local business groups with the government (Personal interview 04/11/2010). In the same line, BE rejected the application of Confédération Générale des Entreprises du Maroc (CGEM), which is the Federation of Enterprises in Morocco, to participate as part of BE in the Euro-Moroccan Conference, in May 2010 under the Spanish presidency, because CGEM does not have a clear independent status from the state. BUSINESSMED which reflects the ideas of BE in North Africa remains powerless, because the national federations are not distinct from the state (Personal interview 16/11/2010).

Yet, how does the dominance of the Arab Mediterranean states over the local economies influence the size of the win-sets in the North African countries? For Putnam the answer is simple. The autonomy that authoritative regimes enjoy can lead to the ratification of international agreements even if the domestic win-sets are small (Putnam 1988, 449). However, the problem here is that in this case there is larger threat for involuntary defection of statesmen.

The defection of statesmen during the implementation of the ENP reforms is analysed later, but here it is necessary to understand the nature of the small win-sets that appear in the North African countries. These win-sets are comprised by the state and the business elites. Both groups need the other for different reasons. Even if the North African states are more autonomous in brokering international deals than the EU member states, they still need some domestic support to conclude agreements that restructure the domestic economies. On the other hand, the local businesses
need the state elites, as the latter work as a medium between the international level and the domestic actors.

This relationship between the state elites and the business elites is not a new phenomenon. The following pages attempt to analyse the development of these bonds in order to understand the patterns of continuity and change during the implementation of the ENP APs. The next section will explain the function of the state elites. This will be followed by the analysis of the business elites in North Africa.

**The state elite**

Until the beginning of the Arab Spring the three heads of the political elites in Morocco, Tunisia and Egypt (King Mohammed VI, Ben Ali and Mubarak) acted in a similar manner towards domestic groups. As Bianchi notes the single party structures in North Africa provide the tools to these middle income countries to control crucial functions within and outside the state (Bianchi 1989, 20). Within these parties, a high degree of neo-patrimonialism characterizes their relations with other actors, meaning that authority rests on personal power and that this power is under the control of the ruler.

Usually, the power of the ruling elite is wielded through the powerful Ministries of the Interior. In all the three countries these ministries watch over directives related to every field, at the local or national level. Mamdani described the work of the Sub-Saharan state and he concluded that while all the other ministries have specific functions, the Ministry of the Interior works like a state within a state, being the heart of the colonial state in Africa and the ministry for peasants (Mamdani 2001, 656). In the same way, Sorman explained the work of the government in Morocco. For him the economic problems of the country do not pertain to Islam, but to the system of governance, which resembles the feudal structures of the past (Sorman 2005).

The ways that the top civil servants are hired provide a good example of these ‘feudal’ structures. In Morocco descendants of the well-known families that belong primarily to the conservative parties National Rally of Independents (RNI) and Istiqlal reach the top positions of the civil services in the country (Dawson 2009, 70). In Tunisia and in Egypt, even after the Arab Spring of 2011, analysts acknowledge that
the biggest challenge is to change the mechanism of the state, which remains basically the same and still represents Mubarak’s party ("A Tricky Transition" 2011).

Yet, it is not only at the higher levels that the power of the political elites is reproduced. The structure of the state mechanisms is such they do not challenge the strength of the political elites. The civil service has the capacity to absorb all these people of aristocratic, merchant and military origin. As stated above, the children of the well-known families reach the top political positions. At a different level, descendants of the merchandisers are used by the state for their commercial and managerial skills. According to the former minister of education in Morocco, they are necessary for the trade agreements with the EU. The military bureaucracy is used as an intermediate layer between the Palace and the various factions of the elite (Saaf 1999). The internal stability of the system and the avoidance of any conflicts are achieved through marriages and religious orders. This traditional framework remains strong until today, even if the younger civil servants are distancing themselves from these structures.

This semi-feudal structure neutralizes any social or economic forces of development. In other words, any autonomous actions of the domestic groups are confined and the political systems in these countries are characterized by constellations of dependents to the head of the state (Sorman 2005, 121). The creation of these dependencies follows a similar historic pattern in these countries. When the King of Morocco, redistributed the land after the independence of the country, the best parts of it went to his clients and to the Palace. Similarly, in Tunisia Bourguiba confiscated the lands belonging to the Islamic communities, which were controlled by the religious functionaries, and he gave them to the agricultural elites as payment for their support to his party (White 2001, 82). In Egypt, Nasser exercised a number of ‘carrot and stick’ policies to control labour unions. On one hand, he created a number of laws to interfere in their internal affairs and a special agency within his party to control them. On the other, he gave them many privileges and monopoly status as a reward for their loyalty (Paczynska 2009, 88).

The autonomy of the institutions that represent the private sector’s interests is still undermined. The financial dependence of these institutions on the state and the
state intervention in the selection of their leadership compromise the ability of these institutions to pursue the interests of their members. A classic example is provided by the elections for the leadership of the Tunisian Chamber of Commerce. The Chamber is supposed to defend the interests of industry and commerce to the state, yet it is the state that decides who is suitable to lead the organisation, not its members (Bellin 2002, 67).

Such moves allow the state to 'maintain dependent distributional coalitions that are large enough and cohesive enough to prevent threats to the political power of these elites' (Dillman 2002, 69).

The close ties between the political and the business elites have been used to control the entrance of the latter to the political arena and to electoral politics, so the former elites remain the primary actors in the political sphere. In 2002, in Morocco, Lahjouji, the former president of Employers Federation has formed a new political party to promote the interests of the businesses, but he failed to gain any substantial support. At the end he won only two seats in the national parliament. The reforms after the Arab Spring did not challenge the power of the King in the country (Maghraoui 2011) and in Egypt, only after the fall of Mubarak, the telecommunications tycoon Naguib Sawiris has formed a liberal party. Yet, the lack of political experience and the difficulty that all the new parties face to reach the rural population of the country brought marginal results (“A Tricky Transition” 2011). In that respect, Bianchi (1989) argues that ‘the lack of rigid categories and, thus, their fluidity enables the state to maintain its autonomy against “potential opponents” and “ambitious allies” by promoting a shared sense of weakness and disorganisation among groups isolated in differentially structured compartments’ and by affording the state with “an important measure of flexibility and adaptiveness in reordering its relations with dominant and subordinate social groups’ (Bianchi 1989, 23).

The gradual openness of the North African markets especially towards the EU has not changed significantly this situation. The functionalist argument that trade liberalization can create spill-over political effects that will lead to the democratization of the partner countries and to the change of their political systems does not seem to explain well the reality of the North African countries.
Indeed, some changes have occurred to these systems and the trade benefits with Europe were the driving forces behind these reforms. For example, to facilitate trade with the EU in the 1980s, the Tunisian government created many parastatals and in the 1990s, it has created state controlled agencies to implement the key points of the AAs. One of the most important is the Foreign Investment Promotion Agency (FIPA), an agency charged with the promotion of foreign investment in the country with offices in the main European capitals.

To facilitate external trade, a mix of parastatals and state controlled agencies operate in Egypt as well. In Morocco, the King followed a different pathway to improve its trade relations with the EU. In Morocco, the state did not create so many parastatals, but more investment agencies, which were devoted to external trade relations. Nonetheless, regardless of the form of the relevant institutions, the purpose of these agencies and parastatals was similar in the North African countries. The first was to develop the relations of the North African countries with external actors and to facilitate trade predominately with the EU. The second was to strengthen the state control over external trade, to keep the state unaccountable and out of any public control.

How did this happen? The creation of these new mechanisms gave the state elites the chance to create new policy options that allowed the business elites to profit from the openness of the local markets. The state acted as an intermediary between international and domestic actors and in this way it shapes patronage networks (Dillman 2002, 64). In this way, the state has managed to keep large distributional coalitions and it has reinforced its own political and economic power. In that respect, in Egypt and in Tunisia, Mubarak and Ben Ali managed to delay any significant reforms that could change the structure of the state. In Morocco, Mohammad VI is perceived as a moderate and reformist ruler. He replaced his Minister of Interior, who had a security background with technocrats in order to spur economic growth and he gave some rights to women. Yet, the state apparatus is far away from being described as a merit-based mechanism and as stated before the state retains the control of the local economy.
The business elites

The business elite in the North African countries derives from the great bourgeois families and it is determined by family ties (Dawson 2009, 65). This means that the control remains in the hands of the family and that external participation is not substantial. The primary aim of the company is to reproduce family wealth, without compromising any family assets to external control (Dawson 2009, 66). When external participation is perceived as necessary, this is introduced (most times) as technical assistance, not as co-ownership.

The power of the family ties is reflected in the structure of the business associations. In many cases, these associations merely promote and mirror the family networks of specific sectors. For example, the food and soap associations in Morocco are as many as the families that control the relevant markets and each one of them represents the broader family network (Benhaddou 1997, 63). As a result of this disunity, the interests of the business elites are often narrowly defined and their negotiating power is fragmented. This situation gives more space to the political elites, as disputes that could be solved in a more unified environment are often a subject of arbitration. Such situations allow the state to control the economic actors and to reproduce the power of the state elites, as they are perceived by the businesses as necessary coordinators of the economic life of the North African countries.

The dependence of the business elites from their political patrons is more obvious when the matter of the debate is international trade. In this case, the factors that determine the size of the win-sets are not as many as in the case of the EU domestic game. For the EU, the impact of the North African trade on most sectors is not significant and the low politicization of the ENP did not give much room for societal counter mobilisation. In most European countries sectoral attrition and sectoral internationalization offered very useful insights in order to understand the nature of the domestic win-sets. However, the North African businesses are heavily affected by the openness of the markets and under these circumstances the main factor that determines the win-sets and the position of the domestic actors is the orientation of the businesses. This counter mobilisation divides societal actors into two groups. In the first one we can find all these companies that seek protection from the state,
rather than support for their modernisation (Tangeaoui 1993, 265–268) and in the other export-oriented companies, which seek more trade openness (Putnam 1988).

Unsurprisingly, the openness of the market benefits the export-oriented companies and some short examples illustrate this point. DG Agriculture has highlighted the asymmetrical gains for the North African exporters and that the non-competitive meat producers and the small-scale rain-fed agriculture in the partner countries will face the consequences of more open AAs (European Commission 2006c, 3). In the energy sector, further trade liberalization and the elimination of behind the border controls will allow the export-oriented industries to gain more profits. Europe needs oil and gas, and as explained above, Russia is not the most reliable supplier. In Egypt, the local oil and gas companies are expected to thrive from the increase of trade with the EU. Morocco and Tunisia are not oil exporting countries, but the implementation of projects that produce electricity from renewable energy sources illustrate that the political and business elites do not share only the same pro-trade beliefs, but in some cases they are identical. For example, the biggest local conglomerate (Nareva), which participates in the construction of renewable energy plants in Morocco belongs to the royal family (Van Niekerk 2010, 4). The Moroccan business elites, who export raw materials to Europe (especially phosphate) share the same ideas with the Egyptian oil elites about free trade agreements.

On the other hand, the North African states do not completely abandon the uncompetitive (usually smaller) companies. The SMEs in the three North African countries have many differences and the three states do not share the same criteria for the categorization of the local SMEs, as their size depends on the size of the national economy and resources (El Kabbani and Kalhoefer 2011, 2). For example, the European SMEs can have up to five hundred people; in North Africa the SMEs are companies that have up to fifty employees. However, the North African SMEs share some main features. First, they are small in terms of total employment and total capital stock. Second, the North African small and medium companies have a low capital-labour ratio and a high responsiveness to market conditions. Lastly, their credit-risk structure is unsuitable for conventional banking financing (Di Tommaso et al. 2001, 53). The sources of their investment are personal savings, informal
networks and in a smaller degree funds from formal institutions (El-Gamal et al. 2000, 10).

In front of these problems, the North African states have liberalized their industrial markets slowly and they have improved the business environment. According to the World Bank, in the three North African countries the average time and cost to start a business have decreased and they are below the regional average (IBRD/WB 2010b, 3). In addition, the cost and time that are needed to export are also below the regional average (IBRD/WB 2010b, 24–28).

These changes were asked by the entire business community, but it would be a mistake to assume that these demands are promoted in the same way as in Europe. The intention is not to glorify the European lobbying activities, which in many cases can be informal and exercised in dinner parties or other meetings. Yet, when compared to North Africa, in Europe the lobbying process is institutionalized. In other words, the related associations are independent and participate as advisors to workshops and to official seminars. In North Africa, lobbying on a collective basis is not the safest way for industrialists to promote their interests. As shown above, the operation of the related associations is compromised by the state. Bellin argues that for Tunisian businessmen ‘individualistic lobbying offers them a surer route to shaping public policy’ (Bellin 2002, 70). Actually, this means that the stature and the experience of the businessmen signify their success in lobbying their interests. Hence, the richest businessmen have easier access (formal or casual) to state elites and can pass their interests to the public officials. Especially, in Morocco and in Tunisia this sort of activity is easier due to the small size of the country and of the business elite.

Another mistake that should be avoided is to imagine that the approach of the three countries towards the EU (before the implementation of the ENP APs) was identical. Egypt was able to forestall the asked reforms when compared with the other two countries. This difference can be basically explained by the size of its economy and its natural resources. Tunisia and Morocco as smaller countries, located in an economic space dominated by Europe, saw as a one way road the idea of having close trade links with the EU. As Kamelgarn mentions about Tunisia
The geographical concentration of exports is evidence of Tunisia’s dependence vis-a-vis Western industrialised countries and, in particular, the European countries; Tunisia is unable to find other clients with comparable demand, whereas the inverse is not true. These countries can find other suppliers for products from Tunisia: this is the case for petrol as well as for phosphates or textile products’ (Kamelgarn 1978, 117).

On the other hand, Egypt manages to have more flexibility against the demands of the EU due to its revenues from oil exports and from the Suez Canal. In 2006/2007, the Suez revenues have increased by seventeen per cent and they form a little bit more than ten per cent of the GDP (other types of transport are included in this percentage). Similarly, petroleum and mining (industries included) contribute more than thirty-two per cent of the Egyptian GDP (OECD 2008). According to the EC, the duties paid by vessels to the Egyptian authorities help to manage the trade deficit of the country (European Commission 2010b, 5). Yet, slower reforms were not only an outcome of the increased state revenues from oil and the Suez Canal. An official working in the EU stated that the Egyptian authorities were reluctant to reform their economic structures because the domestic critics accused the government of undermining the economic independence of the country (Personal interview 13/12/2010). Yet, from 2008, the Egyptian authorities have been persuaded (and persuaded the domestic environment) that economic liberalization is the best development strategy that the country could follow. The Arab Spring changed (slightly) the mandate and disrupted the reforms, but these developments will be discussed in a greater detail in the next chapters.

**Conclusion**

According to Putnam the preferences and coalitions of domestic actors, the politicization of the agreement and the institutions of each state are three factors that determine the size of win-sets in every country. The institutional setting in the EU countries allows the Leven I constituents to compete for policies that affect their businesses. However, the low politicization of the ENP has managed to minimize the counter mobilisation of societal actors and to allow for other parameters to shape the win-sets in the EU countries.

In the agricultural sector, the North European producers are not affected by the Arab Mediterranean competition and they did not resist any of the reforms that attempt to
modernise the North African agriculture. Actually, in some cases dairy and meat producers saw many opportunities from the deeper integration of the North African market into the EU. The further liberalization of this sector will allow them to compete with companies from third countries that have already penetrated into the Arab countries.

On the other hand, the South European small farmers are threatened by the North African competition. The ENP APs facilitate the modernisation of the North African agricultural sector and according to the EC (2006)

‘From an economic point of view, reciprocal liberalisation will have the following effects: Rising exports of fruits and vegetables, in particular tomatoes (Morocco), olive oil (Tunisia), and potatoes (Egypt), with positive impacts on labour markets and trade balance in the Mediterranean Partner Countries, accompanied by a regional decline of production in Mediterranean Europe due to strong competition’ (European Commission 2006c, 3).

Yet, these groups are marginalized due to the smaller role that they play in the GDP of the EU countries and especially due to the internationalization of the sector. For example many Spanish and French companies have created synergies with North African businesses and they operate in the South Mediterranean countries. This development has changed their orientation towards the ENP partners and the related APs. Any measures that promote the positive integration of the ENP partners into the EU market consolidate further their position in the Arab markets.

Regarding the industrial and services sectors, the European business community is clearly in favour of the ENP. Some business groups go even further and ask for even more integration. Their main argument is that the regional integration of the Arab partners benefits both the EU and the North African economy. In other cases, for example in the energy sector, the European oil companies do not express their preferences as clearly as the members of the ERT. Yet, their silence towards the ENP APs is explained by their established position in North Africa and the fact that they are not threatened by the international competition.

However, the strategy of companies that focus on renewable energy is different. These companies are not established in North Africa, because the electricity market of the region is heavily regulated. As a result, these companies lobby heavily the EU
member states and the North African countries in order to promote their interests in the region. The liberalization of the market that is included in the ENP APs is the first step for the creation of large-scale investments in North Africa.

Under these circumstances, in the EU the win-set that favours the further integration of the North African countries is very wide. It includes not only the European lobbying groups, but also public opinion, which is positive towards the ENP. Generally, Europeans see the creation of a regional free market as the basis of further development for the North African countries and as a strategy that will help European businesses. This position is not translated into concrete demands, but it does not create disruption for statesmen to design strategies for a bigger single market that will include the partner countries.

On the other hand, the situation in the North African states is different. The North African states try to balance between the needs to attract more FDIs and to get a larger share of the EU market and on the other hand to maintain their power and stability in front of the danger of a rapid transformation of their economy.

Navigating between these problems, the state elites are using old strategies to yield benefits from their incorporation into the global economy. They adopt policies that do not change the state structures considerably, but on the other hand are within their international obligations. In that respect the partner countries adopt a series of reforms in order to harmonise their financial policies and markets with the European acquis. Yet, these are considered as soft measures that merely improve the business environment; they do not alter the power relations within the state. However, even this pro-market attitude is followed by a piecemeal approach. Facing strong domestic opposition, which links the international economy with development strategies that marginalize the majority of people; and in order to protect certain societal groups that will lose from freer trade, the North African states are reluctant to make certain reforms. This is the reason why tariffs are gradually decreasing in North Africa. As some analyses have highlighted, almost forty per cent of local small businesses can be devastated from free trade.

On the other hand, export-oriented sectors and industries favour free trade. Especially, in the energy sector the local elites have great benefits as they seek
access to new markets and sometimes the political elites are members of the companies that build energy projects. Yet, what is necessary to mention here is that in any case the state policies of the partner countries are not an outcome of institutionalized lobbying by the related pressure groups. The lobbying activities of the societal actors are based on personal ties and fundamentally the state strategies are an outcome of a top-down approach. As a member of an international NGO mentioned ‘In these countries the system is different from that in Europe. If something is decided at the top, no one can do much’ (Personal interview 01/02/2011).

Under these conditions, the implications of the domestic game in the EU and in the North African countries appear as follows:

Figure 3.1 Win-sets in Level I

The ratification of the ENP requires the win-sets of both regions to overlap. The space between the brackets in Figure 3.1 includes the groups with overlapping interests in both regions. Export-oriented companies of both sides clearly form the largest win-set. The North African state elites are included in the winning coalition, as long as the ENP actions do not affect their power. On the other hand, the North African SMEs are marginally outside the brackets. This happens because some policies, which improve the business environment in the North African countries, benefit the entire business community. Yet, the size of these companies is small as is the cycle of their business. If one counts the companies engaged in the informal sector then the average size of the North African SMEs is getting smaller. In addition, the vast majority of these companies is characterized by a low level of value-added (Bellin 2002, 33). The deeper integration of the North African partners into the EU market exposes these companies to more intense competition, which threatens their existence.

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Some interests of the North African SMEs overlap with the ENP APs, but two other groups see themselves further out from the winning coalitions in both countries. These are the small farmers in both regions. As stated above, the European small farmers that produce the same products with the North African exporters are losing from the ENP and the substitute farmers in the North African countries do not benefit as well from the liberalization of the market. The assessment of the ENP APs in the following chapters will show how these groups are affected by the suggested policies, but before that, this analysis will focus on the attempts of the EU statesmen and the EU institutions to shape the ENP. As said in Chapter One, the negotiators’ strategies affect the international arrangements and what will be discussed in the next chapter is the intra-EU negotiations, which forms the second level of this game.
Chapter 4 Negotiating the ENP within Europe: a four-stage process

Introduction

The low politicization of the ENP allowed the export-oriented industries to form a wide win-set within the EU countries. At the same time, the sectoral attrition of small farmers and the internationalization of the agricultural sector of the South EU member states influenced the shape of the coalitions in Europe. Yet, these are not the only factors that matter in international agreements. The political institutions and the strategies of the negotiators are crucial parameters (Putnam 1988, 432) and determine the development of the ENP policies.

These two elements are at the core of the discussion in this chapter. As stated in the introduction, the unique structure of the EU has added another level in Putnam’s two-level game and the interaction between the EU member states and the other EU institutions is analysed in this section.

More specifically, this section analyses the second level of the game, which is divided in four periods. For many analysts of the ENP the negotiations at the EU level started in 2002 when Jack Straw sent a letter to the EC expressing the worries of the British administration about the unstable situation that would emerge in the new borders of the EU after the enlargement of the Union (Barbé and Johansson-Nogués 2008, 86; Lynch 2003, 48; Comelli 2006, 7). Yet, starting the discussion about the ENP from 2002 will hide the work of other actors that tried to shape the EU policies towards the new neighbouring countries before the UK. Therefore the first part of this analysis will start from 1999 and it will attempt to highlight the work of the Polish government, which emerged as the more influential actor for the promotion of a new policy towards the Eastern partners. Under these conditions, 2002 marks the end of this phase and the beginning of the next one, which opens in 2003.

The second phase has two stages and it finishes in 2006. During the first one the EU institutions negotiated the deepening and widening of the ENP and of the Action Plans. In the second stage the discussions revolved around the economic parameters, the tools of the policy and the financing of the strategy. During this
phase the preferences of the member states remained important, but the EC and the EP were the institutions that took the most significant initiatives.

After the end of the second phase the ENP was established as the main strategy of the EU towards the neighbouring countries. The third episode of the intra-EU negotiations explains the challenges that the ENP faced and the negotiations between the EU actors to deal with them. This stage includes the negotiations for an ENP Plus, the rise of the UfM and the Eastern Partnership. This period starts in 2006 and finishes in 2009. During these three years the main initiatives came from Germany and France. Poland appeared again as a supporter of the Eastern partners, but the main actors were the two traditional powers of the EU. The last phase of the ENP started in 2010 and it finished in June 2013 with the ousting of president Morsi. This period was marked by the Arab Spring and it signified the role of the EC, which again took the most important initiatives. However, this time the EC worked as a policy entrepreneur, not only as an actor who wanted to increase the efficiency of the bargaining between the EU member states.

**The first stage: the significance of a candidate state in the development of the ENP**

The discussion about the position of the EU towards the new neighbours started in 1999 and it involved the new Eastern policy of the EU. The main question for the member states about the Eastern question was whether the EU should proceed to further enlargements or not. Having more interests in the Arab Mediterranean countries, the South member states were sceptical about the impact that further enlargements would have on the South borders of Europe. The main fear of these countries was that future enlargements would require funds that would be taken from other policies and would marginalize the Arab partners of the EMP. On the other hand, the future New Member States welcomed the idea of further expansion of the EU, even if their more specific priorities about the region were slightly different. For example Poland had a broader vision about the Eastern partners and would like to see both Ukraine and Moldova in the EU, but some of the other New Member States (NMS) (such as Hungary) supported only the Ukrainian membership (Albrycht).
Theoretically, the preferences of the future members could not shape considerably the EU policies, because these states were still outside the EU institutions, so they did not have significant political leverage. At least this is the view of Moravcsik and Vachudova, who state that the applicant countries are in a weak negotiating position vis-à-vis their EU partners (Moravcsik and Vachudova 2003). Their argument reflects the negotiations that the candidate countries do with the EU about their future membership, but this does not exclude negotiations about the foreign policies of the EU, even if their argument simply narrows the typical bargaining theory down to the accession negotiations. In other words, Moravcsik and Vachudova argue that any side that has much to gain from an agreement is willing to compromise more than the other party (Moravcsik and Vachudova 2003, 44). Under these conditions, any attempt of the candidate countries to shape the foreign policies of the strong side (in this case of the EU) becomes a dangerous task.

According to bargaining theory, such attempts are a very difficult task, because in this case the main questions go beyond the adoption of the EU acquis. During discussions about the accession of a country into the EU, the government of the country calculates the cost and the benefits of the asked reforms and proceeds accordingly. Yet, the ‘take it or leave it’ dilemma about the EU acquis is not applicable to any efforts of candidate countries to shape the EU policies as they have to calculate variables outside their control. The preferences of the existing members, the geographical scope of the suggested policies, the added value of the strategy and the instruments that the EU should use to implement it are only some of the considerations that should be taken into account.

So, if one wants to reformulate the previous statement and link it to the ENP, the question that arises is whether or not the candidate states (still outside the EU institutions) have any power to shape the EU policies or if their role is to simply follow the preferences of the exiting members.

The findings of this research show that candidate countries have the ability to become influential actors, even if they are outside the EU institutions. In this case the contribution of Poland to the debate about the future of the ENP was significant. Yet, the Polish success to influence the EU actors relied on four conditions.
The first has to do with the continuity of the policy preferences of the Polish administration. In order to be effective the candidate state needs to have a consistent agenda about its foreign policies. The second issue that matters is the capacity of its diplomatic agencies. These must be able to realise the new challenges and formulate a coherent and realistic plan. Third, because Poland had only voice and not voting rights inside the EU institutions the candidate state must find allies inside the EU with similar preferences. In that way it can communicate its message more effectively to the EU institutions and influence the final decisions. Fourth, there must be an opportunity window (usually created by an external shock) and a cognitive uncertainty of what follows the shock within the EU institutions.

The opportunity window was provided by the Eastern enlargement. As stated above, since 1999 the EU states had started to discuss the consequences of the enlargement and the future of the new neighbours. However, the main question revolved around their membership or not and no one was in position to design any certain plans about the future relations with the new neighbours.

The UK, Germany and the Scandinavian countries were open to further eastward enlargements. So, the Polish initiatives could echo in some ears with strong influence inside the EU institutions. Poland formulated its plan on 13th June 2001 under the name ‘The Eastern Policy of the European Union in the run-up to the EU’s enlargement to include the countries of Central and Eastern Europe – Poland’s viewpoint’. The plan borrowed examples from the enlargement strategy and highlighted the need for the EU to ‘work out a coherent policy line vis-a-vis the successor states of the former Soviet Union it will be sharing borders with’ (Ministry of Foreign Affairs of the Republic of Poland 2001, 1). The Polish strategy paper offered a comprehensive tool to the EU to deal with the new neighbours. As a former member of the East block, Poland had realised the particularities of the Soviet political and economic system and it asked for a differentiated approach towards these countries (Ministry of Foreign Affairs of the Republic of Poland 2001, 2). However, the main goals of the strategy should be the same for the new neighbours and should follow the European aims of enlargement. These reflected the creation of a zone of stability and prosperity, the alignment of these countries to the democratic rule of law and to free market principles, the cooperation between the two regions in
a series of issues such as security, energy and environmental threats. The strategy paper evaluated the developments that the CIS states had made so far and it suggested the new EU strategy to create a clear framework of cooperation with these countries before the parties sign PCAs (Partnerships and Cooperation Agreements).

According to the Polish proposals, the EU could use the existing aid tools to support the neighbours and the strategy should have three pillars. The first one was related to security. Given the size and significance of Russia, Poland suggested that Moscow should participate in the discussions between the EU and the neighbours. The second was related to economic cooperation. In this pillar energy and the creation of a free market economy were of paramount importance. Poland suggested that the EU should support these states by improving their infrastructure and supporting their accession to the other international institutions, such as WTO, OECD. The third pillar sought closer cooperation in internal affairs and justice, education and cultural matters. The most important issues in this field are crime, illegal migration and changes in the educational systems of these countries. Lastly, Poland suggested to the EU to enhance the regional cooperation of these countries. To achieve these aims, Poland asked for more intensive dialogue with the new neighbours. The dialogue between the EU and these counties should be based on the EU laws and the expansion of contacts that stem from the EU acquis was considered as a win-win policy.

The Polish initiative did not only try to fill a gap in the EU foreign affairs. The low politicization that the suggestions enjoyed domestically and the strong economic ties that the country had built with the neighbouring countries allowed the Polish administration more room for manoeuvre and to play an important role in the implementation of the EU Eastern Policy (Browning and Joenniemi 2003, 464). The paper highlighted the help that the country could offer to the new neighbours due to the experience that the country had gained from the transformation of her political and economic structures, to her geopolitical role in the region and the ties (economic, cultural) it shared with the future neighbours of the EU. In this way Poland tried to upgrade its role in the European external relations and to emerge as the only peripheral power that will soon be a member of the EU.
Even if the paper was created in 2001, the Polish Ministry of Foreign Affairs (MFA) had a constant interest for the future of the Eastern neighbourhood since the beginning of the negotiations with the EU about the accession of the country into the European Union. In 1998, Bronislaw Geremek was the first Polish Minister of Foreign Affairs who stressed the need for a common policy towards the Eastern neighbours. At that moment the EU did not have a certain timetable about the accession of the NMS, so any discussions about their neighbours were immature. Yet, when the European Council in Gothenburg (in June 2001) announced that 2004 will be the year of the accession of the NMS in the EU the issue was pushed higher in the agenda of the Council. In the same month, the Polish administration gave to the Swedish ambassador, who represented the presidency of the EU at that time, the Polish viewpoints about the new Eastern neighbours.

The Polish requests about a policy towards the Eastern partners were supported by Jack Straw’s letter to the Spanish presidency of the EU at the beginning of 2002, which is the year that signals the legislative stage of the process. Similar to Poland, the UK asked for a European response about the problems that could arise from the next enlargement of the EU. The British were concerned about the situation in Belarus, Ukraine and Moldova and their initiative followed the Polish suggestions for a clear vision to these countries. More specifically, the British suggested trade liberalization, closer cooperation in the Justice and Home Affairs and in the CFSP (Comelli 2004).

The British initiative was welcomed by the Polish administration and it achieved two aims (Cimoszewicz 2003). The first is that it triggered a series of constructive discussions between the EU member states about the future of the Eastern partners, which were based on the Polish proposals. The second is that it put the EC into the game, as it asked for a common European approach. The latter issue could sound strange for the students of the British foreign policy as the country constantly seeks more intergovernmental approaches within the EU institutions. Yet, the European approach that the British statesmen asked for did not alter their attitude in this matter. It was consistent with the style that Blair’s administration tried to introduce; a

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16 A detailed timeline of the negotiations at the EU level for the ENP can be found in the Appendix.
third way in foreign policy, which was based on more openness, wider involvement and emphasis not only on security, but also on human rights as a way to show good international citizenship (Wheeler and Dunne 1998). Since the beginning of this period (and not only after the war in Iraq) analysts were sceptical about the degree of this change and about the position of the British foreign policies on the national sovereignty/multilateralism axis (Martin and Garnett 1997). However, the British attitude regarding the ENP reinforces the view that the UK still saw herself as a global actor, who recognized the EU as a joint platform to promote her interests (Lippert et al. 2001, 7).

The British initiative was taken further by the Swedish MFA and Trade Ministers. On the 8th March 2002, Anna Lindh and Leif Pagrotsky extended the scope of the British (and Polish) proposals and suggested that the EU should formulate a comprehensive proposal, which would embrace all the neighbours of the EU. The presence of the trade ministry in this proposal underlined two things. The first was the equal (but small) commercial weight that the Arab Mediterranean partners had with the Eastern neighbours for the Swedish exports (“Trade in Sweden” 2013). The second was that economic cooperation was the most important part of this relationship. In this way the EU could signal a strong message to the neighbours that it cares about their economic and political situation and that it is a force that can help them develop further. Yet, the new agreements should upgrade the older ones not replace them (Comelli 2004).

The first Intergovernmental Conference that discussed these matters was launched one month after the Swedish letter at Luxemburg. On 15th April 2002, the European Council discussed the Polish and the British suggestions and it decided to put more emphasis on the three states that Jack Straw and the Polish MFA mentioned. The relations of the EU with the Eastern partners should be reinforced and the EU should take into account the different political and economic situation of the countries. At the same time, the EU states agreed to wait the report of the EC about the Eastern partners. The EC acknowledged this new situation as an opportunity to enhance its role in the foreign affairs of the EU by formulating its opinions about the development of the policy. According to the conclusions of the Council
‘The Council had an exchange of views on relations between the future enlarged EU and its Eastern neighbours. It welcomed the intention of the Commission and of the High Representative Javier Solana to prepare contributions during the second half of 2002 on the possibilities for strengthening these relations, taking into account the different state of relations between the EU and the countries involved, as well as their level of political and economic development’ (General Affairs and External Relations Council 2002a).

The situation between the EU and the Southern partners was also discussed in Luxemburg. Regarding the Southern partners, the Council was more specific and it clearly expressed the will to follow the guidelines of the earlier Euro-Mediterranean Conference of MFAs, which took place in Valencia in 2002. In Valencia the European Ministers agreed to further support

‘the continued integration of South-South trade by encouraging free trade between the Mediterranean partners (particularly in the context of the Agadir process encompassing Morocco, Tunisia, Egypt and Jordan) and extending the pan-European system of rules of origin (encompassing the countries of the European Union, the European Free Trade Association and the applicant countries) to the Mediterranean partners’ (European Commission 2002).

In addition, the EC proposed the creation of a Euro-Mediterranean bank, the improving reciprocal access to agricultural markets, the development of transport and energy infrastructure and the harmonisation of the markets of the partner countries (European Commission 2002).

The first response of the EC to the request of the member states at the Intergovernmental Conference at Luxemburg came on 8th August 2002. Commissioner Chris Patten and the High Representative Javier Solana made a joint statement about the future of EU relations with the neighbours. Their joint letter ‘Wider Europe’ stressed the opportunities that the enlargement gives to the EU and the partner countries and paved the way for the construction of the ENP.

At this point an important clarification must be made: The joint letter suggested that further development of EU relations with the Eastern neighbours should be built on pre-existing frameworks and programmes. Yet, by underlying the need for further support to the existing tools, the EC did not try to reproduce its powers. The main aim of the joint letter was to balance the priorities of the member states (and the candidate countries).
In order to understand the aim of the EC four elements of this letter must be examined. First, the letter made a clear distinction between the three different groups of the EU neighbours, who were covered by different agreements (the Mediterranean partners by the EMP, the Western Balkan countries by the Stabilization and Association Process and the Eastern partners by the Partnership and Co-operation Agreements). Second, it recognized the need to build a more coherent platform, upon which the EU relations with the neighbours should be placed. Yet, the EC acknowledged that there cannot be a one-size-fits-all approach. Thus, the new strategy must be flexible in its pace and scope. Four, the ultimate aim was to ‘bring the neighbouring countries into the internal market and other relevant EU policies’ (Patten and Solana 2002).

How did these elements correspond to the preferences of the EU member states? The geographical distinction in the joint letter between the different groups of neighbours did not satisfy only the South member states (and Sweden) that did not want to see the EMP partners be neglected from any reference about the future of the EU neighbouring policies. From the Eastern group, Ukraine appeared to be the most interesting case, as the country emerged as the most likely state to achieve something more from the future strategies. This scenario was very welcomed by the German and British governments and it was considered as a Polish success. Spain was also in favour of this flexibility, but not due to its relation to Ukraine. For the Spanish diplomats it meant that their favourite neighbour, Morocco, could hope for a more advanced status during the implementation of the strategy, even if a future membership was out of the question. The French policymakers were happy as long as it was clear that the EU would not share its institutions with the new or old (in the case of Morocco) partners. Lastly, the aim to bring the neighbouring countries into the internal market was another Polish suggestion. It was widely accepted by the governments of the EU members as it reflected the priorities of their winning domestic coalitions.

The flexibility of the future strategy was not the only parameter of the Polish strategy paper that was acknowledged by all the member states. The other ones were the suggestions for further liberalization of the market and additional aid to the neighbouring countries (Patten and Solana 2002). These proposals did not face any
significant opposition. More trade with the new neighbours was an idea that was welcomed by all and as long as the geographical distribution of aid was not specified, the South European states saw an opportunity for transferring more funds to the Arab partners.

The response of the Council of Ministers to the suggestions of the EC came less than two months later, on 30th September 2002. The developments in the Eastern borders of the EU forced the Ministers of Foreign Affairs to pay particular attention to the relations between the EU and Ukraine, Moldova and Belarus. Yet, the pressures of the Southern EU states to include the Arab Mediterranean partners in the discussion resulted in a small comment at the end of the conclusions, which underlined that

‘beyond the question of Eastern neighbours, the broader question of "Wider Europe" deserved consideration’ (General Affairs and External Relations Council 2002b).

In the same text, but still under a different title, the insistence of the Italian delegation (and of the EC) forced the Council of Ministers to adopt the Italian proposal to finance the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) with 255m euros from 2003 -2006. FEMIP started its operations on 18th October 2002 and it is the financial arm of the European Investment Bank in the Mediterranean countries. The aims of FEMIP are to provide technical assistance to the Mediterranean partners and to promote public-private partnerships. The creation of this facility was strongly supported by Italy as the country has seen a rapid transformation of its relations with North Africa. Mainly an importer of energy and a constructor of some infrastructure and manufacturing contracts (especially in the sector of concrete) up to the 1980s, Italy has managed to develop her relationships with the North African countries in other sectors and it saw its industries penetrating deeper into these markets. The leading forces were still the large-scale industries such as ENI, FIAT, Telecom, Italcementi, Impregilo and Benetton, but more and

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17 In May 2002 Ukraine decided to launch a formal bid to join NATO. In August 2002 Lukashenko, the President of Belarus, rejected the Russian proposals for a new form of union under Russia. These developments increased the tension between the two countries and Russia.

18 The recipient countries of the FEMIP funds are Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Morocco, Syria and Tunisia. FEMIP operates within the ‘ENP-MED Mandate’ framework and under the ENP (EuropeAid 2013).
more SMEs were seeing North Africa as a potential market and a pool of cheap labour force. The increasing number of Italian SMEs in these countries was followed by vast programmes of modernising their infrastructure and by demands for help from the Italian state (Italian Ministry of Foreign Affairs 2011).

The Italian plan to support these industries was the ‘europeanization’ of help. As a middle power with fewer funds than its bigger European colleagues, Italy saw in the eyes of the EIB a helpful lender to the Italian companies that wanted to invest in these markets. The public-private partnerships that FEMIP supports do exactly this job. Based on long-term contracts, FEMIP gives the ability to the private sector to create a partnership with the public sector, with the aim of designing, building and operating infrastructure assets. Yet, the FEMIP projects are designed in such ways that the funds are paid back by the cash flows generated by the projects. So, this model differs from the ‘corporate finance’ method, as it does not rely on the creditworthiness of the contractor and it gives the ability to smaller companies to compete for larger projects (FEMIP 2012).

The next meeting of the Council of Ministers on 18th November 2002 simply reconfirmed the commitment of the member states to supporting the new neighbours by following a differentiated approach according to the particularities of each partner. The EU would encourage any plans for further co-operation between the partner countries and any reforms that respect the rule of law, democracy and human rights (General Affairs and External Relations Council 2002c). In the same vein, the following European Council, which took place in Copenhagen on 12th – 13th December 2002, repeated this commitment of the member states and looked forward to establishing a solid plan about the region in the next meeting in Thessaloniki in 2003. The most important development in Copenhagen is that for the first time the two regions that would form the wider neighbourhood and would become parts of the ENP (the Eastern partners and the Southern partners) were included in the same paragraph as one whole (with two different geographical entities).

The Polish diplomacy saw the promise of the European Council for creating a solid plan for the EU’s neighbouring countries as a signal that could be used in order to
make the country more visible in the decision-making process. A few weeks after the European Council in December 2002, the Polish administration circulated a non-paper about the development of the Eastern partners in January 2003, which became the basis for discussions between the EU member states under the Danish presidency in January 2003. Włodzimierz Cimoszewicz, the Polish Minister of Foreign Affairs, further underlined his country’s initiatives at a Stefan Batory Foundation Conference on 20th February 2003 (Cimoszewicz 2003). In the same month the Polish Centre for Eastern Studies illustrated even clearer the views of the Polish government about the Eastern rim of the ENP, which draw many examples from the Northern Dimension (Browning and Joenniemi 2003, 464).

The Polish efforts brought significant results. The relations between the EU and the neighbouring countries were the first topic in the agenda of the next ministerial meeting on 24th February 2003 and in the communication of the EC one can see the Polish influence in the position of the European Commission.

This communication was released on 11th March 2003 under the title ‘Wider Europe - Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours’ (European Commission 2003a). The title of the communication paper made clear that the post-enlargement agenda could not include only the Eastern partners, but also the Southern ones. The continuous diplomatic efforts of the Southern member states to include the Arab Mediterranean countries were successful. The EC highlighted this issue in its document and reaffirmed

‘that enlargement will serve to strengthen relations with Russia, and called for enhanced relations with Ukraine, Moldova, Belarus and the Southern Mediterranean countries to be based on a long-term approach promoting reform, sustainable development and trade’ [Emphasis in text] (European Commission 2003a, 4).

The supporters of the Eastern partners (and especially Poland) saw positive elements in this paper. The communication of the EC clearly ruled out any prospective membership for the Mediterranean partners, but it kept an open window for any other European country that would meet the Copenhagen criteria, even if it was acknowledged that this cannot occur in the medium term. The following part illustrates this point.
Article 49 of the Treaty of the European Union stipulates that any European state may apply to become a member of the European Union. Prospective candidates must meet the criteria for membership [...] In some cases the issue of prospective membership has already been resolved. Accession has been ruled out, for example, for the non-European Mediterranean partners. But other cases remain open [...] In reality, however, any decision on further EU expansion awaits a debate on the ultimate geographic limits of the Union. This is a debate in which the current candidates must be in a position to play a full role' (European Commission 2003a, 5).

The other parts of the communication paper repeated the narratives that have been described elsewhere in this work. The ideas of regional trade, democratic values, and security concerns were the main issues that the new policy must improve, address or resolve. Furthermore, the EC reminded the other stakeholders that the new policy must have a new vision and a new offer. Yet, the language that was used seems the only different thing when compared to previous statements. Once more, the EC promised the partner countries a larger stake of the EU market, the same aim that the free trade zone of the Mediterranean Sea was looking to achieve.

However, what the EC made clear was that the principles of conditionality would apply to the partners. In other words, their access to the EU market will depend on the speed of their reforms. The guiding principle for these reforms was the European acquis. In trade issues the existing Free Trade Agreements set the framework for the relations between the EU and the partner countries. Regarding the market, another interesting point was the progressive tone of the paper about the movement of persons. This point was mentioned by some industrial groups and it was recognized by the EC, as it highlighted the labour deficit in some sectors. Thus, it suggested the creation of more flexible mechanisms that could allow workers to move from one region to the other and it stated that ‘the free movement of people and labour remains the long-term objective’ (European Commission 2003a, 11).

The most innovative part of the paper included the suggestions of the EC about the ways that the EU should use to help its partners and to monitor their progress. For the first issue the EC suggested a new neighbourhood instrument, even though in that paper it was not clear what form this should take and if it would cover the entire region. At that time, the EC was uncertain if such an instrument could be efficient in promoting cross-border cooperation between the EU and the Mediterranean.
partners, due to shorter sea crossings (European Commission 2003a). To monitor
the progress of the partners, the EC suggested the creation of Action Plans. These
Action Plans form the second innovation of the new policy and their aim was to
provide a clear set of targets, which would be negotiated between the EU and the
partners. These negotiations are the focus of the next chapter of this research. What
is important here is to mention that, according to the EC, the negotiations of the
Action Plans make sure that the priorities of the partners would be heard. By taking
into account the views of the partners about their problems the APs safeguard the
differentiation of the EU approaches towards the partner countries. In addition,
through these political documents, the EU could better check the progress of the
partners and design its future strategies.

The reflection of the Council of Ministers came one week after the release of the
communication paper. On 18th March 2003, the ministers of the member states had
a clearer orientation debate, which went beyond the membership or not of the
partner countries. The main issues were about the differentiation of the policies
towards the partner countries, which should be informed by some common
concerns. These concerns were related to the basic political values that inform the
EU (democracy, rule of law) and the problems that these countries face (migration,
organised crime, development). The Council ordered its relevant bodies to work
further on these matters and to prepare their suggestions for the next meeting.

At this point the internal dynamics between the member states went beyond the
typical North-South division and became more complicated. Unsurprisingly, the
Southern member states continued to support the Mediterranean partners and the
new members focused primarily on the Eastern neighbours. Yet, beyond this
distinction the member states did not share the same abilities to shape this issue
further. The EC’s strategy paper found some countries in both groups unprepared,
unable to add anything about the more specific aspects of the policy at this stage.
Usually in such cases, these states are the small ones with limited human resources
and without a strong interest on the relevant strategy. However, some medium
powers of the EU, which participated in earlier developments of the process, did not
add much this time. These states were Cyprus, Finland, Greece, Italy, Lithuania,
Luxemburg, Slovenia, Slovakia and Sweden.
Again, Poland emerged as the main advocate of the Eastern partners. Now, within the ‘ring of friends’ that covered all the neighbouring countries the Polish administration created a new strategy paper, which argued that the differentiation between the two regions will make the ENP more efficient and the EU more influential in the discussions with the Eastern partners. In addition, Poland suggested an annual Action Plan to be added to the three-year Action Plans that the EC suggested, in order to enhance the progress of the partners. The other NMS did not have the ability to add much to the debate. They were generally concerned with two things. The first was related to their security. For this matter, the main priorities of these countries were the EU relations with Russia. The second was to leave the membership door open to the Eastern partners. Regarding the day-to-day management of the ENP, this issue had two dimensions. The first was that the ENP instruments should work as integration tools and the second was that more dialogue and increased cooperation was needed in order to transform these countries.

These suggestions found supporters among the other countries of the EU. Ireland was in favour of allowing the partner countries to participate in major EU policies and programmes, as this development would encourage them to adopt more easily the EU acquis (“EU-25 Watch” 2004). Southern member states supported as well the idea of more intensified dialogue with the partners. Some of them agreed that the new strategy should have a clearer orientation towards integration. The Spanish administration having always in mind how to strengthen further its relations with Morocco argued that the new strategy should not become another loose cooperation policy towards the partner countries.

Another issue that several EU countries (and the candidate states) agreed on was about the funding of the policy. For example, Spain, Portugal, Hungary, Finland and Denmark thought that the funds for the ENP should be increased, even though it was not clear yet how these would be distributed to the partner countries (Lippert 2007; “EU-25 Watch” 2004). About their distribution, the issue here was not only the typical North/South priorities of the EU states, but also the conditions of the assistance. For example, Belgium, Denmark, Ireland and the UK supported the inclusion of a dynamic conditionality element in the construction of the Action Plans.
These were the most important issues in the agenda of the member states during the following GAER councils. In the next meeting, on 14th April 2003, the ENP remained first in the agenda, but this time the meeting did not add much to the decision-making process. Yet, two issues deserve mentioning. The first is that some delegations argued that the new funds that the EU would give to the partners required the restructuring of the European Conference. The European Conference was created in 1997 and it was a multilateral forum for political consultation. Hence, its main aim was to strengthen the ties between the applicant countries and the existing members of the EU, by introducing the former into an institutional dialogue with the latter states regarding the principles of the EU (European Council 2011).

The second point that deserves attention is that the Greek presidency suggested that the discussion on Wider Europe should not prejudice the question on future membership for the partner countries (General Affairs and External Relations Council 2003a). This statement questions the widespread assumption that the South member states formed a solid block of states that were against the future membership of the Eastern partners and it requires further attention. Above, it was said that Spain wanted a more open ENP for the development of its relations with Morocco. However, the Greek position was not informed by the developments in Eastern Europe or by its relations with North Africa, but from these in the Balkans (Personal interview 17/12/2010). This decision has a longer history than that of the formation of the ENP. The ‘modernisers’ of Panhellenic Socialist Movement (PASOK), in other words the PASOK government under the presidency of Simitis, had changed the course of Greece regarding the views of the country in the close region. Greece became a supporter of the Turkish application (even if it steadily thought that the bilateral problems and the Cypriot issue should be solved in order for Turkey to become an EU state) and during the first years of the new millennium the country directed the vast majority of its aid funds towards the Balkan countries. So, even if the Greek proposals were seeking an open door for its neighbours, they were welcomed by the member states that supported the accession of the Eastern partners into the EU.
On 16th June 2003, the GAER Council discussed in a greater extent the basic features of the ENP and stated that the Action Plans would be the basis of new policies, which

‘s should not override the existing framework for EU relations with Russia, the Eastern countries and the Southern Mediterranean partners, as developed in the context of the relevant agreements, common strategies, the Northern Dimension Initiative and of the Barcelona Process’ (General Affairs and External Relations Council 2003b).

In that meeting the European ministers recognized the importance of the EC by highlighting the contribution of the communication papers, which would form the basis for discussing the new policies towards the new (or old) neighbours. It is exactly the importance of the EC and the EP that will be analysed in the next section and at what degree the two institutions utilised their powers in the decision-making process.

*The second stage of the intra-EU decision-making process: the input of the EC and the EP in the implementation of the policy*

The second stage of the decision-making process is related to the implementation of the strategy. The discussions with the partner countries about the implementation of the ENP were first witnessed in the strategy paper of the EC in May 2004, but the discussions within the EU about the tuning of the new policy with the old strategies and about the geographical scope of the ENP became more specific after the official adaptation of the strategy at the Thessaloniki European Council on 19th – 20th June 2003. This stage illustrates the input of the other EU institutions in the debate. The most important ones were the EC and the EP and secondarily the CoR. More specifically, the EC was in a position to offer technical assistance to the member states, but the input of these institutions was not only that. They played an important role for the widening of the geographical scope of the ENP and they increased the efficiency of the state bargaining.

As stated above, the European Council adopted the new policy in Thessaloniki on 19th – 20th June 2003. There, the heads of the European states declared that

‘Enlargement is expanding the borders of our European Union and is bringing us closer to new neighbours. […] Their stability and prosperity is inextricably linked to
ours. To reinforce our shared values and promote our common interests, we have been developing new policies toward Wider Europe, our New Neighbourhood [...] In this spirit, the European Council endorses the GAERC conclusions of 16 June and looks forward to the work to be undertaken by both the Council and the Commission in putting together the various elements of these policies’ (European Council 2003, 13).

The EC tried to improve the technical elements of these policies by producing a new communication paper on 1st July 2003. Its title was ‘Paving the way for a New Neighbourhood Instrument’ and in this report the EC argued that the new policy required a new aid instrument that could deal with all the neighbouring countries. Until then the neighbouring countries were covered by five different programmes. These instruments were the INTERREG Community Initiative, which operated within the framework of the Structural Funds, but it was for activities inside the neighbouring countries; the PHARE Cross-Border Cooperation (CBC) programmes, which supported cross-border cooperation between the member states and the candidate countries; the Tacis CBC programme, which aimed at closer cooperation between the western regions of Russia, Belarus, Ukraine and Moldova; the Community assistance for reconstruction, development and stabilisation (CARDS), which was devoted to the Western Balkans and the MEDA programme, which covered the Southern and Eastern Mediterranean countries (not Turkey).

The argument of the EC was that the continuation of these programmes would compromise the promise of the EU to ‘help to avoid drawing new dividing lines in Europe and to promote stability and prosperity within and beyond the new borders of the Union’ (European Commission 2003b, 3). This could happen because the levels of funding, the programming processes, the project selection, implementation and monitoring were different. In other words, the different regulations and legal obligations of the participants could create injustices between the partners. Nonetheless, the change of the existing frameworks was not a straightforward exercise, because the new instrument required an agreement among the participants about its funding and its priorities. Therefore, the EC proposed the introduction of the new neighbourhood programmes under the older programming and financial perspectives and keeping the existing framework until 2006. Then the new instrument could start from 2007 with the aim to combine external policy objectives with economic development and social cohesion. This wider scope would combine
the aims of the previous programmes with new ones. Hence, the new instrument had enough time to overcome the funding and legal difficulties and it would guarantee continuity with the past.

A few months after the communication of the EC, the Committee of Regions (CoR) expressed its opinion about the new instrument and the concept of Wider Europe. In a lengthy paper that covered all the issues that the EU has discussed with its partners so far (from the role of the euro in the partners’ economies to environmental problems), the CoR saw the new policy as an opportunity to advance its role in the decision-making process. In that sense, the CoR agreed with the statements of the EC, but in various points it mentioned that it should be more involved in the new framework. This required a decentralised policy and this position is highlighted in various parts of its paper. The CoR

‘asks to be consulted during the negotiating process for each of the action plans, so that the active role of European regional and local authorities in neighbourhood policy can be taken into account; […] asks that EU local and regional authorities be consulted before new neighbourhood policy initiatives are proposed…particularly with regard to identification of objectives, benchmarks and the timetable for implementing the action plans for each country […] also calls for border regions to be involved in formulating, implementing and evaluating the action plans; […] regional and local authorities…as key players in decentralised EU cooperation;’

(Committee of the Regions 2004).

The opinion of the CoR to support the border areas of the two regions was taken into account in the next meeting of the Council of Ministers on 13th October 2003. The member states suggested that the new policy should develop the border areas, securitize the borders and promote local actions (General Affairs and External Relations Council 2003c). The European ministers called the EC to prepare a proposal for the programmes after 2007.

The opinion of the CoR was accepted by all participants. Yet, in that meeting the ministers of the EU states were concerned about the impact of the new ENPI on the partner countries. That is why they agreed with the proposal of the EC to separate the implementation of the new neighbourhood programmes in two phases and to use the existing framework until 2006. The continuation of the old programmes would give time to the partners to learn the ENPI.
At the same time they asked the EC to do a study on the impact of the ENPI based on the three options that the communication paper suggested. These were the following: First, to expand the content and scope of the existing instruments and to create the ENPI from an existing instrument. Second, to create a new regulation and a single budget line for the new instrument or to focus further on coordination between existing instruments without the need to create a new tool. Here, the opinion of the member states was not the same. Some of them, such as Germany, Czech Republic and the UK were sceptical about the success of the new instrument, as it would be applied to countries with different borders and needs. Some others, for example Ireland and Belgium argued that there should be a single tool otherwise the new demands of the ENP could not be met (Lippert 2007). Therefore, the states agreed to wait the feasibility study of the EC.

The next European Council, which met three days later, did not add much to the development of the ENP. It simply expressed its satisfaction from the negotiations so far and it waited the future proposals about the policy. Carefully balancing between the South and the East dimension of the new strategy, the heads of states underlined the meaning that the EMP and the Northern dimension in the new neighbouring policy.

On 5th November 2003, the EP appeared for the first time in the decision-making process with the presentation of the Napoletano report. Before the Napoletano report, one oral question was made (on 10th December 2002) about the future actions of the EC regarding the development of the ‘Wider Europe’ concept (Brok 2002). As in the case of the report by the CoR, the Napoletano report was a comprehensive response of the EP about every aspect of the new policy of the EU towards the partner countries. The report was adopted by thirty-seven votes to none and three abstentions. This result shows that the new policy did not face any particular opposition inside the EP. However, interviews with EC officials and one Member of the European Parliament (MEP) show that within the EP there were two issues that deserve mentioning. The interesting thing is that each interviewee mentioned a different issue.
The official from the EC stated that the EP was sparing about the new single aid instrument that the EC proposed for all the partner countries (Canciani 2007; Personal interview 08/11/2010). For the interviewee, the Development Committee of the EP was concerned about the wide geographical scope of the new instrument and of its generic objectives. Beyond that, the multiplicity of the existing programmes had given to the EP so far the ability to intervene separately in the monitoring of each instrument (Personal interview 08/11/2010). In fact, the Napoletano report stressed the importance of the existing instruments (Interreg, PHARE, TACIS, CARDS, MEDA) in the relations between the EU and the partners. Nonetheless, in the same report the EP supported emphatically the EC’s proposal for a new single instrument that could solve the long bureaucratic problems which complicated cooperation and it urged the EC to ‘put it in place with all speed’. This statement and the wide acceptance of the report do not justify the claims of the interviewee.

In addition, the MEP disagreed with the claims of the EC’s official. He said that the single instrument was supported by the parliament, but he highlighted a different issue in the parliamentary debate about the formulation of the new strategy. This reflects the constant ideological differences between the two main parties of the parliament about the main principles of any socio-economic policy. The MEP said that the right-wing parties of the parliament identified the economic development of the partner countries through more free trade as their first priority, whereas the left side of the EP tried to put more emphasis to the ideas of democracy and human rights, but without rejecting the free trade logic of the policy. Therefore, the discussion in the EP was not considered as highly debatable for the interviewee. In fact, his words were the following

‘Our colleagues from the other parties (the left parties) mentioned the need for more support to democratic reforms and human rights for these countries (of North Africa). No one disagrees with that. At the end, you just put a more few lines about these issues in the report’ (Personal interview 21/01/2011).

In fact, the Napoletano report was exactly this mix of these two ideological views. From a political perspective, the EP approved the logic of the free market for the development of the partner countries and simultaneously stressed the need for democracy, conflict resolution and human rights. Yet, what the two interviewees
missed to mention was the attempt of the EP to advance its role in the decision-making process (as in the case of the CoR) and a key difference between the EP’s report and the communication of the EC. About the advancement of the EP in the process, the Napoletano report mentioned that the Action Plans must be implemented according to the legislative and budgetary prerogatives of the EP, the new policy should respect both the legislative and budgetary authorities and it is against the predominance of the Council on policy issues (European Parliament 2003). The difference between the EC and the EP was about the geographical scope of the new policy. The EC by trying to balance the interests between the member states could not see beyond the East and the South neighbours of the EU in its future plans.

On the other hand, the EP suggested that the countries of Southern Caucasus should be included in the future policy. According to the EP, the new policy ‘should encompass a vast pan-European and Mediterranean region, structured bilaterally, subregionally and regionally’ in order to be successful (European Parliament 2003).

This does not only cover the Swedish ‘From Russia to Morocco’ proposal, but it goes beyond that, by including the countries of South Caucasus. The truth is that these countries do not appear for the first time in the debate about the ENP. They were stressed in the Polish paper of 2001, but without much emphasis, because by giving equal status to everyone in the region Poland would risk the possible membership of Ukraine, which was its first priority. Thus, the relations with the countries of South Caucasus were not discussed by the member states. This wider geopolitical vision of the EP was illustrated also by the fact that it wanted to include Turkey and the Western Balkans in the new policy, despite their separate relation with the EU as candidate countries. Yet, regarding the countries of Southern Caucasus, the insistence of the EP to include them in the ENP was related to energy. Georgia, Armenia and Azerbaijan are very close to the Caspian Sea, which is rich in energy sources. Hence, these countries could emerge as alternative producers of energy, which would help the EU to reduce its dependency on Russian oil and gas or as important corridors for the transit of these sources from the other states of the region.
The year 2003 finishes with the opinion of the European Economic and Social Committee (EESC), which published its report on 11th December 2003. The short report of the EESC does not deserve much attention as it recycled the aims of the other bodies. The report shows that the Committee did not have anything to add to the decision-making process. Actually, the EESC seemed unprepared to make any new suggestions to the other actors, as the geographical scope of the Committee reflected the initial British worries about Moldova, Ukraine and Belarus (European Economic and Social Committee 2003). More than one year and a half later this approach seems as a myopic response to the new policy by a sleeping player, who felt comfortable at the margins of the whole process. In this sense, the EESC simply repeated generic conclusions, and contrary to the CoR or to the EP, it did not (or could not) see this new strategy as a vehicle to improve its position.

The strategy paper by the EC on 12th May 2004 was very important for the implementation phase of the process as it witnessed the opening of constructive discussions with the partner countries. This phase was negotiated simultaneously with the partner countries and within the EU institutions. The EC highlighted the fact that it had started explanatory discussions with the neighbours that already had agreements with the EU in order to identify their interests and priorities (European Commission 2004c, 2–3). These discussions form the third level of the decision-making process, which will be analysed in the next chapter. As said previously, the three levels are not sequential, but they unfold simultaneously. So, in this chapter the focus remains inside the EU; on how the implementation of the ENP is negotiated between the EU institutions and how they managed to shape the strategy.

In this strategy paper, the EC repeated the significance of the Action Plans and the principles that surrounds them; the mutual commitment and the common values between the EU and the partner countries. Under this logic, the EC suggested that the Action Plans should not impose any priorities to the partner countries or any conditions (European Commission 2004c, 8). Again, it repeated that the Action Plans would mirror the different priorities and relations between the EU and the partner countries, so there would be a certain degree of differentiation. In addition, the EC specified how the progress of the reforms would be monitored. The progress would be monitored by the bodies which were already established by the previous
agreements, which brought people from both the EU and the partner countries. The paper also suggested that the Action Plans should be structured with two aims in mind. The first was to cover specific actions and the second was to prioritize the most important ones. These suggestions derived from the lessons that the EC had learned from the EMP. The aims of the EMP were very generic and ambiguous, which gave to the relevant actors a lot of room for manoeuvre. The Action Plans were more precise and the actions of the partner countries could be monitored much more easily.

The other important point of this strategy paper was that the EC followed the suggestions of the Napoletano report and it agreed with the EP to include the countries of the Southern Caucasus in the ENP (European Commission 2004c, 4,7). It also agreed with the EP to reinforce the existing forms of regional and sub-regional cooperation (European Commission 2004c, 4). In this context, for the Southern partners, the most important issue was related to infrastructure connections and energy and to the aims that were agreed in Valencia in 2002 (European Commission 2004c, 4,22). Beyond the building of infrastructure, the other central point of the Action Plans was to harmonise the regulations of the partner countries with the EU acquis. The paper enumerated the actions that should be taken for every sector, such as the gradual elimination of non-tariff barriers in industrial trade and the convergence of the agricultural standards of the partner countries with the EU sanitary and phyto-sanitary measures. Regarding energy, the convergence of the energy markets was crucial to the energy security of Europe and to the cooperation between the two regions.

For the implementation of these actions, the EC reaffirmed its insistence to harmonise the supporting financial and technical tools. In this paper, the EC paid a lot of attention not only to the harmonisation of the tools, but also to their regulation. As said before, TACIS and MEDA would finance the Action Plans until 2007. Then the ENPI would provide the relevant funds for cross-border or regional projects, which involved the EU member states and the partner countries and they would specifically address environmental, health, anti-crime and infrastructure problems. The suggestion of the EC was that the ENPI should be governed from a single new regulation. The projects among the partner countries would be funded by the
Economic Co-operation and Development instrument (European Commission 2004c, 25). Lastly, the EC proposed the increase of the budget for the implementation of the ENP in order to meet the aims of the strategy.

The presentation of the strategy paper was followed by a meeting of the Council on 16th June 2004, which prepared the meeting of the European Council that followed two days later on 17th-18th June 2004. These meetings signify the closing of 2004. In both councils the representatives of the member states agreed with the main axles of the strategy paper (European Council 2004). For the creation and the regulation of the ENPI, the agreement with the EC’s strategy paper was a clear win for the member states that supported the creation of a single instrument. This is an outcome of two parameters. First, the scepticism of the EU members about the new instrument was not followed by concrete alternatives and coalitions within the Council. Second, the gradual introduction of the new tool mitigated the fears of these states and helped them to agree for its creation.

The most important moment for 2005 was related to the implementation of the first seven Action Plans (with Morocco, Tunisia, Israel, Jordan and the Palestinian Authority), which were approved by the Council on 21st February 2005. These were followed by national reports (2nd March 2005) about the countries that will be signing the next Action Plans (Egypt, Armenia, Azerbaijan, Georgia and Lebanon). A few weeks later, on 14th April 2005, the CoR published the Hanningfield Report, which addressed the weaknesses of the design of the new financial tool. The CoR continued to ask for a more increased role in the ENP. This time it suggested that the new instrument should allow the decentralised cooperation of the local and regional governments in the implementation of the ENP, in order to allow them ‘to modernise and reform their operations’ (Committee of the Regions 2005).

At the same day, the EP published its own report about the implementation of the ENP. This time the EP did not bring any new suggestions about the strategy. In line with the proposals of the member states that wanted a clear orientation for the ENP, certain goals and more flexibility, the recommendations of the Laschet Report were aiming the more willing partners of the ENP. For them, the EU should provide a European neighbourhood agreement at the end of the ENP process in order to allow
them to have full access to the EU internal market and to other policies, such as the Common Security and Defence Policy (CSDP). In addition, as in previous papers, the EP highlighted the importance of greater market openness and of more regional cooperation between the partner countries as motors for the development of their economies.

The two reports by the CoR and the EP were followed by a GAER Council on 25th April and a European Council on 16th – 17th June 2005. These meetings did not add much to the previous discussions. The only important point is that in both meetings the EU states welcomed the implementation of the first Action Plans and the initiation of the negotiations about the next round of them. At the same time they stressed the need to be fully informed by the EC about the progress of the negotiations.

This request was followed by a communication paper by the EC on 22nd November 2005 and a press release two days later.19 This communication paper was the basis of Commissioner’s Ferrero-Waldner presentation to the GAER Council on 12th December 2005, which welcomed the progress of the ENP. In this text, the EC identified the achievements of the ENP so far and the priorities for the future. Among these are the adoption of seven Action Plans, the negotiations about the next five plans and the adoption of the ENPI rules. In the same paper, the EC highlighted the priorities of each Action Plan and the importance of the proposed reforms. These developments were appreciated by the last European Council of the same year on 15th – 16th December 2005.

Once again, this point brings to the front scene the role of the EC and as the second stage of the negotiations about the ENP reached its end it is time to have a more comprehensive image about the role of the Commission.

For an official that worked for the EC, the ENP was an administrative policy born in Brussels. The official argued that interest based theories, which highlight the domestic preferences of the states, are not applicable in the creation of the ENP

19 The Economic and Social Committee published the Cassina Report on 16th September 2005 about the role of consultative bodies and socio-occupational organisations in implementing the AAs. This report is another example of the weak role of this actor in the decision-making process, as it merely suggests the involvement of actors of the civil society in the implementation of the ENP. Once again, the ESC does not make any concrete suggestions and the recommendations are outlined in 5-6 sentences.
(Personal interview 13/12/2010). For him, the attempt of the EC was to shape the new strategy by utilising the cognitive uncertainties that emerged in the new era. Stepping on these uncertainties, the joint letter by Solana and Patten was the threshold of a continuous effort of the EC to emerge as the main entrepreneur of the ENP and to suggest appropriate solutions.

Furthermore, the different positions of the member states about the future foreign policies of the EU towards its new neighbours could be perceived as another factor that gives more power to the EC in setting the agenda. Actually, this is not the first time that the EC tried to exploit the EU social norms and the cooperation between the member states to advance its position in the decision-making process (Garrett and Weingast 1993; Smith 1999). In such cases, the EC emerges as a neutral actor and as a reliable source of technical information that are necessary to lead to efficient conclusions.

Yet, such statements should not be exaggerated. The political design of the ENP belongs to initiatives that existed before or came from the member states. The EMP provided the framework for the relations between the South partners and the EU, the Northern Dimension, which was a proposal of the Finish government and the Polish position papers aimed to promote the interests of the other partners. However, it is true that the EC was in a position to offer technical assistance to the member states. Yet, these technical arrangements basically increased the efficiency of state bargaining, they did not alter the political agenda of the interstate negotiations. This is evident from the geographical scope that the EC suggested which did not provoke the concept of the states about the policy. Actually, the geographical concept and the depth of the strategy altered after the input of the EP and of the CoR and only when they managed to persuade the member states that more emphasis on the countries of South Caucasus and on border areas are beneficial for their own interests.

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20 The first concepts of the Northern Dimension were discussed between Finland, Sweden and Norway in 1994. During the Finish presidency in 1999 these ideas formed an action plan. In 2002, a second Action Plan about 2004-2006 was discussed. The aim of the Northern Dimension was to draw the attention of the EU to regional co-operation between the EU and the countries of the Baltic Sea and East Europe (EEAS 2011).
The third stage of the ENP: the role of the German and the French initiatives

Since the beginning of the implementation of the ENP, analysts started to highlight the weaknesses of the policy and the main demand of these reports was to further strengthen the strategy (Emerson, Noutcheva, and Popescu 2007; Emerson 2004; Lippert 2006; Bodenstein and Furness 2009; Bechev and Nicolaïdis 2010). The need for more support was also noted in the meeting of the European Council on 15th – 16th June 2006, which stated that ‘The Union is determined to strengthen and further develop its Neighbourhood Policy [...]’ (European Council 2006, 22).

But, how could the ENP be further developed and supported? The answer to this question has to take into consideration four issues. The first one was the greater participation of the partner countries to the EU institutions. The second was about the differentiation of the partner countries. The third was related to the vague concept of ‘the greater stake in the EU market’ that the ENP promised to the partner countries and the fourth was about the compatibility of the different sub-regional and regional agreements with the partner countries. At the beginning of 2006, Laschet report highlighted these points (European Parliament 2006) and the European Council briefly stated its determination to strengthen the ENP, as long as the partners applied the conditions of the related agreements (European Council 2006). However, the discussion became more specific after the intervention of the German Foreign Minister Frank-Walter Steinmeier in Frankfurten Allgemeine Zeitung on 2nd July 2006, who specified what the development of the ENP should look like by asking for an ‘ENP Plus’ (“Europäische Union Berlin entwickelt neue Nachbarschaftspolitik für die EU” 2006).

The ‘ENP Plus’ did not embrace all the partners. At the centre of the German statement were Russia and the other Eastern partners of the ENP. The ‘ENP Plus’ was part of a broader German strategy towards East Europe; another example of the country’s Ostpolitik. This strategy had three pillars. The renegotiation of the Partnership and Cooperation Agreement with Russia, a strategy for Central Asia and the ‘ENP Plus’.
The ‘ENP Plus’ plan of the German administration was looking for a greater differentiation between the Southern and Eastern partners and it focused primarily on Ukraine and Moldova. The main concern of the plan was the stability and security of the two countries and it had an economic core. This core was highlighted two months after the initial article of Frank-Walter Steinmeier. In September 2006, the German minister argued that the ENP must be reshaped by the impending German presidency (which started in January 2007), because the East European partners formulated a dynamic economic area on Germany’s doorstep (“Berlin schlägt in der EU-Rußlandpolitik ‘Annäherung durch Verflechtung’ vor Steinmeier präsentiert in Laappeenranta ein Strategiepapier / Deutschland und Finnland an engeren Beziehungen zu Moskau interessiert / Energiefragen im Mittelpunkt” 2006). Earlier in the same year, the chairman of the East Committee of the German Economy, Klaus Mangold, highlighted the joint ventures of the German industries with their Eastern counterparts in the areas of aluminium, steel and aeronautics (“Buying into the West: Russia Seeks Greater Economic Influence in Europe” 2006).

This region was not only a profitable market for the German companies, but it contained abundant mineral and energy resources. Many other powers, such as China, USA and Japan, were keen to utilise these resources and one should not forget Russia itself, which still had huge influence in the overall region. Therefore, the German intention was to strengthen the position of the country in the broader area by making the ENP more appealing to the partners of East Europe and of South Caucasus. The main proposals of the German MFA attempted to include the ENP countries in the EU’s decision-making process, to incorporate the other geographical frameworks (such as the Black Sea Initiative and the Community of Democratic Choice) that dealt with the partner countries into the ENP Plus and to transfer the EU acquis effectively to the partner countries, especially the main elements regarding the internal market, energy, transportation and JHA (Kempe 2007b, 38). In order to achieve these aims the German MFA sought a rebalancing of the ENP budget, which until then favoured the Southern partners and it suggested a new institutional arrangement for the ENP partner countries, even if membership was clearly out of the question.
The German proposals were supported by the NMS. The Polish and the Lithuanian administrations were the most vocal supporters of the German initiatives and they published supporting papers, which distinguished the ‘European neighbours’ from the ‘neighbours of Europe’ (Kempe 2007b; Albrecht). The first term applied to the Eastern partners of the ENP. For them, the policy should not be considered as a final project, but the beginning of a process, which aims to integrate the European neighbours into the EU structures. The only difference from the German proposal is that both Poland and Lithuania went further regarding the membership of the partner countries. Having in mind Ukraine, and using it as their primary example, they argued that membership should be the ultimate aim of the EU strategy towards the Eastern partners, no matter when this might be achieved (Lorek 2009). On the other hand, Germany did not make any suggestions for any future memberships and the main focus of the German diplomacy was Russia, not Ukraine. In addition, the Polish and Lithuanian papers came to very generic conclusions for the neighbours of Europe (the Arab partners). For example they omitted Morocco’s application for membership in 1989 and argued that membership could not be considered as an option, as these countries seek merely deeper cooperation with the EU.

In these papers differentiation is marked by a different prioritization of the partner countries. Again following the line of the German proposals the Polish and the Lithuanians argued that the fact that the Eastern partners share land borders with the EU puts them higher in the priority list of neighbours (Lorek 2009). Thus, a new institutional platform should be designed that includes them in a range of policies, which touch every pillar of the EU structures and include the fields of internal market, CFSP and JHA.

Many points of the German initiative about the development of the ENP were reflected in a strategy paper of the EC, which was published on 4th December 2006 (European Commission 2006d). The title of the paper was ‘On Strengthening the European Neighbourhood Policy’ and the EC acknowledged within this the fact that ‘the EU must present an attractive offer to ENP partner countries – offering them improved trade and investment prospects [...] and help the neighbouring countries who are willing to reform to do this faster’ (European Commission 2006d, 2).
The strategy paper has a whole chapter about the strengthening of the economic and trade component of the ENP, as this was perceived as a crucial element for the success of the strategy. The EC mentioned that in order to deepen trade relations the EU and the partner countries cannot stop at the signing of Free Trade Agreements, but they must proceed to arrangements that deal with controls that exist beyond the borders and to address non-tariff barriers. The Action Plans are designed to confront such regulatory problems and their implementation will prepare new deep and comprehensive FTAs. A non-paper published a few days later expanded the proposals of the EC and highlighted even more the centrality of the economic parameters of the ENP (European Commission 2006e). There, the EC made clear that the economic reforms towards deeper integration start with the implementation of the Action Plans, which focus on the regulatory convergence of the partner countries with the EU. The next phase included Deep and Comprehensive Free Trade Agreements, which would liberalize all trade products and codify dispute mechanisms. Alongside, the EU promoted trade integration agreements between the partner countries, such as the Agadir Agreement (European Commission 2006e).

The incorporation of the relevant regional agreements to the ENP – the other point that the German diplomats referred to - was also mentioned in the report. The EC suggested that the other regional agreements, such as the Black Sea Synergy (which started in January 2007) ‘will become an essential part of our neighbourhood policy’ (European Commission 2006e, 10).

During its presidency, which started in January 2007, Germany pursued her initiatives further. Discussions with the partner countries about transportation, energy projects and the energy parts of the Action Plans took place in Berlin in April in order to speed up the implementation of the related plans. The other member states were supportive of such developments as they saw them as a positive sign for the development of the strategy. For all, the economic parameters of the policy were the most important part of the strategy, thus they were not opposed to the economic suggestions of the German administration. This agreement was materialised with the publication of a progress report by the Presidency of the European Council on 18th June 2007, which basically repeated the German proposals of 2006 and was
welcomed by the European Council one day later. So, even if the ‘ENP Plus’ was never materialised as such, due to the fact that it was a part of a more comprehensive German plan (that had Russia as its first priority), the German proposals about the strategy were fully accepted by the other member states. Even the question about the membership of the ENP partners followed the open understanding that the German diplomacy had about them. Without giving them a clear answer (as the Polish and Lithuanians would have preferred), the progress report of the European presidency mentions that ‘the ENP remains distinct from the question of EU membership; it does prejude any future developments of partner countries’ relationship with the EU’ (General Affairs and External Relations Council 2007, 2).

The French answer to the German initiative was immediate. In February 2007, during his presidential election campaign, Nicolas Sarkozy announced his ideas for the creation of a Union for the Mediterranean (UfM). At this point, it is crucial to mention that the UfM should not be perceived as a diplomatic manoeuvre of the French diplomacy designed in a domestic political vacuum. These ideas reflected both domestic and foreign priorities of the French leader (Gillespie 2008, 278). The UfM stated the French interest for the broader area to the Arab French population and to the French companies (particularly to the energy companies) by trying to balance the German efforts, which attempted to orientate the focus of the EU foreign policy towards the East.

The French ideas gradually became a more solid plan. In October 2007 Sarkozy suggested an economic, political and cultural union between the Mediterranean countries. More specifically, the main driving force behind the creation of this union was energy (Darbouche 2011, 203). At the beginning, the French president perceived the energy companies, the French GDF and the Algerian Sonatrach, would become the main axis of the UfM. Yet, in the end the renewable energy projects (the Mediterranean Solar Plan) were prioritized as the most important plan of the UfM.

By bypassing the EU institutions to implement his plans, the French leader had implied that the EMP did not achieve the expected results and that the EU-led
regional strategies so far had failed to create a cooperative spirit among the partners (Gillespie 2008). Especially, regarding energy, the EMP’s Euro-Mediterranean Forum had failed to institutionalize energy dialogue between the partners and to reform their regulatory frameworks (Darbouche 2011). However, even if Sarkozy’s view about the EMP was shared by other leaders, and his plan pushed the Mediterranean agenda to the highest level (Gillespie 2008, 281; Personal interview 13/12/2010), he did that in an unplanned manner without preparing the appropriate coalitions. Thus, the initial reaction of the EU members (in North and South Europe) was one of scepticism about the French proposals.

The main sticking point was the French suggestion to exclude the EU countries that did not have access to the Mediterranean shores. This isolated the French diplomacy. All the EU states disagreed with this proposal; even the South European governments did not approve this view. After the initial announcement of his ideas, Sarkozy tried to persuade Prodi (in June 2007) to support the UfM, but the latter saw the exclusion of many EU countries as a mistake. The Italian-Spanish meeting between Zapatero and Prodi in December 2007, which focused on the French initiative, came to the conclusion that the French ideas could only be implemented if all the EU states were included. The Spanish diplomacy highlighted the funding consequences that the exclusion of several EU states would have. These were emphatically stressed by the British, who argued that they will not put a single penny to such proposals and by Angela Merkel in her visit to Rome in December 2007 and to Paris in January 2008, who refused to concede with a plan that pursued solely the French interests and would be incompatible with the existing EU policies and practices regarding the region (Balfour and Schmid 2008; Schumacher 2011). The Slovenian presidency and the EC had also mentioned that regional initiatives should not create competing institutions, but they are welcomed when they build on existing policies (Goldirova 2007; Janša 2008).

At the core of these arguments was the threat of a potential fragmentation of the EU external policies, if only a group of EU states is involved in policies that are funded by the EU budget. In particular Germany had other concerns about the emerging French power in EU external affairs. French neo-colonial tactics in the South Mediterranean countries were also in the minds of the German diplomats
(Schumacher 2011). Furthermore, the trade interests of the German companies in the Arab Mediterranean countries should not be neglected. The Federation of German Industries (BDI) has made enormous efforts over the previous two decades to establish closer links with the Arab partners. Germany has emerged over this period as a significant trade partner of these countries (Miller and Mishrif 2005; Schumacher 2011). A potential Euro-Mediterranean policy that did not involve Germany would hinder further penetration of the German industries in these markets. BDI preferred to reserve its position during the negotiations of the UfM, but this does not mean that it approved the initial French plan. BDI became more visible and welcomed the UfM only when Sarkozy understood that all the EU states must participate in this policy (Schumacher 2011, 83).

The concerns of most of the other Northern and Eastern member states about the UfM were not linked with any domestic preferences towards the Mediterranean Sea. That is why the French initiative was not a significant topic for public discussions within or outside the decision-making institutions in many EU countries. Some examples can highlight the response of these countries. In Poland the UfM was never discussed in the parliament. Yet, the Polish worries were similar to those of Germany. The threats were related to the fragmentation of external relations and to the further funding opportunities for the Southern partners against the Eastern neighbouring countries. The Swedish and the Polish Prime Ministers made clear that the progress of the Eastern partners should not be sacrificed in the debate about the UfM (Schumacher 2011, 89). Hungary and Czech Republic, which had a significant Jewish diaspora and more trade ties with the South Mediterranean partners preferred to stay in the margins of the debate. As in the Polish case, the French plans were perceived with scepticism, they were not widely covered by the media or discussed publicly, but these countries did not show their opposition openly. The size of the countries and their different bargaining power, the increasing trade with the Southern partners and the bilateral relations that they shared with France and Germany made them follow a more convenient and not antagonistic ‘wait and see’ approach towards this issue.

Under these circumstances (and many informal meetings between the French and the German diplomats), the French diplomats took various steps backwards and they
were forced to rethink their initial plans. The meeting between Sarkozy and Merkel on 3rd March 2008 was the final episode in the French-German dialogue and it opened the way for the conclusions of the next European Council. The outcome of this situation was the inclusion of all the EU member states in the UfM and an invitation of the EC by the European Council (when the latter approved the UfM in 13th – 14th March 2008) to prepare proposals ‘for defining the modalities of what will be called ‘Barcelona Process: Union for the Mediterranean” (European Council 2008).

The EC proposals were published on 20th May 2008 and at the core of the institutional setting that was proposed (and approved) for the UfM was the idea of co-ownership, which informed the ENP Action Plans (European Commission 2008e). In this way, the UfM added more value to the existing EMP (and ENP) structures by correcting further the institutional asymmetries of the 1990s and answering the complaints of the Southern partners that they did not have enough power over the agenda of the Euro-Med Committee (Johansson-Nogués 2011, 22; Joint Declaration of the Paris Summit for the Mediterranean 2008, 13). To ensure equal representation in the agenda-setting and in the decision-making process the forty-three UfM partners, who met in Paris in 2008 agreed to establish the new institutional structures that were proposed earlier by the EC (Joint Declaration of the Paris Summit for the Mediterranean 2008). Biannual summits between the heads of the governments would be held to provide political guidance and to prioritize areas of cooperation. A joint secretariat would identify the related projects and search for partners. The progress of the summit conclusions and the related projects would be reviewed and approved by Annual Ministerial meetings. A co-presidency was created to ‘improve the balance and the joint ownership of the cooperation’ (Joint Declaration of the Paris Summit for the Mediterranean 2008, 14). In Brussels, a joint Permanent Committee would prepare the meetings of the Senior Officials. The

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21 The EU member states were not the only actors that were against the initial plans for the UM. Other partners, such as Turkey, expressed their disagreement about the policy. Turkey saw it as a substitute of her membership and it agreed with the UM only when it was certain that her future EU membership was not compromised.
projects followed the rules of the Barcelona Process and the funds would be provided by the existing instruments.\textsuperscript{22}

Several disagreements emerged when the UfM members started to discuss the allocation of the aforementioned roles, which made the operation of the UfM problematic from the beginning (Johansson-Nogués 2011). Yet, what is important in this research is to see how the EU states reacted to the French initiative, which favoured the Southern partners of the ENP. As stated above, the main disagreement of the majority of the EU members was related to their exclusion from the UfM. In addition to this issue some EU states, especially Poland, asked for a more balanced approach towards the Eastern neighbours (Schäffer and Tolksdorf 2009).

The Polish support to the Eastern partners is not something new. As illustrated above Polish diplomacy consistently advocated and suggested policies designed to enhance the EU ties with her non-EU neighbours. Yet, the constant opposition of the Southern member states to such initiatives have taught the Polish administration a number of lessons. In the European Council of March 2008, where the UfM was discussed, the Polish Prime Minister suggested a parallel to the UfM EU policy towards the Eastern partners and the two representations (the French and the Polish) came to an agreement not to oppose the two plans (Lorek 2009, 92). To avoid delays in the drafting phase and to avoid the division of the EU into two separate blocks the Polish diplomats did not seek extensive support. The Polish administration persuaded the Swedish government that the centre of gravity of the ENP is moving southwards and so a new initiative to protect the interests of the two countries in the East was needed. Germany was also consulted about the proposal (Cianciara 2009, 2) and saw the Polish suggestions as a continuation of the ENP Plus plans that it had for the region.

The result of this initiative was a Polish-Swedish proposal, which tried to counterbalance the UfM and to highlight the economic (as well as the political and social) potential of the region. The two countries suggested new Deep and

\textsuperscript{22} The Paris declaration highlighted few areas of co-operation under the UfM; these are related to the de-pollution of the Mediterranean, to the creation of maritime and land highways, to civil protection, to higher education and to alternative energy. As stated above the latter proved the most important one.
Comprehensive Free Trade Agreements, new Action Plans within the ENP framework, more cooperation in the energy field (for the energy security of the EU) and flexible participation in the projects, which should be complementary with the other regional projects (under the Black Sea Synergy and the Northern Dimension).

However, the fact that Poland and Sweden supported the future accession of the Eastern partners in the EU created a problem. Both countries (and Germany) wanted to change the dynamics of the ENP and to favour the East part of the strategy, but with minimal institutional changes. This happened because a new set of UfM-type institutions, which could lift the political commitment of the EU states, would create parallel institutions to those of the EU (for example a co-presidency and a secretariat) and would undermine the plans of the partners for an EU membership. The result was a sceptical reaction by the other participants to this proposal, as they could not see the added value of the new initiative. For example, Ukraine was negotiating the new AA with the EU under the ENP framework and could not understand the benefits of the new proposal.

In order to resolve this problem, the Polish-Swedish initiative highlighted the implementation of certain projects that could achieve the future aim of the Eastern neighbours, for example their accession to the EU. This was welcomed by the partner countries and the fact that France had already agreed not to oppose the Polish initiatives for the creation of the Eastern Partnership allowed the European Council in June 2008 to ask the EC to prepare its proposals about the new strategy. The EC published a communication paper in December 2008 and as in the case of the UfM, it suggested new flagship initiatives (the most important of them in the fields of energy and electricity markets and in line with the prior German suggestions under ENP Plus) and the operation of the Eastern Partnership under the ENP framework. Following the Polish-Swedish paper, the EC proposed new AAs to replace the current Partnership and Cooperation Agreements (with the partners that are willing to undertake such commitments) and new deep and comprehensive agreements after these have become members of the WTO.

The communication paper was pushed forward by the Czech government, which undertook the presidency of the EU in the first half of 2009. Even though the Czech
diplomats stated that they would develop the Southern dimension of the ENP and the deepening of the strategy, it was clear that they favoured the Eastern Partnership. The work programme of the Czech Presidency clearly illustrated that it ‘will pay special attention to this Eastern dimension of the European Neighbourhood Policy [...] with the aim of achieving balance between the individual geographical partnerships of the EU’ (citation vii,24). With this in mind, the Eastern Partnership Summit in Prague on 7th May 2009 launched the Eastern Partnership. At the second half of 2009, the Swedish Presidency attached similar priority to the Eastern part of the ENP and more specifically to the Baltic Sea Region.

**The ENP after the events of the Arab Spring: A new European Neighbourhood Policy?**

The development of the ENP after 2010 was marked by the events that followed the suicide protest of Mohammed Bouazizi. Until then, the feeling that was shared among the EC policymakers was that the North African ENP partners were stable and that the EU was sure about the successors of the North African rulers for the next thirty years (Personal interview 13/12/2010).

The unexpected revolts were not the only problem for the unprepared EU institutions. The Arab Spring came at the worst possible moment for the EU. It started amidst the Eurocrisis, the changes that the Lisbon Treaty made to the external services of the EU and during the first days of Baroness Ashton as the new head of the EEAS.

Between all these challenges, the approach of the member states showed little signs of change. The first meeting of the European Council which addressed the changes in North Africa (on 4th February 2011) showed that the EU states believed that the existing EU programmes were moving in the right direction and that they were completely unprepared to deal with the revolutions in Tunisia and in Egypt. The member states generally supported a transition process towards more democracy, but on the economic front they could not come with a plan to address the North African economic problems. The absence of a different approach was evident in the Annex of the conclusions of the European Council, where it was stated that ‘The
basis for the EU's relationship with Egypt must be the principles set out in the Association Agreement and the commitments made' (European Council 2011a, 14).

This gap was filled by the EC, which delivered a joint communication paper to the other EU institutions on 8th March 2011. In this paper, many issues underline the reaction of the EC to the economic problems of the North African countries. First, the EC is the first EU institution that clearly links ‘the unrest in several Southern Mediterranean countries [...] to economic weaknesses’ (European Commission 2011c, 7). What follows from this conclusion is a change in the rhetoric that surrounds the ENP. The idea of liberalization that dominated the previous communication papers is now balanced with new terms such as ‘inclusive growth’ and ‘job creation’. The emphasis on these new terms is accompanied by a stronger focus on the role that SMEs can play in the ‘inclusive economic development’ of the region and their ‘critical role in job creation’ (European Commission 2011c, 7).

However, the innovative technocratic engineering of the EC stops somewhere there. Apart from the additional support with more funds to the North African SMEs, the EC does not suggest anything new about the development of the South Mediterranean partners. The EC continued to provide conditional aid to the ENP partners, as the ‘more for more’ reforms/aid tandem shows (European Commission 2011c, 5). In addition, improvements in the regulatory framework for businesses, the need for more regional integration and Deep Free Trade Agreements are previous suggestions of the EU institutions which had been highlighted in earlier strategy papers and meetings.

Lacking a clear plan for the future of the North African region, the EU states supported the EC’s proposal in their next meeting on 11th March 2011. The European Council agreed with the EC about the continuation of the bilateral and conditional character of the ENP, as the EU members suggested to the EC and the High Representative (HR) to ‘give priority to country-focused and performance-based approaches’ (European Council 2011b, 5). The member states also suggested that the existing programmes should be reviewed in order to focus on present needs and that the EIB should increase its financial support (European Council 2011b, 5).
The EC reviewed the ENP and came up with a new strategy paper on 25th May 2011. Unsurprisingly, the main focus of the reviewed work was on the political aspects of the policy. The strategy paper mentioned actions that would support the ‘deep and sustainable’ democracy of the ENP partners. Besides the actions that the EC suggested to enhance the democratic structures of the ENP partners, what is interesting in this strategy paper is the realisation that the Action Plans are vague and that there is a need to include fewer priorities with more precise benchmarks (European Commission 2011d, 18). In the economic field, it is worth mentioning that the EC made clearer how the EU could support the SMEs and the rural development of the North African countries. The EC was determined to discuss with the European Investment Bank (EIB) and other stakeholders tools that would promote direct investments from EU SMEs to North African SMEs and microcredit mechanisms that would support the latter enterprises. For the agricultural sector, the EC would rely on programmes which helped the accession of the NMS to the EU in order to support the ENP partners (European Commission 2011d, 7).

Apart from these new programmes, which will be analysed in the next chapter, the strategy paper does not offer any new suggestions for the development of the North African countries. It is consistent with the previous communication paper of the EC, which reproduces narratives of the past (such as the need for energy integration and macroeconomic stability). The next GAER Council on 20th June 2011 discussed the proposals of the EC extensively and it agreed to increase the funds up to €1,2b in order to deal with the urgent needs of the EU’s neighbourhood. It also welcomed the simplification of the procedures that surrounded the aid tools and it declared its support for the inclusive growth strategies which comprise the SMEs. The European MFAs also stressed the need of the EU to proceed to DCFTAs with its neighbours and welcomed the creation of a new taskforce for the Southern Mediterranean, which will support the inclusive growth of the partners (Council of the European Union 2011).

This was the last extensive discussion about the North African countries in 2011. The following European Council (on 23rd-24th June 2011) briefly discussed the

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23 The title of the strategy paper is ‘A New Response to a Changing Neighbourhood A review of European Neighbourhood Policy’.
suggestions of the EC and further agreed with the conclusions of the GAER meeting (European Council 2011c). The two other meetings of the heads of the EU states in 2011 were about the Euro crisis, not about the ENP (European Council 2011d; European Council 2012a).

The moves of the EC continued to determine the development of the ENP in the next two years and until the end of this research. Under the weight of the eurozone crisis and the Arab Spring the two East European presidencies in 2011 (the Hungarian and the Polish) did not manage to do anything more than secure that the EC would not forget the Eastern Partnership. In the last two EC strategy papers the need to reinforce the Eastern Partnership is highlighted as much as the Southern dimensions of the ENP. Yet, apart from the typical geographical concerns the member states proved unable to shape the ENP agenda.

The Danish and the Cypriot presidencies which followed in 2012 were equally uninterested in the ENP. The Council meetings of that year just reproduced the new jargon which surrounds the ENP until today. The meeting of the EU states in March 2012 emphasized the need for more jobs in the region and the need for rapid progress in the preparation of DCFTAs (European Council 2012b), whereas the next three Councils of that year concentrated on the need for investments and jobs in Europe and on the deteriorating situation in Syria (European Council 2012c; European Council 2012d; European Council 2012e).

It was almost a year later that the European Council discussed extensively the progress of the ENP. February 7 2013 was the last time that the heads of the EU states discussed the progress of the ENP (until the ousting of president Morsi) and the situation in the North African countries after the Arab Spring. In that meeting there was a wide consensus that the democratization process will take time and that the EU should provide more funds in the short and longer run to support the reforms (European Council 2013).

24 In the last two years the main topic of the discussions in the European Council was the EU response to the deteriorating situation in Syria.
The absence of concrete suggestions by the EU states and of any position papers which could illustrate that the member states had a clear orientation about the future of the region left the EC free to continue its entrepreneurial role in the development of the ENP. The Commission published two more strategy papers about the future of the policy in 2012 and 2013 (in which one can find the EC’s suggestions about the future of the ENP). The new tools that the EC suggested in these papers were mechanisms to protect investments in the Arab Mediterranean countries and new schemes in selected sectors. The protection of large FDIs is still negotiated within the scope of the DCFTAs and to cover investments of the EU SMEs to the Arab SMEs, the EC suggested the creation of a new scheme (COSME), which will probably be launched in 2014. In the agricultural sector the EC suggested the new European Neighbourhood Programme for Agriculture and Rural Development (ENPARD), which draws lessons from the integration plans of the NMS into the EU, whereas in the energy and industrial sectors things remain unchanged as the EC only supported older projects and initiatives for the regional integration of the market (European Commission 2012d, 17–20).25

How should we conceptualize the entrepreneurial role of the EC and how does it fit in the three-level analysis of this research? What is important here is to mention again the role of an external shock (the Arab Spring) and the absence of concrete plans by the EU states to deal with the new situation in North Africa. This situation allowed the EC to fill a gap and to engineer new tools for the development of the policy. However, what should be noticed here is that the configuration of power has not changed within the EU. Under these circumstances, the Arab Spring offered a window of opportunity to the EC to act as the main entrepreneur of the ENP’s future, but it was not the only factor that shaped the EU policies. Even if the European domestic agents were absent from this stage of the decision-making process, the strong synergies between technocratic engineering, pre-existing arrangements and liberal international norms are very strong and influence the final ENP projects. As we will see in the next chapter, these links leave little space for a radical change in the ENP.

25 The EC strategy paper of 20th March 2013 (ENP: Working towards a stronger partnership) is an account of the developments in the ENP countries since the revision of the ENP in 2011.
Conclusion

In order to understand the significance of the participants in this part of the decision-making process three issues must be taken into account. These are the attitude, the motivation and the resources that the actors invested in the process (Bicchi 2011). Regarding the attitude of the EU member states, this analysis has highlighted that these can be distinguished in three categories. These are the leaders, the (active) supporters and the fence-sitting players. Each phase of this stage had different leader(s). Surprisingly, the first phase of the ENP was influenced heavily by a non-EU member state, Poland. However, the fact that Poland did not have voting rights led the country to build coalitions with the existing member states. Germany, the UK and Sweden offered their help to the Polish plans about the Eastern partners. On the other hand, the supporters of the Southern block were not particularly interested in the developments at the Eastern borders of the EU and as long the proposed initiatives did not marginalize the position of the Southern partners, they did not have many reasons to worry. This situation changed when the ENP was established as the overarching policy about the EU neighbours. Then, the traditional powers of the EU (Germany and France) became more active. Yet, the French and German initiatives did not only prioritize different subgroups of the ENP countries. The two EU states had a different approach about the role of the EU institutions in their plans and the Europeanization of their strategies. The ENP Plus was a German-led plan, which included all the EU members, the UfM was an exclusive plan, which only after the opposition of the EU members became truly European. Even low-profile supporters expressed their scepticism against the initial French plan.

At this point, the reader should ask what is the role of the marginal players? Unsurprisingly, the leaders are the ones that mobilise more resources in order to initiate, support or block an initiative. The marginal players are either small or medium size powers without many resources to initiate a policy, or large states (such as the UK), which are uninterested in the region. These actors behave as low-profile supporters or as laggards, who seek reciprocal concessions for their support. For example, the Swedish and the Hungarian governments supported Poland and the Eastern partners in order to create alliances that could help them to put the Northern and the Black Sea Initiatives higher in the agenda of the EU institutions.
Apart from exploring the calculations of EU states, what it is important here is to analyse their attitude towards the economic parameters of the ENP. Here, the main difference of the EU countries was about the allocation of EU funds and about the instruments that will support the ENP. On the other hand, all of them agreed that the integration of the partner countries in international institutions (such as the WTO), the promotion of structural reforms which can bring their regulations closer to the EU acquis, and the promotion of certain projects related to energy and transportation are of paramount importance. These issues are aligned with the preferences of the European interest groups as shown in the previous chapter. The Action Plans, which lay at the heart of the ENP, illustrate this need for regulatory reforms and the need for a clearer differentiation of the partner countries, which could highlight the best investment opportunities to these interests. These are the most important changes that the ENP brought to the Euro-Mediterranean relations when compared to the EMP.

So, what is left to the European institutions? Is the ENP a child of the EC as one of the interviewees claimed or not? The findings of this analysis show that in the first three stages the EC provided important technical information to the member states about the policy, but it did not change their political motivations. Until the beginning of the Arab Spring, the most important input in this debate came from the EP, which asked for the inclusion of the countries of South Caucasus. Yet, again this was aligned to the domestic preferences of the EU states and to the interests of the EU institutions. The European exporters were trying to penetrate deeper into new markets and the EU states and institutions wanted to secure the energy supplies of the region. It was after the Arab Spring, when the EC managed to play a more active role in the development of the ENP and not only to increase the efficiency of the intergovernmental bargaining. For the last three years, the EC has managed to shape the future of the policy by connecting the economic reforms to the political problems of the neighbouring countries, by changing the rhetoric and the aims of the strategy and by proposing new tools for the development of the ENP partners. However, the revolutions in the Arab countries were not enough to change radically the ENP. What should be taken into account is the unchanged distribution of power within the EU, which still advocates for liberal solutions to the North African
problems. The insistence of the EU technocrats in developing new DCFTAs and in continuing the implementation of older priorities of the Action Plans illustrates the strong liberal path dependency that influences the newer ENP initiatives. It is exactly the implementation of these projects that the next chapter will explore in greater depth in order to realise who wins and who loses from the policy.
Chapter 5 Negotiations at the international level: Are the ENP countries decision takers or implementation partners?

Introduction
So far the analysis has covered the first two stages of the ENP. The first stage was related to the identification of the preferences of the domestic pressure groups in the EU member states and in the partner countries and the interaction of these groups with the statesmen. The ENP was a European policy, so the second step was to analyse the negotiations between the EU states and the involvement of the other EU institutions in the formation of the strategy.

However, the ENP is an ongoing strategy and the progress of the partner countries is still a subject of discussions between the EU and the partner countries. The EC acts as a representative of the EU member states, which tries to integrate the neighbouring states into the EU market. The aim of this chapter is to analyse the negotiations between the EC and the three partner countries of North Africa. The timeline of these negotiations starts from the beginning of the ENP and finishes with the latest developments in 2013 and the ousting of president Morsi, three years after the beginning of the Arab Spring.

As stated in the introduction, at the heart of the ENP are the Action Plans, which contrary to the Euro-Mediterranean AAs do not have any legally binding elements, but they were still a subject of negotiations between the EU and the neighbouring countries. Being a significant step of the integration process and crucial for the ENP, this chapter deals with the formation of the Action Plans and their implementation by the partner countries. The structure goes as follows. The first part of the chapter will focus on the formation of the Action Plans. It will identify and compare the priorities of the partner countries, the negotiations between the neighbouring countries and the EU and the commitments that the partner countries undertook. The second part will assess the implementation of the Action Plans and how these were affected (and have affected) the domestic environment of the three North African countries.

The Action Plans as integration instruments of the ENP
The Action Plans incorporated a set of priorities, which were defined by the EU and the partner countries. The overarching framework was common for all the partner
countries and the principles were related to the ideas of good governance, the rule of law, the principles of market economy and to sustainable development. However, as shown in the previous chapter, the EU states have decided that the ENP should follow a differentiated approach towards the partner countries and this mandate was reflected in the Action Plans. They should be tailor-made, different for every partner country and responsive to the more specific needs of the partners.

To achieve these aims, the EC prepared country reports, which described the political, social and economic situation of the partner countries. The first talks of the EC with Tunisia, Morocco and Egypt about the progress they made in these fields started in 2004. Having a clear picture of its neighbours, the EU proceeded to discussions with the partner countries in order to find ways to solve the related problems and to map out the priorities of the neighbours. These resulted in the first drafts of the Action Plans, which identified the priorities of the partner countries and of the EU and were sent from the EC to the EP, to the EESC and to the Committee of the Regions. After this, the Action Plans were endorsed by the Association Councils. The Association Councils, the Committees and the Subcommittees (of the AAs) are responsible for the implementation of the Action Plans in the Mediterranean countries.

However, this thesis will go beyond the responsibilities of the Association Councils and the other bodies to understand the reform process of the North African countries. As this research investigates the role of the domestic actors in the ENP, the main idea of this chapter is to assess the domestic costs for the North African countries in order to realise the progress of the ENP, the winners and the losers of the strategy. To achieve this analysis, this chapter relies on interviews with officials from the EU delegations in North Africa and especially on the information that the Mediterranean countries have provided about the implementation of the Action Plans to the EC, which then draws periodic reports about the progress of the works. The progress reports (and the assessment reports on sectoral issues) are at the heart of the overall Assessment Report of the ENP, which evaluates the progress of the strategy and offers suggestions for improvements and the basis of this chapter.
**The country reports: Same region, different challenges for the three North African countries**

The EC drafted the country reports for Morocco and Tunisia in May 2004 and it finished Egypt’s country report almost one year later in March 2005, due to the simultaneous negotiations that the EU had with the Egyptian authorities about the AA. As said above, the role of the country reports was to provide background information about the partner countries to all the stakeholders of the ENP. Under this concept, all three reports started by explaining the existing AAs, which form the contractual framework for the relations between the EU and the three partner countries.

For the Moroccan economy, the country report acknowledged the openness of the country and its dependence on agriculture. In 2004, this sector added only 14% to the Moroccan GDP, but it was crucial for the employment of almost half of the labour force. The fiscal deficit of the country was higher than in the second half of the 1990s (around five per cent in 2002, between two and four per cent in the late 1990s), due to additional public expenditures. Revenues from privatisations and a service balance surplus financed the trade deficit of the country (European Commission 2004d).

Under these conditions, the country could not fight poverty, despite the liberalization of many prices of basic products and a wave of privatisations of the telecommunication sector and of other public services. The country report noted that the financial sector is reformed slowly and the state bureaucracy remains the largest problem for the development of a positive business environment.

The EU acknowledged that FDIs flows remained low and the main investments in the country involved the privatisation schemes. However, it perceived that progress in regional integration could foster trade and investments; the report highlighted the role that the Agadir Agreement could play for the development of regional trade. To foster trade, the report recognized that reforms in the transport and energy sectors were significant for the country.

In Tunisia the macroeconomic situation was different. Export-led growth and increased agricultural production were the motors of development for the Tunisian
economy. This situation kept the trade deficit of the country at lower levels than in Morocco and the rate of inflation remained manageable (three per cent in 2003). The deficit was covered by the stable FDI inflows and the favourable rating of the country’s bonds allowed the country to borrow with low costs (European Commission 2004e).

These developments had a positive impact in the fight against poverty, which was not as high as in the case of Morocco. However, the main problems of Tunisia were related to the SMEs and to the administrative controls in many products. The SMEs, which are still the spine of the Tunisian economy and labour market, did not have access to cheap credit; they remained uncompetitive and in a precarious position. On the other hand, the state intervention in many products has distorted the market. In addition, the EU highlighted the sluggish pace of privatisations and the slow opening of specific economic sectors (such as the transport sector) as being barriers to the further development of the country (European Commission 2004e).

In terms of trade, the country was integrated more than any other Mediterranean partner in the EU market and is a member of the Agadir Agreement. The state has made serious progress in dismantling tariffs in many products, but the country report notes that Tunisia had kept some non-legal barriers to restrict the access of foreign companies in the services sector. As in the case of Morocco, the EU mentioned that further reforms in the transport and energy sector were needed. This is particularly the case for the latter sector, where the increasing demand for more electricity forces the country to focus more on developing alternative energy sources.

As in the case of Morocco, the main problem for the Egyptian authorities is the fight against poverty. According to the country report, between 1990-2004 forty four per cent of the country’s population was living on less than 2$ per day. In addition, the country has not been as decisive in reforming as its neighbours and it is not as open as the other two countries to European trade. What saves Egypt is tourism, natural resources and the revenues from the Suez Canal (European Commission 2005).

Yet, the expansionary government budget had resulted in a deficit and the fiscal position of the country was deteriorating until 2004, leading to increased unemployment and to the expansion of black market activities. The government and
state-owned companies remained the main employer of the Egyptian workforce. More than one-third of the total workforce was still employed by the state, as the privatisation programmes had slowed down due to valuation and restructuring problems. In addition, the financial sector needed to increase its profitability. The country report noted that bad management and excessive political control prevented the further deregulation of the sector, which could increase its profitability (European Commission 2005). The other services suffered from similar symptoms. For example, the government was reluctant to open the infrastructure services and some transport sectors (such as railways).

As expected, revenues from energy had contributed substantially to the Egyptian economy. Here, the focus of the country report was more on oil and gas and less on electricity and renewable sources as in the other two countries. Egypt is still one of the largest exporters of energy towards the EU and to the other countries of the region. Many foreign companies still work in the country, yet the state companies dominate the market. The pace of privatisation was slow due to the insistence of the government to look for private investments without increasing public debt. This was particularly the case in the electricity sector.

**The formation of the Action Plans: Contents and commitments of the partner countries**

For all the Mediterranean partners the political elements of the Action Plans were the most sensitive issues to be discussed. The regimes of the three countries were often criticized for their limited political pluralism and the partial political reforms that they had implemented. However, under the threat of religious extremism, it was crucial for the EU to negotiate with regimes that did not ally with fundamentalists. Therefore, the stability of the regimes was the most important element for the development of the EU/North African relations, even if it was maintained at the expense of human rights and democratic reforms. The examples demonstrating the priorities of the EU states are many and they begin before the implementation of the ENP. When the AA with Morocco was signed in 1993, Spain, Portugal and France were very reluctant to include any clauses about the protection of human rights (Gillespie 1997, 38).

Certainly, this course of action did not prevent the EU institutions from publishing reports about these issues and the AP include political reforms in the priority actions
that the partner countries must undertake. However, the EU made sure that Europe kept a ‘safe distance’ from the rulers without at the same time risking any open and radical confrontation with them (Cavatorta et al. 2008). The latest findings of the Court of Auditors for Egypt made clear that the EU support for the country did not improve human rights and governance effectively (European Court of Auditors 2013).

For the Arab Mediterranean countries, the primacy of their sovereignty was evident in their immediate responses to the sporadic criticisms of the EU institutions. For example, when the EP criticized Egypt’s position against human rights in 2008, the Egyptian authorities asked the EP not to interfere in the domestic affairs of the country (Pace 2008, 443). The country was also slow to agree with the EU on a sub-committee to oversee and coordinate the implementation of the political elements of the AP (“4th Meeting of the EU-Egypt Association Council” 2008).

The asymmetrical progress which the partner countries have made so far in the political and in the economic sphere of the ENP (and the EMP) is noticed in many papers and it is possibly one of the few issues that the ENP analysts and the EU institutions agree on. However this distinction cannot explain the different progress that the partner countries have made in the economic field. So, why have the partner countries made significant reforms in some economic sectors and not in others? In order to explain this, first the commitments that the partners made regarding the economic reforms must be analysed.

The contents of the APs show that the different problems of the three North African countries, as these were outlined in the country reports, had the same root. This was the intervention of the state in the domestic economy, which had resulted in the misallocation of their resources due to unrealistic pricing and development policies. So, the solution offered was a mix of neoliberal measures with the parallel alignment of the North African economies to the EU acquis. Here, negotiations between the partner countries and the EC about the content of the AP were minimal, ‘as the governments of the partner countries had realised that their relationship with the EU was of paramount importance for the development of their countries’ (Personal interview 08/11/2010). In fact, most measures and actions were almost dictated by
the EC officials to the statesmen of the three countries (Casier 2011) and in some cases the alignment of the partner countries with the EU suggestions is mentioned in the AP (European Commission 2004b). The asymmetrical negotiation power between the EU and the partner countries, regarding the economic reforms that the partners must do, is proved by the fact that the priority (and the other) actions in the AP overlap in a very large degree.

Under these circumstances, the main point for negotiations was the timeline of the reforms. In areas where the partner countries had been prepared and felt more confident to bring results, the AP indicated more elaborated short-term and medium-term targets. For example, the macroeconomic adjustment of the Tunisian economy gave the government the power to agree with the EU about specific short and medium-term actions regarding the macroeconomic framework. Actually, before the Arab Spring, the Tunisian case was perceived by the EU as the most successful example of economic reforms in the region (that the others should follow). On the other side of the spectrum, the more problematic economy of Egypt, and especially the initial scepticism of the government about the ENP (European Commission 2008d), were the reasons for the open timeframe of the Action Plan, which did not include any specific short or medium-term actions.

For the economic sphere of the ENP, the main measures that the partner countries must take were related to their macroeconomic stability, to the liberalization of trade and currency regimes, to regulations that improve agricultural productivity and change the energy regime and to reforms for strengthening the banking sector. The successful implementation of these actions would attract more FDIs, leading to growth and sustainable development. Simultaneously, by adopting the EU acquis, the partner countries could integrate into the EU market.

The generic priority actions that are outlined at the beginning of the AP are explained in more detail in the following pages of the Action Plans, with specific reforms that the three governments have to introduce in order to improve their macroeconomic situation and to proceed to reforms in the main sectors of their economy. As said

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26 Further liberalization of the transport sector, the abandonment of import substitution, changes in state aid policies and to the development of infrastructures in the transport sector are also included in the AP. However, these changes are not subject of this thesis.
above, depending on the prior preparation of the partners, the APs put different short-term and long-term targets that the countries had to achieve. The commitment of the partners to the reforms listed in the APs was rewarded with the possibility of a new contractual relationship with the EU. So, the main issue here is related to the application of the rules and to the factors that allowed their transfer in some sectors and not in others.

Under this notion, the identification of the winners and losers of the ENP is reflected not only in the outcome of the negotiations between the EU and the North African countries, but on the strength (and the intention) of the latter to implement what it was agreed in the AP. As stated above, this is where it is possible to discern the interaction between the domestic social forces and the elites of the partner countries. In order to see the degree of reforms and the implementation of the AP, the situation in the three countries will be explored separately. The focus of the analysis will be on the macroeconomic reforms and on the main sectors of the North African economies (agriculture, industry, energy and financial services) that were analysed in Chapter Two.

*The role of the fiscal situation and the openness of the North African economies to EU trade in the implementation of the macroeconomic part of the APs*

According to the country reports, the previous development strategies that the three North African countries had followed led to a mixed macroeconomic picture. The domestic reforms and the Structural Adjustment Programmes (SAPs) that started from the mid 1980s yielded better results for Tunisia and Morocco than for Egypt, which was perceived as the country with the most serious macroeconomic problems. For all the partner countries, the APs were asking for a stable macroeconomic environment and monetary policies focusing on lowering inflation and putting the trade deficit and public debt under control.

The APs did not set specific targets for the North African countries, but their logic was to put pressure on the North African states to abandon populist macroeconomic policies, which distorted the market and hindered the progress of the agreed reforms. However, the state elites were not ready to forget recipes of the past and at this point one question arises. How did they manage to manipulate the
The findings illustrate that different factors allowed the three countries to follow such policies. In the cases of Tunisia and Morocco their sound macroeconomic performance helped them to implement sporadically populist macroeconomic policies for distributive purposes, in order to satisfy primarily their political clientele.

In Tunisia, which appeared as the best student in the North African class until the beginning of the Arab Spring (with a growth rate estimated at 5.4% in 2006, 6.3% in 2007 and positive GDP rates even amidst the global financial crisis), these populist policies were reflected in the expansionary fiscal policies of the state, in lower corporate tax and in wage increases (for example by 8.6% in state payrolls in 2008), which fuelled domestic consumption (European Commission 2009b). In addition to the more expensive world prices of raw materials, these actions resulted in increased inflation, increased budget deficits of 1.2% of GDP in 2008 and 3.3% in 2009 and a slight increase of the public debt (European Commission 2010c).

This situation forced the EU in 2008 to observe that the country required a structural change in growth with a clear focus on private investment (European Commission 2009b), especially as this was one of the short-term aims of the AP in order to improve the competitiveness of the Tunisian economy (European Commission 2004b, 14). However, the EU did not attempt to criticize the Tunisian authorities openly for their expansionary policies as the latter had managed to achieve most of the other macroeconomic key points of the AP. The country had published in 2007 a report for making the state sector more efficient and the government proposed to parliament the strengthening of the Court of Auditors in order to make public management more transparent. In addition, the Tunisian authorities simplified the administrative procedures for citizens that dealt with the state by creating one stop shops and by facilitating remote consultation. These improvements in public debt management and in legal procedures afforded the government more flexibility as they were key points in the list of the short-term and medium-term targets of the AP.

The implementation of expansionary policies continued in 2009 and 2010, but this time the global crisis offered to the government a different argument to explain them.
The increased foreign exchange reserves of the country that could secure more than four months of imports in 2007 decreased in 2009, the Central Bank of Tunisia relaxed its monetary policy, but still Tunisia was perceived as a success story. For the EU, the country did not risk much. Actually it tried to control inflation by increasing the foreign exchange reserves in 2010 and the country did not face any short-term debt burdens. In fact, during this period many EU states had relaxed their monetary policies to confront the crisis. This situation led the EU to a softer approach towards the fiscal consolidation of the Tunisian economy (the primary macroeconomic aim of the AP), which could be resumed in the medium term when GDP growth would be stabilized.

The other issue that marked the country as a success story, despite having policies not fully aligned with the AP, was the openness of the Tunisian economy to the EU market. The country continued the reduction of tariffs in most products that were included in the AA. Actually, Tunisia has managed to become the most advanced partner regarding the creation of a Euro-Mediterranean free trade area and it had accomplished the reduction of tariffs in industrial products before the agreed date. Yet even in this field, the government followed policies that favoured specific groups, but this time for a shorter period. Tunisia managed to delay the dismantling of tariffs in pharmaceuticals and in agricultural products until the end of 2007 (European Commission 2009b). This delay benefited the local pharmaceutical companies, the Tunisian food processing sector and the small farmers. However, the pressure of negotiating an agreement about the further liberalization of agricultural trade (under the Rabat roadmap), which would benefit mostly the export-oriented producers, forced the Tunisian government to proceed to the reduction of tariffs in these products in 2008.

Unexpectedly, after the beginning of the Arab Spring, Tunisia was no longer the success story of the past. The Tunisian revolution and the conflict in Libya had a huge impact on the macroeconomic landscape of the country and the last two progress reports of 2011 and 2012 highlighted the fragile situation of the country.

The Tunisian authorities did exactly what Putnam mentioned in his two-level framework to justify the slower pace of reforms. They argued that the suggested
reforms benefit a small part of the Tunisian society and this small win-set does not allow the faster progress of the AP. The EU saw the responses of the government as involuntary defection from the previous arrangements. This was mentioned in the progress reports, which acknowledged the efforts of the government to continue its prudent fiscal policies, despite the unprecedented problems (European Commission 2013b).

In some issues, the Moroccan authorities attempted to implement the macroeconomic actions of their AP in a similar manner as the pro-revolutionary Tunisian government. The Moroccan authorities reduced tariffs according to the mandates of the AA, but again not in every sector. The favourites of the Moroccan authorities were the skin producers and the producers of ceramics, who enjoyed the government’s protection for their products (the latter for a shorter period). However, besides this discriminating approach, the Moroccan government did not follow the expansionary fiscal policies of the Tunisian state. In 2005, the state allowed the early retirement of 38000 public workers and the wages in the state sector were compressed, despite nominal wage increases (European Commission 2008b). Especially in state companies that were liberalized during the last decade workers saw serious reductions in their wages which were up to 213% (Salevurakis and Wahba 2009, 102).

The tight control of public expenses was followed by efforts to widen the VAT base in order to lower the external debt of the country. These efforts brought significant results to Morocco, which saw its bonds gaining an investment status by the international credit rating agencies for the first time in 2007. Cheap borrowing from abroad allowed the country to apply more moderate measures to control inflation and subsidise the prices in basic necessities (such as oil and food). These subsidies were crucial tools of social control, especially during the drought period of 2007, which resulted in macroeconomic difficulties due to the heavy reliance of the country on agriculture. However, this situation did not stop the EU from awarding an advanced status to Morocco in 2008. During the first years of the ENP the country has introduced considerable reforms and it met (the less time-specific than in the case of Tunisia) macroeconomic criteria of the AP.
The soft criticism of the EU in this area was about the progress of the reforms for more flexible exchange-rate rules and the liberalization of capital accounts. The EU could not adopt a tough stance on this matter, because Morocco was proactive enough to include in the AP only its determination to discuss this issue with the EC without a clear timeline for reforms. Morocco had an exchange of views about these problems, according to the demands of the AP, but it was slow in doing any significant reforms about these matters. Here, the role of the global crisis and the impact of the Arab Spring on the country were important. The fact that the Moroccan financial sector was not significantly integrated into the global financial system and exposed to the sub-prime crisis gave a country a good lesson about the liberalization of capital accounts. The Moroccan authorities delayed any reforms and waited for the global economy to stabilize. The Arab Spring offered to the authorities another good excuse against the EU to justify the delay of these reforms, as the turbulence in most North African countries affected the Moroccan economy.

So, for Tunisia and Morocco, their positive performance and trade openness with the EU allowed to the governments several manoeuvres in order to satisfy the demands of certain groups (for the short run). In addition, Morocco managed to use some macroeconomic tools for securing social peace without at the same time putting their relations with the EU at risk. On the other hand, the use of similar tools did not avert the Jasmin revolution in Tunisia, but the liberal attitude of the old government continued and the new administration successfully persuaded the EU that it would follow the obligations of the previous regime.

Yet, in Egypt the situation is different. The narrow interests of pressure groups (and of the government) are not efficient to explain the limited macroeconomic reforms. The exploitation of economic rents must be added to the Egyptian puzzle in order to explain the problematic implementation of the AP. The revenues of these rents managed to mitigate, at least in the short run, the severe financial problems and the demographic pressures of the country, to delay the ENP reforms and then partially implement the macroeconomic actions of the AP.

The fiscal position of the country was very bad and the state’s debt was constantly rising until 2004. As stated in the country report, Egypt’s biggest problem was
poverty and unemployment (European Commission 2005). Here, unemployment was not merely an outcome of economic restructuring, as in the case of Morocco. The problem is intensified by the rapid demographic expansion of the country and the entrance of youth into the labour market (Salevurakis and Wahba 2009, 2). According to the EU, more than half a million job persons enter the labour market annually (European Commission 2005), but other studies raise this number to almost one million and a half job seekers per year (Rivlin 2009, 102). What should be mentioned here is that the situation could be even worse, as the new entrants to the labour force in Egypt (and in other countries of the MENA region) are not only graduate students, but also children that leave school and are underreported in the national surveys (El-Kogali and Suliman 2001).

To create jobs for the rapidly growing labour force Egypt relied in state-led employment strategies. As stated above, the state (the public sector and state-owned companies) employed thirty-four per cent of the total labour force in 2004. In addition, the government used an extensive net of subsidies to help the people against price increases, which resulted from the depreciation of the currency and high inflation. Moreover, the government proceeded to increase wages in the public sector and it was very slow in the privatisation of the non-profitable state-owned companies.

The EU put a lot pressure on the Egyptian authorities to pursue macroeconomic reforms that could mitigate these problems, but Egypt kept a dilatory stance against the EU demands. This is not the first time that the reforming reaction of the government was slow, despite serious macroeconomic problems. This had occurred again in the 1990s (this time the pressure came from the IMF) and as Richards noticed the explanation for this position cannot be found only in the underperformance of the state mechanisms or in the pressures by domestic actors (Richards 1991, 1721). A comprehensive answer must include the Egyptian revenues from rents. These rents are of two types. The first one is ‘strategic’ rent that is provided in the form of aid and favourable loans. Here, the US emerges as ‘a strategic ally’ for the provision of these rents, either directly (Egypt is the main recipient of US aid in the region) or indirectly by influencing other organisations (such as the IMF in the past) to offer help to Egypt in favourable terms (Richards 1991).
Unsurprisingly, these rents are provided for geopolitical purposes, which facilitate US strategies in the Middle East. The other rents are economic and they are related to fossil fuels and to the revenues from the Suez Canal. These incomes and international support had allowed the government to pursue an expansionary budget and implement the structural reforms at a slower pace.

This situation started to change when Ahmed Nazif became Prime Minister and formed a new cabinet in July 2004. This change was primarily an outcome of the many financial scandals of the previous government and weak economic growth (Kalhoefer and Salem 2008). Corruption in lending activities resulted to the accumulation of non-performing loans and the budget expenses increased more rapidly than revenues (European Commission 2005). Rents could no longer offer a safe pillar to overcome these problems, which communicated a bleak picture about the country abroad and fuelled complaints domestically. On one hand, the left organised demonstrations against the government, which could not stop the soaring prices and unemployment (“Cairo: Demonstration for the Coalition Party Demanding Atef Obeid’s Resignation” 2004). On the other hand, the business community (especially the export-oriented firms) and international actors asked for reforms that could improve the investment climate of the country (“Egypt Re-affirms Need to Improve Investment Climate” 2002). Amidst these pressures Mubarak reshuffled the government and led Atef Ebeid to resignation.

The new government gradually embraced the ENP with more commitment. According to the first progress report about the implementation of the ENP, Egypt ‘has moved cautiously in the early stages while the administration has been developing a greater understanding of and confidence in the institutional and policy mechanisms’ (European Commission 2008d).

Yet, which macroeconomic targets did Egypt manage to achieve from 2007 until 2010? The country started to improve the business environment by cutting the costs for registering properties and by introducing one stop shops to the ports for providing licences to traders for their operations (European Commission 2008d; European Commission 2009c). In 2008, it established a new body (ERRADA) for the simplification of the business related regulatory framework, which enhanced the
business environment. These actions managed to improve the position of the country in the doing business reports of the WB. In addition, the government promised to bring the deficit down to three per cent by 2011. This aim was not written in the AP, but it was used as a tool to show the commitment of the Egyptian authorities to deal with the macroeconomic problems of the country. However, the government was more committed to fighting the deficit than debt and inflation, which were reduced at a slower pace.

This situation illustrates that the Egyptian authorities were not ready to move with both feet forward. The government continued to implement expansionary policies, which allowed the inflation and debt to remain high. Public finances deteriorated slightly and the government continued to stimulate economic activity by monetary easing, especially during the economic crisis. Privatisations were implemented slowly, due to restructuring problems and to the global crisis. In addition, the government kept most subsidies. Only energy and food subsidies were replaced by more targeted support in 2008 (European Commission 2009c). In spite of the fact that Egypt dismantled most tariffs according to the AA (again as in the case of Tunisia and Morocco by simultaneously protecting some products, such as sugar and cement), these slow developments were not appreciated by the EC, which was much more critical in the progress reports about the work of Egypt in this field (European Commission 2009c).

After the fall of Mubarak’s regime, everything froze in Egypt. For the last two years, the transition government and the Muslim Brotherhood did not show the willingness of the Tunisian authorities to continue the reforms. According to the ENP progress reports the ‘ongoing political and economic uncertainty meant that progress on the structural reforms outlined in Egypt’s Action Plan was limited’ (European Commission 2012a, 3). Instead the Egyptian authorities preferred to ask for help from the other Arab countries (European Commission 2012a, 7). In fact, president Morsi, who stayed in power until the end of June 2013, kept in place the generalized subsidies system and relied on strong remittances flows and non-oil exports (European Commission 2013a). These revenues could not keep the inflation down

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27 Egyptian Regulatory Reform and Development Activity (ERRADA). More information at www.errada.gov.eg
and the Egyptian economy was showing very slow marks of improvement. Contrary to the Tunisian economy which in 2012 started to grow again by more than three per cent, the Egyptian economy showed very small signs of recovery (European Commission 2012a; European Commission 2013a).

The implementation of the ENP agricultural reforms: The reinforcement of a dual agricultural market

The logic of the EMP about agricultural trade was based on a traditional approach for the liberalization of the market. This approach asked each side to dismantle the tariffs of a certain number of lines. As stated in the previous chapters, the negotiations between the EU and the partner countries were very hard, due to the protectionist attitudes of some member states. However, even under these conditions the EU has reduced the tariffs of more agricultural lines than her neighbouring countries.

The logic of the asymmetrical dismantling of tariffs was to give more time to the partner countries to adapt free trade. Yet, these AA have led to limited results. In 2003, in the 1st Euromed Conference that was held in Venice, the Ministers of Agriculture agreed that further negotiations on the liberalization of agricultural trade should be complemented by a discussion on the non-tariff barriers, which hinder the development of the sector, especially in the North African countries. As tools for deeper integration, the role of the APs was to confront all these non-tariff aspects of agricultural trade in order to offer a larger stake of the EU market to the partner countries.

Under this logic, the APs require similar actions by the North African countries for the improvement of their agricultural sector. These are related to administrative support to farmers, to the improvement of sanitary and phyto-sanitary controls and to measures that will encourage private investment in agriculture.

According to the APs, the aims of these interventions are to ‘improve the health safety of food for consumers and facilitate trade in agricultural products with the EU’ (European Commission 2004b; European Commission 2004a). However, the ENP not only introduced best practices for food hygiene. These interventions were used from the state elites to reproduce their power and they perpetuated the asymmetries
between the North African farmers that export their crops and the substitute farmers that sell their products domestically. In this sense, they have contributed to the creation of a dual agricultural sector in the North African countries. How did this happen?

As stated above, in Tunisia the government used high tariffs to protect the local food industry and farmers. However, these tariffs delayed the negotiations for the further liberalization of agricultural trade. Under this pressure, the government further liberalized its market in 2004. At the same time, the government continued to set maximum prices on wholesale and retail markets without providing any support to the farmers. The aim of this pricing policy was to control inflation (a macroeconomic priority of the ENP) by keeping the prices low. Yet, it has affected asymmetrically the Tunisian farmers. The small producers of vegetables were largely hit by government’s policy, whereas the larger producers of wheat and milk were excluded from this measure (Minot et al. 2010, 105). At the same time, the liberal restructuring of agriculture (and the problematic access to credit for small farmers) increased the price of land, which was gradually passing to the hands of few large landowners (Jouili 2009).

On the other hand, the food processing sector was not left alone. The sector is a significant pillar of the Tunisian economy, as it adds about 3% to the country’s GDP. In addition, it involves large state companies, which make the sector a sensitive issue of political reforms. Under these circumstances, the abolition of high tariffs did not stop the protection of the local food industry. These were replaced by high Non-tariff barriers (NTBs). There is a great variation in NTBs. Generally they are high for sugar, meat and dairy products and for products that come from the processing of cereals, canned food and beverages (Chemingui and Thabet 2007). The NTBs are decreasing slowly and in some cases their tariff equivalent exceeds twenty-eight per cent (for example in sugar and meat) (Chemingui and Thabet 2007).

However, these are not the only interventions of the state to protect the sector. Imports of food products are dominated by public enterprises. For example, the Grain Board controls the imports of grains, the National Edible Oils Board is responsible for the importation of vegetable oil and the Tunisian Trade Board for
coffee and tea. The fact that the Ministry of Trade issues the licences to import these products gives to the state the power to dominate these markets. The Ministry of Trade authorizes very few private agents to import the products that the state companies trade at preferential prices (Minot et al. 2010). This situation distorts the market and offers the opportunity to the state to use licences for political patronage. In many cases and without any justification, the state refuses to authorize private companies to import agricultural products and the time-consuming custom clearance process, which can take about three weeks, discourages private companies to invest in the importation of these products.

Morocco followed a different strategy to support its farmers. The country privatised 46,000 hectares in 2004, 56,000 hectares in 2005 and almost 39,000 hectares in 2008 (European Commission 2009d; “A New National Strategy for Agriculture” 2008). Contrary to the Tunisian example of state protectionism to public companies, in this case, the state companies SODEA (Société de Développement Agricole) and SOGETA (Société de Gestion des Terres Agricoles) were the main losers of the government’s policy. These state enterprises were founded in 1972 and 1973, as an outcome of the increased expropriations of the 1970s and for the last four decades they managed the land that was recovered from foreigners. The privatisations resulted in the restructuring of these companies and to the dismissal of more than 3,000 employees (“Privatisation in Morocco Extends to State Land Leases” 2005).

So, who wins and who loses under the new policy framework? For the state, land reforms yielded immediate revenues. In 2004 these reforms added $610m to the state budget (“A New National Strategy for Agriculture” 2008). In addition, the state showed that it was determined to pursue market based strategies for the development of the country by minimizing the role of inefficient public enterprises in agriculture. However, this logic has two sides. The first impression is that the state appears as a net loser of these land reforms, as it lost significant powers over land. According to the Moroccan Agriculture Minister, Mohand Laenser, these privatisations were a part of ‘a policy of disengagement from the agriculture production sector, which was in line with the evolution of the national and international economic environment’ (“Morocco
to Sell Farmlands to Foreign Bidders” 2004; “Privatisation in Morocco Extends to State Land Leases” 2005).

However, to say that the state was removed from the agrarian sector is not correct. The state kept its role in other aspects of agriculture, such as the organisation of irrigation programmes. Under the North African weather these programmes are crucial for agricultural productivity and primarily benefit large-scale farmers. But historically the allocation of land was the main tool that gave significant political profits to the state; this is evident from the first post-independence decades of the country, during which the state became the largest owner of land and land reforms benefited primarily small-scale producers in exchange of their support to the regime.

Yet, this time this neoliberal policy kept a different role for the state and the agricultural sector. Privatisation of land entails the reallocation of resources and the state (once again) organises the process. But this time, by disengaging from the agricultural sector, the Ministry of Agriculture saw trade relations as a key development tool. In this way, the state promoted private initiative and the further integration of agriculture into the global (or the EU) market (Moyo 2007). Now, the mandate was that a larger stake into the EU market could be achieved only by creating large-scale farms, which were perceived as capital-intensive investments and as more productive than small-scale holdings, the owners of which suffer from poor managerial skills (according to the government).²⁸ The inheritance practices in Morocco had divided 69% of farms into an average size of less than five hectares, which limited the productivity of the sector. The scheme aimed to address this problem in order to reduce the provision of subsidies to farmers, which were criticized in the ENP reports. The reduction of subsidies was followed by the exemption of agriculture from direct taxation, which benefited primarily large farms (European Commission 2008b). In addition, the government allowed for the first time to foreigners to participate in the privatisation programmes. Actually, the government saw this initiative as a tool to foster its relations with the EU in this sector. The Moroccan authorities expected many Spanish and French farmers to enter the programme, due to the lower tariffs that the Moroccan products enjoy to enter the US.

²⁸ Environmental arguments were also used for the introduction of land reforms in Morocco. Small farmers were perceived as a threat to environment and their methods contributed to further environmental degradation (Cheterian 2010).
market than the EU ones ("Privatisation in Morocco Extends to State Land Leases" 2005; "A New National Strategy for Agriculture" 2008).

In Egypt the National Strategy on Agriculture (NSA) was the main policy for the modernisation of the sector. According to the ENP Progress Report the main pillars of the NSA were related to the modernisation of irrigation, the increase of productivity, the better use of fertilizers and the provision of a more improved role to cooperatives in the implementation of the strategy (European Commission 2009c). However, the NSA includes two other pillars about the distribution of land, which distinguish the Egyptian policies from the Moroccan experience.

The two frameworks for the allocation of land in Egypt are the Mubarak National Project and the New Land Reclamation Programmes. These projects were created before the ENP, but their aims are part of the AP as they attempt to increase agricultural production and to develop rural areas (European Commission 2006b). These aims could be achieved by creating new irrigation canals and turn desert land into farms (Adriansen 2009). These new lands are offered to different applicants. Under the first project, graduated youth have priority to the reclaimed lands and under the second programs landless people from the dense populous areas of the Delta and the old valley strip can get the new farms.

The selection of these groups is not accidental. The increasing Egyptian graduates, who were protected until the mid 1990s by the employment guarantee, faced many problems to find a job especially when the government officially abandoned the related protection scheme. Especially, graduates from rural areas had minimal chances to enter the labour market when compared to graduates from urban areas (Bach 1998). At the same time, Law 96 (signed in 1992 and in effect from 1997) deregulated rents, which increased more than ten times when compared to the fixed prices of the past (Muller-Mahn 1998). This situation led many tenants to extreme poverty, as they could not afford the new leases (Roccu 2012).

Contrary to large-scale privatisations of Morocco, the Egyptian government tried to mitigate the effects of the previous reforms by turning the landless and the unemployed into small farmers. For example, under the Mubarak project the applicants received five feddans of desert land and a one-bedroom house in the next
village (Adriansen 2009, 667). Yet, to assume that the Egyptian authorities invested on small-scale production for the development of the agricultural sector is not correct. The people who got lands were not supported further and could not turn the free lands into profitable investments. The poor quality of desert soil has led so far to poor yields and to the production of certain crops, which need years to become profitable. As in the case of Tunisia, limited access to cheap credit led many to the impression that they were trapped into different types of loans and were forced to sell their lands to other farmers (Adriansen 2009). Under these conditions, export-led growth of agriculture did not touch the small producers of the new lands.

On the other hand, these projects had as a consequence the turning of agricultural growth into a matter of management skills and water supply. The poor management skills of small farmers were highlighted by the Moroccan authorities as well, which introduced the privatisations in order to address this problem. In Egypt, the authorities proceeded to the deregulation of the land market (as in Tunisia). In both cases, small-scale farmers were not among the beneficiaries of the reforms. The problem of water supply for the Egyptian economy was supposed to be solved by the aforementioned schemes, but these led to asymmetrical gains and unequal distribution of water. Large investors gained from these projects, which were authorized to build the irrigation canals under unclear conditions. In fact, one of the main investors, the KADCO-Sun World collapsed in 2002 leaving only the Saudi billionaire Prince Al-Wadid as the project’s largest investor (Bush 2007). On the other hand, villagers, farmers of the Delta and some suburbs of Cairo faced water shortages (Bush 2007).

The other burden for small-scale farmers in all the three North African countries is related to the Sanitary and Phyto-Sanitary controls (SPS) (Cadot et al. 2011). These controls are among the key actions of all the AP in order to secure the safety and the quality of the agricultural products and they are supported by the EU Technical Assistance and Information Exchange instrument (TAIEX) and Twinning aid tools. TAIEX and Twinning attempt to strengthen the capacity of the national agencies for food control (European Commission 2012b; European Commission 2012c; European Commission 2013c; European Commission 2013b), but the issue here is not about

29 1 feddan = 0.42 hectares
the safety of the customers, but about the impact of the SPS controls on the agricultural sector of the North African economies. According to many analysts, SPS controls impede agricultural trade between developing and developed countries, by imposing import bans, by discriminating supplies or by raising costs (Petrey and Johnson 1993; Sykes 1995; Jaffee 1999; Henson and Loader 2001).

Yet, for the ENP partners participation in the SPS practices could lead to significant financial benefits from exports. Given the significance of agriculture on the domestic product of the North African economies, the adoption of SPS practices was perceived not only as a key issue for the development of their agricultural trade with the EU, but as a motor of GDP growth.

However, the cost of getting a certification for exporting to the EU is expensive. For example, the EUREPGAP certificate costs about $1200 per farm, meaning that in certain products, such as vegetables a farmer needs to have more than a hundred hectares of land. For the exportation of citrus a farmer needs more than four hundred hectares of land (Aloui and Lahcen 2004; Cadot et al. 2011). In addition to this cost one must add the expenses for buildings and infrastructure to deal with various issues (such as environmental hazards, workers health, water and pesticides storage and management) in order to meet the EU standards. For example, only for the first year, a Moroccan farmer will need more than $70000 to implement the EUREPGAP standards on a ten hectares tomato farm (Aloui and Lahcen 2004, 26).

In addition, farmers that are not affiliated with any cooperative system cannot implement any SPS controls. This issue is crucial, especially to the Egyptian farmers, who bought their land from previous graduate owners. Under the Egyptian investment law, they can participate in cooperative schemes only ten years after their purchase of land (Adriansen 2009). Given the liberalization of the market and the disengagement of the state from agriculture, the farmers have to bear the costs of quality assessments. These costs could be tolerated by large-scale farmers, who not only had the funds to apply the standards, but who also created networks or their own packing houses to export to the EU. These packing houses are subject to different certifications, but they are well prepared to adopt the new rules. That is why
up to eighty per cent of Moroccan vegetables is exported by these packing houses (Aloui and Lahcen 2004).

On the other hand, the state-owned packing houses, which help small-scale producers, are slow in the adaptation of quality standards and their input in exports is much smaller (Aloui and Lahcen 2004). Instead of supporting the state-owned packing houses, the EU aid goes to TAIEX missions that accommodate seminars for the regional coordination of the North African partners (European Commission 2012a; European Commission 2013a) and to missions that communicate the EU recommendations about fishing products (European Commission 2013b). On top of that the Twinning programmes focus on central agencies and not on the development of rural areas. For example, in Tunisia the Twinning programmes aim to increase the standards of the National Centre for Animal Health (European Commission 2013b). In other cases, such as in Egypt, the development of rural areas is determined by the military. EU funded projects for demining are categorized as rural development projects (Personal interview 26/06/2013). Without any consultations with the farming communities these projects leave open questions about their input to agriculture, the acquisition of the (European) equipment that is used for demining and the allocation of the funds.

After the Arab Spring, the promise of the EU for inclusive growth in the agricultural sector materialised through a new regional initiative, ENPARD, which was launched in 2012. The main aim of the programme is to modernise and expand agricultural production through tailored dialogues and it is based on older EU initiatives towards the East European countries. Even if it is too early to judge the results of the programme, some issues raise concerns about its success.

First, the programme does not aim to change the existing national strategies of the partner countries, which benefit asymmetrically the domestic producers, but to reinforce them (European Commission 2012f). The objective of the EU is to show that the programme is owned by the Arab partners, meaning that ENPARD will depend on policies that widen the gap between export-oriented farmers and small-scale producers. Second, a clear objective of the programme is to increase the food safety and the quality standards of the North African products. The rise of standards
benefits the customers, but as shown earlier it does not allow the small producers to participate in the wider agricultural market. What is anticipated from stricter controls is the increase of the costs of the phyto-sanitary certificates. Financing rural infrastructure and funds to young farmers could somehow mitigate the increasing costs of compliance with the EU rules, but it remains to be seen how much money will be devoted to these areas and how the funds are going to be allocated (to the modernisation of private or state packing houses). The problem here is not related only to the amount of funds, but also to the different tools that regional programmes use for financing the ENP partners, which create confusion in the ground. According to an official that works for the EU delegation in Egypt the problem here is that the EU tries to mix apples with oranges (Personal interview 26/06/2013).

Under these conditions, the SPS measures and EU tools to promote them continue to contribute to the creation of a bimodal agricultural market that distinguishes farmers into exporters who prefer to sell their products to the EU market for higher returns and into substitute farmers that receive limited assistance and refuse to switch to market-driven crops in order to survive.

**The implementation of the ENP industrial reforms: The effects of standardization**

The AAs between the partner countries and the EU have arranged the removal of tariff and quotas restrictions in industrial trade. However, other barriers still exist for the deeper integration of these countries into the EU market and these are the different standards for products. The EU and the business community have asked the partner countries to remove these barriers and to facilitate the market access for industrial products (ERT 2005; “Euro-Mediterranean Business Summit Sets up Business Confederation” 2002). Under these pressures, the partner countries agreed to harmonise their legislation to the EU standards and conclude an Agreement on Conformity Assessment and Acceptance of industrial products (ACAA).

According to the EU, ACAAs are

‘a specific type of mutual recognition agreement based on the alignment of the legislative system and infrastructure of the country concerned with those of the European Community’ (DG Enterprise and Industry 2013).
ACAAs between the North African countries and the EU would promote the partners’ exports to the EU market, as their products could be placed there directly without additional checks at the borders. However, their conclusion requires other previous steps. These are the adoption of the EU acquis; the upgrade of the standardization, accreditation, conformity assessment and market surveillance infrastructure; and the cooperation of the partners' bodies with the EU authorities.

Hence, an ACAA with the EU requires a change of the industrial policies of the three countries. This slow change has delayed so far the conclusion of an ACAA. Since gaining their independence, the protectionist industrial policies of North African countries have focused more on the differential taxes and subsidies to selective sectors of industry rather than harmonising product standards. Under this logic, modern infrastructure for testing products, developing certification methods and accreditation bodies had received little attention. That is why the focus of the APs was on the improvement of the institutional capacity of the partners for implementing the harmonising programme.

Tunisia has made faster progress than Egypt and Morocco in the conclusion of an ACAA and this is a result of the country’s dependence on the EU trade. Tunisia upgraded (and made independent) the accreditation bodies and aligned related laws to the EU acquis (for example laws about consumer protection, and on import and export controls). Morocco has managed to score well in the adaptation of the EU technical regulations and to upgrade the accreditation bodies of the country, but it is behind Tunisia regarding the conclusion of an ACAA (Table 5.1).

Egypt has managed to make significant progress later, when it realised that if it does not conform with the EU standards it will lose its stake to the EU market from the other Mediterranean countries, which had made more steps than Egypt for the implementation of their APs (Ghoneim 2007). The reforms of the cabinet in 2004 signalled this policy change and in 2005 the industrial development strategy accelerated industrial reforms (DG Enterprise and Industry 2008). By 2009, Egypt had harmonised laws on specific sectors, upgraded its accreditation body and had signed cooperation agreements with EU laboratories to check the Egyptian products. However, the Arab Spring did not only slow down the reforms, but put new barriers
to trade. The newly established National Quality Council waits to see its future role in ACAA and the Muslim Brotherhood introduced new barriers to imports of textile and leather products (European Commission 2013a, 10).

Table 5.1 Scores regarding the conclusion of an ACAA in industrial products

<table>
<thead>
<tr>
<th>Indicator</th>
<th>W</th>
<th>AL</th>
<th>EG</th>
<th>IS</th>
<th>LE</th>
<th>JO</th>
<th>MO</th>
<th>PA</th>
<th>SY</th>
<th>TU</th>
<th>MED</th>
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</thead>
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<tr>
<td>5.3.1. Adoption of EU technical regulations</td>
<td>1</td>
<td>1.0</td>
<td>2.0</td>
<td>2.0</td>
<td>1.0</td>
<td>1.0</td>
<td>2.0</td>
<td>1.0</td>
<td>2.0</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>5.3.2. Adoption of EU technical standards</td>
<td>1</td>
<td>2.0</td>
<td>3.0</td>
<td>2.5</td>
<td>2.0</td>
<td>3.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>5.3.3. Accreditation</td>
<td>1</td>
<td>2.0</td>
<td>2.0</td>
<td>4.0</td>
<td>2.0</td>
<td>2.5</td>
<td>2.0</td>
<td>1.0</td>
<td>1.0</td>
<td>3.5</td>
<td></td>
</tr>
<tr>
<td>5.3.4. Conformity assessment</td>
<td>1</td>
<td>1.0</td>
<td>1.5</td>
<td>4.0</td>
<td>2.0</td>
<td>2.0</td>
<td>1.5</td>
<td>1.0</td>
<td>1.0</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>5.3.5. Metrology</td>
<td>1</td>
<td>1.0</td>
<td>1.5</td>
<td>4.0</td>
<td>1.5</td>
<td>2.0</td>
<td>2.0</td>
<td>1.0</td>
<td>1.0</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>5.3.6. Market surveillance</td>
<td>1</td>
<td>1.0</td>
<td>1.5</td>
<td>4.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.5</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>Overall weighted average for Subdimension 5.3</td>
<td>1.3</td>
<td>1.9</td>
<td>3.4</td>
<td>1.6</td>
<td>1.9</td>
<td>1.8</td>
<td>1.0</td>
<td>1.3</td>
<td>2.3</td>
<td>1.8</td>
<td></td>
</tr>
</tbody>
</table>

Source: FEMISE 2008

The other issue which is significant for the conclusion of an ACAA is about the selection of the priority sectors for the harmonisation of their standards. According to the ENP reports, these are a subject of negotiations between the partners and the EU, but the final decision is left to the partners, who must choose at least three sectors to harmonise with EU standards.

The fact that the choices of the partners are similar leads to interesting conclusions regarding the role of the trade volumes between the three countries and the EU and about the asymmetrical negotiating power between the EU and the North African countries. Regarding Egypt, Ghoneim (2007) argues that the selection of the sectors is a parameter of health and safety, of the EU-Egyptian trade and of the development of the related industries (Ghoneim 2007). Actually, these issues are reflected in the choices of the three partners. Machines and construction products

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30 The priority sectors for the three countries are the following: electrical appliances and building materials for Tunisia, appliances, building materials, toys, gas appliances and machines for Morocco, construction products, electrical appliances, pressure equipment, medical devices, gas appliances and machinery for Egypt (European Commission 2009c; European Commission 2009d; European Commission 2011a).
are among the basic traded goods, but in the Egyptian case the importance of the energy sector in the trade of the country with the EU must be added. When the Egyptian Organization for Standardization and Quality Control (EOS) realised that the EU was close to the completion of the technical regulations for packaging, it decided to replace the packaging sector with gas appliances as a high priority sector in the negotiations for an ACAA (Ghoneim 2007).

However, one must consider here the negotiating power of the EU in the selection of the priority sectors. According to the Tunisian authorities, the EU asked the North African partners to select sectors of the ‘New Approach’ for harmonisation (Tunisian Ministry of Industry and Technology 2012). The ‘New Approach’ is a new regulatory technique for technical harmonisation, which was adopted by the EU in 2008. According to the EU, the ‘New Approach’ will ‘particularly benefit small and medium sized enterprises’ (DG Enterprise and Industry 2012a). Under this logic, the pressure that was exercised by the EU was convenient for the North African countries, as it facilitates the North African exports to the EU market and the growth of the domestic SMEs.

However, the ‘New Approach’ has another side. The main feature of this technique is that it leaves ‘the definition of technical requirements to the economic actors’ (DG Enterprise and Industry 2012a). This is a deviation of the older standardization process, which was organised by the states. Now the EU industries set the standards of the market and the state mechanisms or the independent bodies check their quality. This situation affords the European firms a privileged position, because they set the standards of the ACAA in the chosen fields. Being always a step forward in the process of standardization and by imposing the same costs for the other firms to comply with the standards they set, these firms can expand their businesses into the markets of the partners and can easily tolerate the additional costs of standardization (Sykes 1995).

The effects of standardization are not only bilateral, but they have wider consequences. Standard-setting under the EU acquis offers advantages to the EU firms in the broader area through the South-South regional agreements. In Chapter Two, the alignment of the Agadir Agreement with the EU acquis was mentioned as a
strategic tool for the EU companies against international competition. Here, what must be underscored is that the further integration of the partner countries into the EU market works as a barrier to South-South plans for the exploitation of regional integration by Arab firms, even if such initiatives are supported by the ENP APs.

This is an outcome driven by two factors. The first one is related to the demands of the Arab social forces and the second to the preferences of the Arab states and their dominance over the domestic economy. Harmonisation of the partners’ standards with the EU ones reinforces the bonds between the North African economic actors and the EU, who prefer to trade with the EU rather than with their Arab neighbours. Actually, as stated in Chapter Two, the Arab exporters are more supportive of initiatives that enhance the EU-Mediterranean trade than the intra-Arab one. The much lower growth of trade between the Agadir members against their bilateral trade with the EU highlights this situation. In addition, the low pressures by the domestic social forces to integrate with the other Arab countries allow the states to be the absolute coordinators of these agreements. When they feel that such agreements do not serve their ends (economic and political), they can easily withdraw their support without any domestic pressures for the opposite direction. This is the case with Jordan, which felt that the Agadir Agreement does not serve its interests (Personal interview 26/11/2010).

These conditions corrode the logic that inspires the integration of developing countries, which is based on the gains that they could have from the reduction of the trade barriers that exist between them. The opportunities that ‘a stake into the EU market’ offers operate as a barrier to the creation of an Arab regional market that could increase the profitability of domestic investments and mobilise unemployed resources. What these schemes do is to replicate what the EU is doing against other regions (Egan 2002). That is to offer the chance for Europe to exercise the ‘first mover advantage’ in order to shape the standards of the regional market in favour of the European companies.

The industrial part of the ENP APs includes more direct provisions for the SMEs by supporting the implementation of the Palermo Action Plan. This is a non-legally binding document, which includes ten dimensions for the development of industrial
trade and the support of SMEs and was approved in 2003 by the Mediterranean Trade Ministers (DG Enterprise and Industry 2012b). These dimensions involve changes of the existing regulations and legislative frameworks of the North African countries with the aim of creating ‘an environment conducive to investment and private sector development’ (DG Enterprise and Industry 2012b).

The heavy reliance of the Tunisian GDP on SMEs, contrary to the Moroccan and Egyptian economies which rely more on agriculture and energy was the main factor for the faster implementation by the Tunisian authorities of most key points of the Palermo AP. The creation of small businesses was among the priorities of the presidential programme of 2005-2009 and for this reason two public banks offered cheap credit to SMEs. However, as the following tables show the other two countries have tried to implement several reforms in order to improve the business climate (Tables 5.2 – 5.4).

Table 5.2 Tunisia: Overall scores per charter dimension

Source: FEMISE 2008
However, these regulatory developments do not seem to yield significant benefits for the North African SMEs. The SME sector in the three countries is undercapitalized and suffers from low value-added weaknesses. For example, in Tunisia, which is the best performer of the Palermo AP, less than 5% (4.75%) of the SMEs are innovative contrary to 47.2% of the EU SMEs in the manufacturing sector. Additionally, in many cases, the SMEs feel underrepresented, as the business associations promote the interests of the big companies and the SME struggle to create synergies with the international companies operating in the countries. (DG Enterprise and Industry 2008, 93). Under these conditions, the implementation of the ENP APs offers asymmetrical advantages to the North African enterprises. The convergence of the
regulatory framework facilitates FDIs in both regions, but it offers limited opportunities to the North African SMEs to benefit from the integration of the North African countries.

This situation does not seem to change much after the Arab Spring. Even if the communication papers of the EC mention the need to support the local SMEs for the creation of inclusive growth in the North African countries, the new programmes appear inadequate to meet the demands of the SMEs. For example, the new Support to Partnership, Reform and Inclusive Growth (SPRING) programme recycles old tools under a new language (Amirah-Fernández and Behr 2013). What the programme does is to continue supporting the efforts of the North African countries to create a better regulatory framework for businesses, but it does little to provide direct support to SMEs. Only 65m euros were committed in 2011 for the whole programme and about 285m were committed for 2012 (European Commission 2011e). In addition, the responses of the North African countries show that the configuration of power has not changed after the revolts and that the new regimes attempt only to recalibrate the elites. What the new governments have done so far in Tunisia and in Egypt after the Arab Spring was to form new deals with companies connected to the political leadership and to offer them new special privileges and favourable access to markets, credit and government services (Morsy and Zouk 2013). Under these conditions the low competitiveness of the SMEs has not been dealt with adequately. For example, the EU offered 90m euros for the direct support of the Egyptian SMEs, but Morsi’s government persuaded the EU to allocate the money to other sectors (Personal interview 26/06/2013).

The implementation of the ENP energy reforms: Different patterns of integration for the North African partners
As stated in Chapter Two, the EU wanted to reduce its dependency from Russia and to diversify her energy sources. Being rich in energy supplies, the North African region was perceived as one of the alternative solutions. Under this notion, all the APs include actions for the integration of the North African energy markets into the EU market, for the development of the gas sector and for the use of renewable energy sources.
However, the North African countries do not have the same characteristics, so their commitment to these actions was different. Both Tunisia and Morocco are energy importers, which witnessed in the last decade a steady increase in their energy and electricity consumption by an average of about five per cent per year (Supersberger and Führer 2011). In Tunisia this demand was covered predominately by natural gas. More specifically, out of the 4.5 billion m$^3$, which was the annual gas consumption, only 1.1 billion m$^3$ were imported. The remaining needs were covered by domestic natural gas reserves and royalties from the trans-Mediterranean gas pipeline. Morocco has made considerable efforts to introduce the use of natural gas as well, but so far the energy landscape of the country is different. Fifty-four per cent of electricity is produced in coal-powered facilities, which makes Morocco dependant on coal imports, which come from the US, Colombia and South Africa. Another ten per cent of electricity is imported by Spain.

For the Moroccan authorities the implementation of the AP offered a good opportunity to reduce its heavy reliance on fossil fuels from abroad, as these imports have an important negative effect on the country’s trade deficit (fifty per cent of the Moroccan trade deficit is attributed to oil imports) (Lorca and Arce 2012). For the EU, the Moroccan AP not only secured future energy supplies (from the production of renewable energy), but the Moroccan attempts to reduce coal imports left a gap in the country’s energy capacity, which could be filled by European energy. Under this concept, actions dedicated to the reinforcement of the country’s energy interconnections with the broader region have resulted to new projects for further interconnections with Spain (European Commission 2011b).

However, the implementation of projects is the second step for the diversification of sources. The energy interest groups (especially the ones that are related to renewable energy projects) have identified the regulatory framework of the North African countries as one of the main threats for further investments in the sector (Komendantova et al. 2012). The EMP fell short in improving the regulatory framework of the partner countries, leading in this way to poor investments (Escribano 2010, 217). For example, according to the legislation the Egyptian authorities passed in 2002 private producers of energy were paid by the export revenues, not from the national treasury. This situation discouraged FDIs as the
unpredictable export revenues posed to private investments a high risk. As a result, private companies (especially from abroad) did not participate in any plans for the development of renewable energy infrastructure (Komendantova et al. 2012).

The ENP attempted to change this situation, but as stated above the significance of each action differs from partner to partner. Due to their aforementioned characteristics, Morocco and Tunisia have shown stronger commitment to their integration into the European electricity market and to the development of the gas sector. In addition, they showed a strong interest to renewable energy (Escribano 2010, 220). Especially, in the case of Morocco, the royal family participates in the construction of infrastructure for renewable energy supplies and the integration of the electricity market into the EU market would allow Morocco to sell energy from renewable sources to Europe. This is considered as an ‘ultimate’ commitment in the documents that followed the advanced status of the country (EU/Morocco Association Council 2007, 9). By the beginning of 2013, Morocco had adopted new laws for the development of renewable energy, it had established an agency for solar energy and it had finalized the related frameworks for the construction of a solar power plant at Ouarzazate (European Commission 2011b; European Commission 2012b; European Commission 2013c). The aim of the country is to reverse its dependence on Spain in the medium-run. Morocco has secured the necessary licences for the exportation of electricity through the existing interconnections. In addition, the development of solar (and wind) plants will allow the country to provide energy to the EU.

The Egyptian case is different. Similarly to the two other Mediterranean partners, the domestic needs for electricity are increasing almost by seven per cent per year. The growing demands for energy have changed the net exporting status of the country with a mixed picture. Egypt has become an importer of oil, but simultaneously it has developed its natural gas reserves and it exports gas (Supersberger and Führer 2011). Under this concept, Egypt is concentrated in different actions of the energy part of the AP. For the country, the Euro-Mashreq gas cooperation is the primary aim. The ENP Progress Report of 2008 clearly states that Egypt ‘wishes to become an energy bridge connecting the Mashraq, Iraq, the Middle East, Africa and the EU’ and it supported the Southern Corridor and the Arab Gas pipeline (European
Commission 2009c, 18). At this point, it is important to remember the involvement of the private interests as shown in the second chapter of this research. To a gas producer like Egypt, the pressure of these groups was towards the liberalization of the upstream regulations, which are related to the exploration and production, whereas in Morocco and Tunisia the efforts of these groups concentrated mainly in the transportation and distribution of energy (Escribano 2010).

Rich in natural gas resources and with the ability to export fossil fuels, Egypt has shown limited interest in integrating its electricity market into the EU market. The country has not yet established an independent energy regulator and the provision of high subsidies to consumers was noted in the ENP reports (European Commission 2009c; European Commission 2012a; European Commission 2013a). Regardless of the statements of politicians that favour the openness of the Egyptian market, these actions hinder the liberalization of the energy sector and the development of renewable energy plans, which rely on additional incentives to green producers. Under this notion, integration in the electricity sector is perceived as a long-term target. According to the Egyptian AP, the Egyptian authorities are limited only to the exploration of possibilities for gradual convergence towards the principles of the EU internal electricity and gas market (European Commission 2006b).

On the other hand, in 2006, Tunisia has aligned the energy prices with the market prices and in 2009 Morocco increased the energy prices to market standards. Both countries have introduced reforms to their subsidy system and the restructuring of the public and gas companies is under way. These reforms allowed the two countries to be at the front line of the energy projects of the UfM, which through the development of energy infrastructure offers a physical approach to the further integration of these countries into the EU market. Egypt has not yet benefited from the UfM as it relied on the traditional pipelines to supply fossil fuels the countries of the broader region. Only in 2012 did the country reach an agreement with an Italian private company to install 120MW plant for wind power and made progress for a feasibility study for a 100MW solar plant at Kom Ombo (European Commission 2013a, 14).
The ENP reforms in the financial services sector: Restructuring for competitiveness?
The widespread government ownership of financial institutions, the low profitability of the sector, the large amount of non-performing loans and the low provision ratios for these debts were considered as common problems of the financial sectors in the three countries (country reports). To solve these issues the ENP AP did not offer any innovative solutions. Instead, the AP supported the continuation of the suggestions that were offered by the FSAPs, which were designed by the IMF and the World Bank for the developing countries in 1999 (IMF 2012). The three North African countries decided to participate in the FSAPs in 2002. According to the Moroccan AP, the development of the regulatory framework for the financial services should be made ‘with reference to the FSAP recommendations’ (European Commission 2004a). Tunisia should ‘continue the implementation of the IMF’s July 2002 FSAP’ (European Commission 2004b) and Egypt ‘should fully implement the similar Financial Sector Reform Program’ (European Commission 2006b).

The role of the FSAPs is to diagnose the vulnerabilities of the financial sector and to analyse development priorities with the aim to create more diversified financial sectors. Under this notion, the recommendations of the IMF and the World Bank are similar for the three countries. They suggest the reduction of no-performing loans, the strengthening of the competition in the banking system and of financial oversight, the deepening of the financial markets and the improvement of the financial sector’s infrastructure (Tahari et al. 2007). The package that is recommended to the North African countries includes reforms that secure macroeconomic stability, the adoption of regulations that harmonise the market infrastructure, policies that liberalize the capital accounts and measures for strengthening the independence of their central banks (IMF 2007; IMF 2003; El Daher 2006).

The APs are very generic in this area, but this does not mean that reforms for the EU in this field were not a priority. On the contrary, the EU considered the implementation of these measures as a matter of very high significance, as evident from the Twinning projects towards the ENP counties. The largest number of these projects (66 out of 286) was about the modernisation of the financial services and the internal market (Table 5.5).
Table 5.5  Twinning projects ENP 2005 – December 2011 (per sector)

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance &amp; Internal Market</td>
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</tr>
<tr>
<td>Trade &amp; industry</td>
<td>44</td>
</tr>
<tr>
<td>Justice &amp; Home Affairs</td>
<td>39</td>
</tr>
<tr>
<td>Health &amp; Consumer Protection</td>
<td>23</td>
</tr>
<tr>
<td>Employment &amp; Social Affairs</td>
<td>20</td>
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<tr>
<td>Environment</td>
<td>14</td>
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<tr>
<td>Transport</td>
<td>17</td>
</tr>
<tr>
<td>Energy</td>
<td>14</td>
</tr>
<tr>
<td>Agriculture</td>
<td>13</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>8</td>
</tr>
<tr>
<td>Other</td>
<td>28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>286</strong></td>
</tr>
</tbody>
</table>

Source: Implementation of the ENP in 2011 Statistical Annex

However, the North African countries followed a different pace in the implementation of these reforms. Regarding the prudential regulation and the banking supervision the North African countries showed slow but steady progress. At the beginning of the ENP, Tunisia was in a more advanced position in the implementation of the FSAP recommendations. However, the country complied only in December 2006 with the Basel regulations for banking supervision, but even during that period the compliance was only in paper (European Commission 2008c). It was only a few years later when the country established a legal and regulatory framework for the supervision of banking (European Commission 2010c). Morocco and Egypt complied with the Basel criteria one year later, in 2007. Yet, this compliance was materialised immediately by the two countries with the issue of decrees that extended the role of banking supervision of their central banks (European Commission 2008b; European Commission 2008d). In addition, the two countries approved regulations that improved the monitoring mechanisms in other banking areas that were not covered so far. For example, in Egypt real estate funds and holding funds were covered for the first time in 2007, whereas Morocco broadened the scope of securitized assets in 2010 (European Commission 2008d; European Commission 2011b).

These qualitative aspects of the Basel regulations aim to better prepare the North African countries for the new era of even lower state interference in the banking sector. Under these circumstances, the main reason why Egypt and Morocco had to work faster for better bank supervision was related to the further liberalization of
financial activities. In both countries the diversification of the banking sector was a priority in order to reduce the high poverty levels (and to satisfy the international community) (Kauffmann and Wegner 2007, 29). For the diversification of the financial sector, improvements in the scope of the monitoring mechanisms was a precondition, as deregulation allowed banks to take more risks. So, Nazif’s government in Egypt and King Mohammed VI’s in Morocco had to show that the new environment is safe for FDIs in the banking sector.

However, the development of the monitoring mechanisms and the banking system did not have always the same footing. Problems of transparency and an insufficient level of provisioning for certain banks remained (European Commission 2008c), as the North African countries were more eager to privatise the banking sector than to deal with these shortcomings. One of the main examples that illustrated this attitude was the questionable privatisation of the Tunisian Banque du Sud (the sixth larger Tunisian bank) by a consortium of Spanish and Moroccan banks in 2005 (Oxford Business Group 2012). According to a Wikileaks cable that was released by Robert Godec, the US ambassador in Tunis between 2006 – 2009, and the statements of a representative of Credite Agricole, Mabrouk, one of Ben Ali’s sons-in-law, purchased 17 per cent of the bank’s shares just before the bank’s privatisation (White 2011; Tristam 2011). This percentage was critical to control the bank’s sale, since the privatisation represented 35 per cent of the bank’s total assets. The representative of Credite Agricole claimed that Mabrouk sold his shares at a higher price to Santander-Attijariwafa; the two banks that now control Banque du Sud (Tristam 2011; White 2011).

In Egypt, the commitment of Nazif’s government to the improvement of the monitoring mechanisms was followed by an even greater engagement to privatise the banking system. For the Egyptian side, the privatisations in this sector were related not only to European pressures, but also to the need to sustain the good image of the Egyptian stock market (according to Morgan Stanley it was the best performing stock market in 2005) and to improve state revenues (Ford 2006). One of the greatest successes of the Egyptian administration in this field was the privatisation of Bank of Alexandria (BoA), a reform that was highlighted in the 2007
progress report (European Commission 2008d). More specifically, eighty per cent of BoA, Egypt’s fourth largest bank, was sold to Italy’s Sanpaolo IMI Group.

The eagerness of the government to show some results in this front was followed by a different cleansing process of the bad debts than in the case of the Tunisian Banque de Sud. In Tunisia, the new management had to implement a restructuring programme in order to clean the bank’s loan book (Oxford Business Group 2012). To facilitate the privatisation of the BoA, these debts were assumed by the National Investment Bank and resulted to the partial privatisation of specific assets of the BoA (“Going Private in Egypt” 2007). In addition, early retirement packages that cost more than 450m EGP for the government made the bank even more attractive to foreign investors (Kalhoefer and Salem 2008), whereas the funds that were received from this sale were directed for the restructuring of other banks (Ford 2006).

However, the global financial crisis reduced the liquidity of the financial sector and further privatisations were postponed indefinitely (European Commission 2010d). Egypt was also reluctant to proceed in the same pace to reforms regarding the other FSAP recommendations and especially about the liberalization of the capital accounts. Given the fact the fewer controls on capital transactions gives more access to businesses and individuals to foreign financial markets (Nsouli and Rached 1998), it increases funding for investments and it is an important pillar of the financial integration of the North African countries (Tahari et al. 2007), it is strange to see why a pro-market Egyptian government proceeded much slower with such reforms when compared to privatisations.

The most important reason for slow changes in this field was the fear of capital flight. Egypt was in the first stages of changing the banking system and the authorities were afraid that inflation and the depreciation of the Egyptian pound could lead to losses of domestic capital. If one adds the fact that the monitoring power and the independence of the regulatory mechanisms were at an embryonic stage then it is easier to understand why the transition was slow.

This situation does not mean that capital account liberalization was considered as a negative reform for the future. In Egypt, the relevant ministries and regulative authorities were in favour of capital account openness (Roccu 2012, 198), but the
recent revolts suspended all these thoughts. In fact, ‘the Central Bank of Egypt was forced to put in place emergency restrictive measures in the face of falling foreign exchange reserves and downward pressures to currency’ (European Commission 2013a, 4).

The other two North African partners have made even more steps towards this direction. More specifically, the Tunisian authorities have created a three-step plan to liberalize capital accounts. During the first stage, the Tunisians have liberalized medium to long-term flows (such as non-resident direct investments and loans to listed firms), in order to diversify financing resources (Tahari et al. 2007). Reforms of the second stage include the elimination of restrictions for direct investments from Tunisian expatriates and portfolio investments by non-residents in debt instruments. A transition to a floating exchange rate, the deepening of the foreign exchange market and the banking system are included in the reforms of this phase. During the final stage full convertibility of the Tunisian currency is expected (Tahari et al. 2007).

This careful transition is highlighted in the progress reports (European Commission 2009b), with the EU keeping a dual approach. On the one hand, it criticized slow reforms regarding the treatment of non-residents and the limited flexibility of currency exchange, which restricted capital movements (European Commission 2009b; European Commission 2010c; European Commission 2013b). On the other hand, the EU appreciated the fact that the Tunisian authorities continued the implementation of the programme despite the global crisis (European Commission 2010c) and it understands more than in the case of Egypt the logic of the Tunisian central bank to tighten exchange controls and import payments (European Commission 2013b). As noted in the reports, full liberalization was expected by 2014 and the aim of the Tunisian authorities was to make the country a pole of financial services and a regional financial centre (European Commission 2010c).

In Morocco, the government has also taken important measures towards achieving the same aim. The authorities have lifted all restrictions on capital account transactions by non-residents and for inward FDIs and since 2007 financial institutions were allowed to deposit or invest abroad up to five per cent of their assets. A law for the liberalization of capital accounts for residents was introduced in
August 2007. These reforms were recognized by the EU, which acknowledged the gradual liberalization of capital accounts (European Commission 2008b). Moving to a more flexible exchange-rate regime was the next step for the Moroccan authorities, but the global crisis had a serious impact on the Moroccan economy. This situation did not allow the country to further consolidate its public finances, thus the country did not proceed to any major reforms for the further liberalization of the capital accounts (European Commission 2009d).

So, what changes did the opening of the banking sector bring to the North African countries? According to the innumerable reports that are published about the banking sector of these countries more liberalization leads to more efficient banks, a competitive situation that benefits consumers. If in this equation one adds the efforts of the North African governments to stabilize the macroeconomic environment of their countries, then the results benefit the entire economy. However, in the North African cases, compliance with the ENP AP benefited certain actors more than others. First, it allowed to European banks to penetrate deeper into the North African markets. As stated above the most important privatisations in Tunisia and in Egypt were linked with the purchase of the North African banks by Spanish and Italian banks. Second, this process allowed few people, who had close ties with the state elites to have privileged access to information and to accumulate enormous wealth from privatisations. At the same time, SMEs remained undercapitalized with limited financial products from the banking sector. Under these circumstances, the transformation of the North African economies (and societies) from pyramids with a large part of the population just above (or even below) the poverty line into growing middle-class societies remained a future promise to be fulfilled.

**Conclusion**

The main aim of the ENP is to shape the regulatory environment of the partner countries and to bring them closer to the EU acquis. The asymmetrical power between the EU and the North African countries is evident in the similarity of the Action Plans. These were only partially implemented by the North African countries, however, this does not mean the changes in regulations have not affected the domestic actors.
Under these conditions this chapter provided an answer to two questions. The first one is which factors account for the piecemeal approach of the North African countries towards the ENP. At this point, Putnam’s two-level game, which highlights the role that the preferences of the win-set play as a factor that shapes reforms, can explain certain sectoral changes. For example, the joint ventures between the EU and North African companies in the banking and energy sector illustrate this point.

However, two-level game analysis (a three-level game in this case) has certain limitations. The economic dependence of the North African countries on the EU market emerges as a parameter that has counted in the implementation of the AP. The closer trade relations between Tunisia and Morocco with the EU have played a crucial role in certain reforms, such as the conclusion of an ACAA agreement. In addition, the conformity with the ENP, especially in the case of Morocco, was used as a tool for further legitimacy of the regime by the EU, which was rewarded by an advanced status. On the other hand, the Egyptian reliance on other revenues (rents) has contributed to the slower implementation of the ENP AP.

The second question that this chapter addressed was the impact of the ENP in the domestic environment of the three countries. Here, the state elites emerge as one of the main beneficiaries of the policy. The gradual liberalization of the North African economies was not accompanied by democratic reforms. The North African states were very sensitive in these issues, even if such reforms were part of the AP. In addition, state elites did not lose their dominant role in the organisation of the domestic economic affairs, even during the privatisation process. Findings show that they have benefited financially (for example in the case of Banque du Sud) or managed to retain their role in the modernisation of agriculture. In this sector, exporters emerge as net beneficiaries of reforms and small-scale farmers as the losers of the policy.

In the industrial sector, the new reforms have laid the groundwork for the further penetration of the European companies into the North African markets. The process of standardization, which in theory benefits SMEs, does not improve the position of the North African SMEs. Even after the Arab Spring, which according to the rhetoric of the EC papers signalled a move to inclusive growth and support of SMEs, things have not changed dramatically. At this point, the words of Patricia Augier, deputy
director of Centre De Recherche en Developpement Economique et Finance Internationale (DEFI), capture adequately the reality for the Moroccan SMEs and represent the situation in the other two North African countries

‘Credit is generally awarded to exporters and big companies that have foreign capital or significant lobbying power; paradoxically, indebted SMEs find it difficult to get financing. Moreover, bank guarantees in Morocco are generally mortgages on personal movable or immovable property – something of an obstruction to business growth!

The report also highlights the productivity gap between companies in the same sector or region. SMEs may be affected by competition from the black market and significant gaps in local tax laws, giving rise to a lack of visibility. Fiscal differences and red tape mainly affect small businesses – generally those that do not export or have no foreign capital’ (“Moroccan SMEs Plagued by Opaque Credit Access” 2010).

Under these conditions, the ENP contributed to the uneven development of the North African countries, even if until 2008 their high economic growth had managed to hide this asymmetrical distribution of benefits. The provision of subsidies offered a tool for the maintenance of social peace, but it did not stop the neoliberal transformation of the region, which has ‘provided the platform for an embryonic alliance between what Harvey calls the dispossessed and discontented’ (Roccu 2012, 230).
Conclusion
As mentioned at the beginning of this thesis, the literature on the ENP suffered from two sets of problems. The first one was the focus of many early works on the status of the partner countries, which fuelled many programmatic rather than analytical studies. These papers mainly discussed the challenges the ENP would face in the future, as the EU avoided offering a clear vision to the partner countries about their accession into the EU institutions. The second problem of the ENP literature, particularly that concerning the EU policies towards the South Mediterranean partners, was the dominance of constructivism as the main theoretical framework of analysis. The application of constructivism led many authors to perceive the ENP as another (often problematic) EU policy towards the Arab Mediterranean partners that attempted to secure the region by building on older agreements, normative blocks and principles.

Although constructivism has emerged as the dominant paradigm for understanding Euro-Mediterranean relations after 1995 (Costalli 2009), constructivist interpretations have been challenged by several authors, who have attempted to explain the role of the EU in the close region from different perspectives (Holden 2009; Joffé 2007; Costalli 2009). As shown in the literature review, critical and realist approaches led us to re-examine the role of the EU and the common values that the related initiatives were supposed to promote. One of the latest attempts to bridge the gap between constructivist and rational theories was Holden’s book on EU aid policies. Holden employed the concept of structural power to analyse the role of the EU in global and Mediterranean aid policies and to explain the coexistence of normative elements with material interests in the formation of the EU external strategies (Holden 2009).

However, when discussion centres around the role that the social forces play in the development of the Euro-Mediterranean relations and especially in the ENP, analysts come to an interesting dead-end. On one hand, they acknowledge that social forces play a role in the development of policies, but on the other they fail to fully appreciate it. Under these circumstances the word ‘rethinking’ appears very often in papers that attempt to analyse the development of the ENP in South Mediterranean countries. Suggestions to rethink the uniform character of states, to
rethink the role of domestic politics in governments’ decisions and the nature of power configurations can be found in the related literature (Costalli 2009).

These calls ask for a theory that can identify the winners and the losers of the ENP reforms, which is the main aim of this analysis. Hence, the first issue that emerges is how the role of domestic politics in the development of the ENP could be interpreted. This was the first question this research approached, which tried to put forward the usefulness of integration theories in the analysis of the ENP in North Africa.

The limits and usefulness of integration theories in the analysis of the ENP
Which theoretical framework is more appropriate to employ in order to appreciate the role of domestic politics in the development of Euro-Mediterranean relations after 2004? Do integration theories have a role to play in the explanation of the ENP? Integration theories offer useful insights into the impact of domestic politics in EU decision-making and in the second chapter it was discussed how integration theories are used to explain the ENP, as the policy embraces all three pillars of EU competencies. The classification of integration theories highlighted two types of distinctions that were important for understanding the ENP. The first one was between rationalism and constructivism and the other one between rational integration theories.

Regarding the first division, the discussion between rational theories and constructivist approaches has two readings. This thesis did not attempt to explore the philosophical differences between the two theories, which concern the different ontological elements that the two strands carry in order to explain social life and international relations. The theoretical discussion was framed in empirical terms and as a disagreement about substantive issues which surround the ENP. Under this logic the first puzzle was about the role that norms and material interests play in the ENP and how actors pursued their priorities. In a way this question is answered by the definition of the sphere that this PhD attempted to analyse. The focus of this thesis is on the economic aspect of the APs and at the core of economic arrangements are material gains, which are pursued rationally by each side.

This rational approach is advanced not only by the nature of the economic sphere of the ENP, but also by many examples of the Euro-Mediterranean relations that go
beyond the economic parts of the agreements. The problematic implementation of democratic norms by the countries of North Africa, the allocation of EU aid to economic reforms rather than to projects, which could change the political structures of the partners illustrated that participants (and especially the EU as the strongest link in this relationship) followed this rational logic, which calculated the consequences of its actions rather than a logic of appropriateness which conforms with one’s set of norms and identity.

A small, but important clarification: The main aim of this thesis is not to exclude the role that ideas play in international relations, but to draw a clear distinction between beliefs and preferences. The previous examples show that actors’ beliefs take a secondary position to economic preferences. This situation leads the researcher to explore how preferences are formed. In other words, is the rationalism that advanced in this thesis top-down or bottom-up?

The classical realist framework, which in theories of integration is formed through the lenses of intergovernmentalism was rejected as too static for explaining the ENP. As many authors have often mentioned states are not unitary actors and more nuanced approaches are needed to understand the ways they conduct their international affairs (Putnam 1988; Moravcsik 1993; Keohane 1996). In addition, the regulatory nature of the ENP reforms asks for a theory that appreciates sectoral interests therefore a bottom-up approach is needed. This situation left neo-functionalism and liberal intergovernmentalism as the main contestants that could better explain the role of social forces in the development of the Euro-Mediterranean relations after 2004.

Both theories consider the social demands for further integration of the ENP partners into the EU market, but the main problem of neo-functionalism is its view of Euro-Mediterranean relations as an incremental process, which yields unavoidable spill-over effects. Yet, in the case of the ENP both political and functional spill-overs have not so far been generated automatically and the preferences of actors have been constrained by both domestic and international political economy. Neo-functionalism does not offer the analytical tools to explain the problematic policy coordination between the EU and the ENP partners and why the integration of the EU neighbours
into the EU market is not a self-sustaining process. Such examples led Moravscik to posit that

‘...neo-functionalism lacks an equivalent to modern theories of trade policy, which explain government choices on the basis of models of pressure from predictable distributional coalitions.’ (Moravcsik 1993, 477).

On the other hand, the merits of liberal intergovernmentalism include the fact that it considers the rational character of actors and the construction of domestic coalitions that shape the preferences of statesmen without offering a deterministic vision about the development of the ENP. As this approach relies on Putnam's two-level game, this thesis returned to Putnam's assumptions in order to identify the winners and the losers of the economic aspects of the ENP. The following paragraphs highlight the merits of Putnam's amended two-level game and identify the limits of this approach for the analysis of the ENP by reflecting on the implications of my findings.

The ENP under a three-level game framework of analysis

This thesis is not the first attempt at introducing a two-level game analysis in the development of EU policies towards the Arab partners. As mentioned in Chapter Two Montanari tried to explain Euro-Mediterranean relations through the prism of a two-level game (Montanari 2007). Yet, his work was a myopic study of the Euro-Mediterranean political economy, which was perceived as a negotiation process between EU states and between European farmers and industrialists. This research is the first study that appreciates the role of the North African states and the domestic actors of the partner countries under a three-level game framework. The distinction of the decision-making game into three levels helps to explain the interactions between the domestic, the EU and the international level and to understand the role of the EU institutions in the development of the ENP. Yet, besides the categorization of the decision-making process in three levels, the main elements that Putnam’s approach offers to this research (in order to identify the winners and the losers of the ENP in North Africa) are related to the following issues: the nature of the domestic win-sets, the role that the politicization of the APs played in the ratification of the ENP, the bargaining tactics of statesmen and the reverberation of international pressures within domestic politics.
**The formation of win-sets in the EU**

According to Puntam a win-set is the set of all possible domestic agreements that can get the majority among constituents for the ratification of an international arrangement (Putnam 1988, 437). Although the ratification does not need to be formal, it requires the consent of the domestic groups in order to be put forward. In Europe, the previous two-level game analysis identified the agricultural producers as the small win-set that managed to benefit from Euro-Mediterranean agreements so far (Montanari 2007). On the other hand, industrialists appear to lose from these protectionist measures.

However, according to the findings of this work, this is not a very accurate picture of European domestic politics. This thesis identified different dynamics, which influenced the strength of the aforementioned interest groups in different ways and have led to different results. The main force that shapes the formation of the domestic coalitions within the EU is the (import or export-led) orientation of the industries and secondarily the position of the wider civil society towards the ENP.

The political conflicts between export-oriented companies and protectionist interests about international agreements are not new. Yet, what is important here is that so far the protectionist or export-led tags were attached to entire sectors of the EU and North African economies. This way of portraying the Euro-Mediterranean relationship offered a distorted picture of the businesses that supported the ENP agreements with the North African partners and concealed the more complicated intra-sectoral divisions and interest group politics.

The findings of the sectoral mapping of the EU and North African economies show that in the EU the agricultural sector was divided into subgroups that had different priorities. These differences informed the anaemic response of the European farming lobbies against the ENP reforms. More specifically, the meat producers and dairy farmers benefit from more openness of the agricultural trade with the North African countries as they see opportunities for expansion to new markets. These producers are mainly situated in the North EU member states, which are generally in favour of more trade openness with the ENP countries.
Yet, the existence of these producers does not provide enough evidence to explain the attitude of the Southern EU member states against the ENP APs. It is the domestic environment of these countries that needs further analysis in order to understand the size of the win-groups in the agricultural sector and the related reforms of the ENP. So far, the main message that resulted from the analysis of the ENP is that the South European farming communities have very strong links with their governments and they are powerful enough to shape the states’ preferences at the EU level. It is true that such pressures have so far led these countries to demand more funds from the CAP and that there are provisions for sensitive products in the AAs, but this is only one side of the coin.

The other part of the story is that these groups have been unable to stop the ENP provisions, which aim to support the North African agricultural exports by converging the quality standards of the North African products with the EU regulations. These reforms are overlooked by the related literature, which focuses mainly on the AAs to justify the protectionist measures of the EU. Yet, the analysis of the ENP APs in Chapter Five shows that the agreed measures contribute to the deprivation of the South European farmers that produce similar products with the North African farmers.31 Here the main question is why the farmers that lose from these measures did not manage to stop the reforms. Is this inability due to the mobilisation of lobbies that are in favour of trade liberalization as Putnam argues in his analysis or are there more parameters that shaped this outcome? The next diagram illustrates the more complicated picture of the policy and the interaction between the domestic interest groups and the ENP (Diagram C.1).

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31 A historical analysis of the AAs leads to the same results. The newer AAs allow more exports for North African producers than the older ones. According to an interview with an official from the EC, the latest AAs (which wait the ratification of the EP) offer even more space for North African exports that compete the South European food products.
The work of lobbies that support free trade is only one factor that has led to the inclusion of pro-trade actions in the agricultural element of the ENP APs. The farmers that resist such provisions are (mainly) small farmers and they are only a sub-group of the South European agricultural production, which is situated in the bottom left-hand corner of the diagram, unable to shape the ENP APs. In fact, this group is subject to pressures from various sources, which are outlined in the diagram with the red arrow.

At this point Putnam’s analysis must be enriched by exploring other factors that explain the decreasing capacity of this group to prevent ENP reforms. One element of this red arrow is related to pressures from international competition and increasing EU imports of food products. These have eroded the size of the sub-group in the
bottom left-hand corner and have diminished the political significance of small farmers.

The other factor that was crucial for understanding the weak response of the small European farmers against the ENP reforms is the internationalization of the European agricultural sector. As shown in Chapter Three, only in Tunisia more than ten per cent of the agricultural companies are owned entirely or partially by European stakeholders. In the fifth chapter of this research it was explained how the decision of the Moroccan government to privatise more than 100,000 hectares attracted Spanish and French farmers in North Africa. The increasing dependence of the EU agricultural companies on the North African economies has changed the orientation of European firms and farmers and has influenced EU trade preferences. These preferences inform the measures and assistance that is offered under the ENP APs for quality improvement.

This complicated picture is not found in the European industrial, energy and financial sectors. In these sectors, EU companies enjoy a comparative advantage against North African producers and they form a more solid block, which sees the North African countries as an opportunity to expand further into these markets. Actually, the ENP primarily benefits these actors, who stand clearly in the grey zone of the diagram.

The worries of these companies are of a different kind. For European industrialists the main threat comes from the increasing exposure of these countries to global competition and to other non-EU powers. The support that the ENP offers to other regional agreements, such as the Agadir Agreement, reflects the pressures of these groups on European leaders and consequently to the EU institutions in order to align the regional regulations with the EU acquis. The EU institutions, especially the EP and the EC have worked towards different directions to expand this grey zone, as is made clear by the two-sided arrow. At the second stage of the intra-EU game, the EP managed to widen the ENP and to include the countries of the South Caucasus, which are rich in energy sources. During this period the technical assistance that the EC provided increased the intergovernmental bargaining between the EU states,
which wanted to promote the interests of their domestic industries to the close neighbourhood.

Furthermore, the reforms of the North African regulations according to the EU acquis not only offered an advantage to the EU companies over their international competitors. They also mitigated the fears of these groups against the changing nature of the North African regulations, which were perceived as an inherent characteristic of these countries. Such threats discouraged European companies from investing in the energy sectors of these countries, especially in renewable energy and in the electricity markets. Changes in this area were very important for the EU, which wants to reduce its dependency on Russian oil and gas.

The pro-trade win-set within the EU is comprised not only by lobbies that supported the expansion of trade with the ENP partners, but also by another (quiet) supporter. This silent ally of sectoral interests that support trade liberalization is the vast majority of European citizens. European society supported the ENP reforms, but its views were not expressed into political demands for a more liberal ENP. However, keeping in mind that sixty-one per cent of the EU citizens believed that the ENP will benefit both sides and especially the fact that seventy-nine per cent saw the ENP as a policy that helps the EU companies to expand their market power illustrate the general consensus among the European constituencies about the development of the policy. Reflecting on Putnam’s explanation about the informality of the ratification process and the characteristics of win-sets, the general consensus within European societies about the ENP actions offered a very convenient platform for pro-trade lobbies to pursue their objectives as they did not face widespread resistance within the EU.

*The win-sets in the North African countries*

To what extent do the North African win-sets overlap with the European ones? As in the case of the EU, a sectoral analysis of the North African countries proves that schematic conclusions that attempt to show that an entire sector is winning from the ENP can be equally misleading. This is particularly the case when one takes into consideration the North African agricultural and industrial sectors.
In the agricultural sector, the agreed reforms include the creation of incentives for private sector investments and land tenure reforms (in Egypt and Morocco) and provisions for improvements in productivity and quality of food products (in all three countries) (European Commission 2006b; European Commission 2004b; European Commission 2004a). Yet, these reforms yield asymmetrical benefits to North African farmers and they primarily benefit the exporters of food products, who are situated on the other side of the grey zone in the diagram.

More specifically, and as shown in Chapter Five, these actions contributed to the establishment of a dual agricultural market in North Africa. For example, limited access to credit and the expensive process of acquiring EU approved licences for exports condemn the small farmers of the region. This group is at the top right-hand corner of the diagram, as it receives limited support from EU aid, which instead goes to the improvement of the capacity of the North African agencies or in some cases to military projects that are baptized as agricultural schemes.

In the same vein, reforms in the industrial sector have not yet delivered their promises. Until 2010, the trade enhancing effects of the AAs were very limited (De Wulf and Maliszewska 2010, 43) and the APs which continue the work of the AAs by facilitating market access for industrial products have not produced the expected results. Actually, the technical harmonisation of the North African regulations with the EU acquis benefits the European exports vis-a-vis the North African SMEs, which have limited resources for innovation.

This situation began to change after the Arab Spring in 2010. As is illustrated in the diagram, the green zone up to the dashed line shows that the ENP moved closer to the preferences of the North African SMEs after the Arab revolts as opposed to before 2010. As it is shown in the top left-hand corner, the dashed line of the ENP and the line of the North African SMEs start from the same point and then they diverge. This graph shows that the ENP and the interests of the North African SMEs overlap to a certain extent. This is due to the pro-business actions of the APs, which attempt to improve the business climate in North African states, a demand that has been asked by the entire North African business community.
Beyond that point, the ENP hardly meets the expectations of the North African SMEs. The EU funding for the SMEs of the Arab partners has increased, but it remains low and as we saw in the previous chapter in some cases the EU funds were not accepted from the new North African governments. Moreover, the configuration of power within the EU remained the same and the unchanged international norms for the development of the North African countries forced the EU to put more emphasis on the DCFTAs, rather than on the problems of the North African SMEs, which are the spine of the local economies.

In addition, the EU pressures for the continuation of the macroeconomic adjustment of the three partner countries led to additional costs for the local SMEs, which do not have access to credit. Yet, if the North African win-sets appear so small, which conditions allowed the North African states to sign the ENP APs?

The main factor that played a crucial role in the development of the APs is the authoritative character of the North African states. According to Putnam ‘the stronger a state is in terms of autonomy from domestic pressures, the weaker its relative bargaining position internationally. For example, diplomats representing an entrenched dictatorship are less able than representatives of a democracy to claim credibly that domestic pressures preclude some disadvantageous deal’ (Putnam 1988, 449)

Morocco, Tunisia and Egypt are not classified as dictatorships, but their authoritative character and control over the domestic economy is very close to Putnam’s argument. As stated in the third chapter, the North African state elites have the ability to manipulate domestic interests and this situation has given them enough power to sign the ENP agreements.

Yet, state dominance over the local economies does not cover the whole story of the ratification of the ENP by the Arab partners. That is why the aim of the third chapter was to go beyond narratives that portray state elites only as strong rulers who have the ability to sign disadvantageous deals and to examine their role as a group with its own preferences.

In fact the North African states have encountered very small losses from the implementation of the APs and in some cases the gains for the state elites are direct. This is why they remain (with the export-oriented industries) within the grey zone of
the diagram. For example, the privatisations of agricultural state companies (such as SODEA and SOGETA in Morocco) illustrated that the state was not the sole organiser of the agricultural production, but it would be wrong to assume that these privatisations diminished the state power in the agricultural sector. The state remained the main organiser of agriculture and continued to benefit asymmetrically large farmers as opposed to small producers through privatisations in Morocco, to apply NTBs in Tunisia and to decide the irrigation programmes in Egypt.

Further to these partial reforms, the state elites appear as direct beneficiaries of ENP APs. For example the gradual (and often problematic) alignment of the North African regulations with the EU acquis in the electricity market (under the ENP APs) opened the doors for the implementation of Desertec under the umbrella of the UfM. Companies belonging to the royal family are involved in the construction of the Desertec projects and in Tunisia relatives of Ben Ali earned millions from privatisations in the financial sector. Hence, the ENP reforms changed the role that the state played in the organisation of the domestic economy, but they did not diminish it. Actually in some cases they strengthened it. Hence, in addition to the North African exporters one should consider the state elites as winners of the ENP reforms. This situation is closer to Dillman’s argument, which shows that the North African state elites have managed to manipulate the global political economy in their favour (Dillman 2002) and stands in opposition to analyses, which claim that the liberalization of the Arab economies leads to the gradual (and bloodless) democratization of these countries.

The impact of the politicization of the ENP on the decision-making process

The identification of the win-sets in both sides of the Mediterranean Sea helped us to understand the role of the domestic environment in the development of the ENP, but according to Putnam a two-level game analysis must also take into consideration the politicization of the discussed issues. When these are highly politicized, the flexibility of negotiators is reduced and the conclusion of international agreements is threatened (Putnam 1988, 445).

The fact that the ENP has a low status is well documented in the related bibliography. The low politicization of the ENP was often considered as a weakness
of the strategy to bring results (Bechev and Nicolaïdis 2010; Lippert 2006), but here the discussion not only concerns the effectiveness of the policy. The politicization of the strategy was linked with the position and contribution of each actor in the decision-making process.

As stated above, at the domestic level the low politicization of the policy allowed the European exporters to enjoy more flexibility. In addition, in many EU states the low status of the policy allowed more room for manoeuvre. In fact, for many EU member states the low politicization of the ENP meant that they could sit comfortably in the back benches of the negotiation process and follow the developments of the discussions. This is the case not only with small states, such as Malta, Portugal, Ireland and the Czech Republic, but also with bigger players such as the UK. Interviewees explained the (un)willingness of many EU member states to shape the ENP. The following table (Table C.1) corroborates these statements and shows clearly the low participation of most EU members in the development of the policy.

Table C.2 Member states selected in Twinning projects 2005-2012

<table>
<thead>
<tr>
<th>Member States selected in awarded Twinning projects 2005-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>23 EU Member States Selected for 194 attributed ENP-Twinning</td>
</tr>
</tbody>
</table>

Source: European Commission

As the main concern of most EU states was the budget of the policy (Canciani 2007), few EU members were left to decide the future of the ENP. Before the implementation of the policy, Poland played a significant role in promoting the
interests of the Eastern partners and tried to use the policy as a vehicle to increase its influence over EU external policies. When the ENP became the main framework for all the EU neighbours and entered its implementation phase, Germany and France designed specific strategies to shape the future of the ENP. Their capacity to shape the future of the policy and the structures of the ENP partners is demonstrated by the fact that these two countries have implemented almost two-thirds of the Twinning projects from 2005 until 2012 (European Commission 2013d).

Until 2010 the initiatives of the EU member states to shape the relations with the neighbours of the EU (such as the ENP Plus and the UfM) did not allow the EU institutions to utilise the low politicization of the ENP in order to improve their position in the decision-making process. As shown in Chapter Four at the first stages of the policy the EC increased the intergovernmental bargaining by providing technical information to member states, but it did not manage to alter their political motivations. In fact, the most important elements of EC’s recommendations reflected previous suggestions of member states that can be found in older strategy papers. On the other hand, the input of the EP appeared as more significant in the development of the ENP. The European Council accepted the suggestions of the parliament to widen the scope of the ENP, because the benefits of this widening are diffused. More specifically, increasing access to new markets and the exploitation of valuable energy sources outweighed the costs of the ENP expansion, which were concentrated on the net contributors of the EU aid. After 2010 it was an external shock (the Arab Spring) which afforded the EC a leading role in the formation of the policy. The EC managed to change the design of the ENP, but for the reasons described above, these changes have so far not been enough to cover wider sections of the Arab societies.

The reverberation of EU pressures within North African politics and the bargaining tactics of North African governments

So far the findings of this research highlighted the influence of domestic politics on states’ decisions. However, if the discussion stays at this level, then it offers a distorted picture of Putnam’s two-level game analysis. This is another problem of the previous two-level game analysis of the Euro-Mediterranean relations, which not only suffers from a schematic analysis of the domestic game in the EU countries, but also
from its Eurocentric view of EU/Arab relations. As shown in the second chapter, this problem not only leads to incorrect conclusions about the domestic dynamics within the EU countries, but also to an incorrect theoretical perception of Putnam’s two-level game.

In fact Montanari’s work falls better under Waltz’s second image explanation about international relations rather than Putnam’s two-level game analysis. The difference is nuanced, but important. Second image narratives contend that national preferences are exogenous from international relations, in other words the ENP is formed by the domestic makeup of the states (in this case of the EU member states). The analysis of domestic politics remains crucial in Putnam’s framework and that is why it is analysed extensively in this research. However, what separates the two approaches is the idea of reverberation, which plays a central role in Putnam’s view about international agreements.

In other words, under a two-level game analysis the domestic game is not shaped separately and the outputs of that game in the EU member states (and the North African partners) are not used automatically as inputs for the ENP. What is important at this point is to access the ways through which EU pressures reverberated within the North African politics, in order to understand the development of the ENP.

The long and close ties between the EU and the three North African states have allowed the EU to construct a political vision, which claims to benefit all and to present the ENP as a platform for the political communication of the EU and North Africa.

The agreement of the Belgian minister of Foreign Affairs Karel De Gucht and the Egyptian ambassador Abdel Latif about the need for a sustainable dialogue between the EU and her neighbours in order to find solutions for common problems highlights the successful usage of the EU’s persuasive power to reverberate its pressures in the Arab countries. At this point Putnam’s words about the conclusion of economic agreements reflect the situation about the economic part of the ENP. Putnam argues that
‘Suasive reverberation is more likely among countries with close relations and is probably more frequent in economic than in political-military negotiations.’ (Putnam 1988, 455)

The findings of this research show that the suasive reverberation of the EU pressures expanded the European win-set in the partner countries and facilitated the formation of the strategy. Under these circumstances the main question is how did this happen?

As mentioned above, the low politicization of the ENP facilitated the discussions between the two sides and the state elites of the North African countries have managed to retain their power. The winners and the losers of the ENP are outlined above, but what remains unresolved is the question about the mechanisms that served the suasive reverberation of the EU pressures within North African politics.

In order to fully understand the expansion of the European win-set in the partner countries this research went beyond arguments that emphasize the asymmetrical negotiation power that the EU enjoys against the partner countries and examined (in the last chapter) the implementation of the policy. It is at this stage where the reader can understand comprehensively the work of the mechanisms that reverberated the EU pressures in the North African countries.

The EC as the main negotiator of the EU for the creation of the ENP played an important role in the communication of the EU preferences in the North African countries, but was not the only actor involved. The member states and at a lower degree the direct lobbying activities of interest groups and think tanks played a role as well for persuading the North African countries to follow the EU priorities.

The Twinning programmes are very good examples which illustrate the persuasive logic that inspires the ENP and highlights the interaction between the EC, the EU member states and the ENP partners for the reverberation of the EU preferences into North African politics. The programmes are an EC initiative, the work plans are a joint exercise by the partner country and the EU member state involved and their aim is to help the ENP countries to adopt and implement the EU legislation. Table C.2 illustrates that the priorities of the European lobbying groups and the EU states are reflected in the nature of the Twinning projects, which primarily deal with the
macroeconomic adjustment of the North African partners and to reforms of their financial sectors (twenty-three per cent of the Twinning projects) and to the liberalization of trade (fifteen per cent of the Twinning projects).

Table C.3 Twinning projects per sector

A further example of the tools that the EC used to communicate the EU preferences into North African politics is the publication of the ENP progress reports, which evaluated the North African reforms and identified areas that needed more attention by the ENP partners. In addition, think tanks and private groups heavily lobbed the North African countries for the implementation of the MSP and Desertec. The ERT has expressed its will to organise meetings between European industrialists and North African businessmen (more specifically with the Egyptian side) in order to foster the business relations between the two regions.

The reverberation of EU pressures and the work of the EC were further facilitated by the prior operation of other international organisations with the same mandate in North Africa. Path dependency is important here, especially in areas when the pressures from the EU and from other international organizations point at the same direction. For example, the pro-liberal financial reforms of the ENP APs were built on the IMF’s recommendations and in some cases an interesting distribution of labour
was followed. In Egypt the World Bank focused more on the liquidation of state-owned shares in joint venture banks and the EU focused on the implementation of the Basel regulations (Roccu 2012, 172). These reforms were implemented more decisively when a US-educated government was appointed in 2004 (Roccu 2012, 143).

However, the existence of a small win-set in the North African countries did not allow the governments to pursue undisturbed the ENP reforms. Demonstrations, unemployment, high poverty rates and the global financial crisis make it very difficult to discern the distinction between voluntary and involuntary defection of the North African governments from their commitments. Arab statesmen used all these excuses to continue the provision of subsidies and their expansionary policies, despite efforts for macroeconomic adjustment.

Yet, what is important here is to see how the EU perceived the stance of the North African governments. The EU softly criticized the slow implementation of reforms in Morocco and in Tunisia; it was more vocal in the Egyptian case. However, the almost uninterrupted provision of aid shows that the EU perceived the defection of the North African statesmen as involuntary and as a subject of the domestic constraints that the governments of the partner countries faced.

So, which was the added value of the ENP to the economic transformation of the partner countries? Did it support the stability and development of the close region as it promised? Under the light of the findings of this research (and of the Arab Spring) the ENP has been an unsuccessful soft policy, which has not yet managed to stabilize the countries of North Africa and to change the conditions for sustainable economic growth. In fact it has perpetuated older dichotomies and divisions within the North African countries, which continue to work as satellites of the EU economy. Unfortunately, the ENP progress reports after the Arab Spring show that the EU has not learned much from the North African revolts. The neoliberal logic that inspired the ENP in the past continues to inform the economic aspects of the strategy after the Arab Spring and under these conditions, it would not be a surprise to see the EU asking for reforms that undermine the sustainable economic development of the ENP partners and the deep democratization of the North African countries.
## Appendix

Table A.1  Share of agriculture in the GDP of the EU member states

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<th>2007</th>
<th>2008</th>
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Source: OECD 2011
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Source: Eurostat 2010 n/a=Not available. All the other EU member states produce insignificant amounts of vegetables.
Table A.4  Production of dairy products (1000t)

Production of butter (1000t)
Production of milk powder (1000t)
Production of cheese (1000t)

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Source: Eurostat 2010 n/a=Not available
## Table A.6 Import Dependency 2007 (in %)

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Source: Eurostat 2010 (Definition: Import Dependency = Net Imports / (Bunkers + Gross Inland Consumption)

Table A.7 Timeline of the ENP

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<td>2001</td>
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<tr>
<td>June</td>
<td>European Council (Gothenburg)</td>
<td>Heads of EU states name 2004 as the year of the EU enlargement.</td>
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<tr>
<td>2002</td>
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<tr>
<td>January</td>
<td>Letter of British Foreign Minister to Brussels</td>
<td>Jack Straw asks the EU to develop a new policy towards the new Eastern neighbours</td>
</tr>
<tr>
<td>March</td>
<td>Letter of Swedish Foreign Minister and Trade Minister to Brussels</td>
<td>Anna Lindh and Leif Pagrotsky suggest a wider approach towards the new neighbours that covers Russia and the Mediterranean partners</td>
</tr>
<tr>
<td>April</td>
<td>Euro-Mediterranean Conference</td>
<td>Encourage free trade, South-South cooperation</td>
</tr>
<tr>
<td>April</td>
<td>European Council (Luxemborg)</td>
<td>European Council asks EC/HR to prepare suggestions for developing the relations with the neighbours</td>
</tr>
<tr>
<td>August</td>
<td>Response of Patten and Solana (Letter Wider Europe)</td>
<td>Highlights the need to build a more coherent platform with the neighbours in order to bring them into the EU internal market and other EU policies</td>
</tr>
<tr>
<td>September</td>
<td>GAER Council</td>
<td>The ‘Wider Europe’ initiative is supported. FEMIP is adopted</td>
</tr>
<tr>
<td>November</td>
<td>GAER Council</td>
<td>The EU states reconfirm their commitment to support the neighbours and ask the EC to create plans for further cooperation</td>
</tr>
<tr>
<td>December</td>
<td>European Council</td>
<td>Inclusion of both regions</td>
</tr>
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</table>

32 Discussions between Russia and the EU or about issues that are only about the Eastern partners are not included in this timeline. For example, such events are the St. Petersburg Summit and the ‘Rose revolution’ in Georgia.

33 General Affairs and External Relations.
<table>
<thead>
<tr>
<th>Date</th>
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<th>Details</th>
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<tbody>
<tr>
<td>December</td>
<td>Polish non-paper about ENP</td>
<td>Poland asks the EU to include the South Caucasus countries into the 'Wider Europe' initiative</td>
</tr>
<tr>
<td>2003</td>
<td>February GAER Council</td>
<td>The EU states heard Commissioner Patten and wait the next Communication from the EC regarding 'Wider Europe'</td>
</tr>
<tr>
<td>March</td>
<td>EC presents ‘Wider Europe - Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours’ communication paper</td>
<td>The paper rules out any prospective membership (for the medium term), it acknowledges the different needs of the partner countries and the commitment to free trade. Action Plans and the ENPI are proposed as new tools for more flexible and better cooperation</td>
</tr>
<tr>
<td>March</td>
<td>GAER Council</td>
<td>Differentiation must be informed by some common concerns</td>
</tr>
<tr>
<td>April</td>
<td>GAER Council</td>
<td>Some delegations ask the restructuring of the European Conference and Greece asked that the new initiative should leave the question of future membership open</td>
</tr>
<tr>
<td>June</td>
<td>GAER Council</td>
<td>The EU states agree that the Action Plans will be the basis of the ENP</td>
</tr>
<tr>
<td>June</td>
<td>European Council (Thessaloniki)</td>
<td>Adaptation of the policy</td>
</tr>
<tr>
<td>July</td>
<td>EC presents ‘Paving the way for a New Neighbourhood Instrument’ Communication paper</td>
<td>The EC makes suggestions on how to finance and operate the ENP</td>
</tr>
<tr>
<td>October</td>
<td>Committee of Regions opinion on the EC’s communication paper</td>
<td>Agrees with the EC, asks for more support for the border areas and more involvement in the new policy</td>
</tr>
<tr>
<td>October</td>
<td>GAER Council</td>
<td>The EU states agree with the timeframe of the EC’s communication paper and with the suggestions of the CoR</td>
</tr>
<tr>
<td>October</td>
<td>European Council</td>
<td>Satisfied with the progress so far and waited to see the new proposals about the policy</td>
</tr>
<tr>
<td>November</td>
<td>The EP presents the Napoletano report</td>
<td>Supports the new single instrument, it suggests that the Southern Caucasus countries should be included in the ENP</td>
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<tr>
<td>December</td>
<td>The EESC presents its opinion about the EC’s communication paper</td>
<td>Agrees with the communication paper</td>
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<tr>
<td>2004</td>
<td>May</td>
<td>The EC presents the ENP</td>
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<tr>
<td>Month</td>
<td>Event</td>
<td>Details</td>
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<tr>
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<tr>
<td>May</td>
<td>Country reports for Morocco and Tunisia (Isreal, Jordan, Palestinian Authority, Moldova and Ukraine)</td>
<td>EU states approve the strategy paper and agreed to include the Caucasus countries into the ENP</td>
</tr>
<tr>
<td>June</td>
<td>GAER Council</td>
<td>The European Council approves the implementation of the first seven Action Plans (Morocco, Tunisia, Israel, Jordan, Palestinian Authority, Moldova, Ukraine)</td>
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<tr>
<td><strong>2005</strong></td>
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<tr>
<td>February</td>
<td>European Council</td>
<td>The European Council approves the implementation of the first seven Action Plans (Morocco, Tunisia, Israel, Jordan, Palestinian Authority, Moldova, Ukraine)</td>
</tr>
<tr>
<td>April</td>
<td>The Committee of Regions presents the Hanningfield Report</td>
<td>The CoR asks a more increased role in the ENP</td>
</tr>
<tr>
<td>April</td>
<td>The European Parliament presents the Laschet Report</td>
<td>The EP asks a European neighbourhood agreement at the end of the ENP process and full access of the partners in certain EU policies</td>
</tr>
<tr>
<td>September</td>
<td>The EESC presents the Cassina Report</td>
<td>A brief suggestion about the involvement of actors of the civil society in the implementation of the ENP was made.</td>
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<tr>
<td>December</td>
<td>GAER meeting</td>
<td>Commissioner Ferrero-Waldner presents the progress of the ENP so far to the member states</td>
</tr>
<tr>
<td>December</td>
<td>European Council</td>
<td>The heads of EU states appreciated the progress of the ENP</td>
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<tr>
<td><strong>2006</strong></td>
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<tr>
<td>July</td>
<td>Statement of German Foreign Minister in Frankfurten Allgemeine Zeitung</td>
<td>Frank-Walter Steinmeier asked for an ENP Plus</td>
</tr>
<tr>
<td>September</td>
<td>Statement of German Foreign Minister</td>
<td>Frank-Walter Steinmeier sets the German priorities about the ENP Plus</td>
</tr>
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<td>December</td>
<td>EC presents the ENP strategy paper ‘On Strengthening the European Neighbourhood Policy’</td>
<td>Most points of the German initiative were reflected in the EC’s strategy paper. Black Sea Strategy to become part of the ENP</td>
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<tr>
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<tr>
<td>February</td>
<td>Sarkozy speech during his election campaign</td>
<td>Sarkozy announces his plans about a UM</td>
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<tr>
<td>April</td>
<td>Discussions between the German presidency and the partner countries</td>
<td>The German presidency tries to push forward certain projects regarding transportation and energy</td>
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<tr>
<td>June</td>
<td>The German Presidency publishes a progress report</td>
<td>The progress report reflects the earlier German proposals</td>
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<td>European Council</td>
<td>The European Council welcomes the German</td>
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<td>Description</td>
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<td>Sarkozy speech in Morocco</td>
<td>A more solid plan about the UM is announced</td>
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<tr>
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<td>Zapatero and Prodi meet in Rome</td>
<td>Both leaders express their scepticism about the French plans</td>
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<tr>
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<td>Merkel visits Rome</td>
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<tr>
<td><strong>2008</strong></td>
<td>January</td>
<td>Merkel visits Paris</td>
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<td>Statement of the Slovenian Presidency to the EP</td>
<td>Prime Minister Janez Jansa expresses his dissatisfaction about the exclusionary French strategy to the EP</td>
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<tr>
<td>March</td>
<td>Sarkozy meets Merkel</td>
<td>The two leaders agree to include all the EU members into the French initiative</td>
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<tr>
<td>March</td>
<td>European Council</td>
<td>EU leaders discuss about the UfM and called the EC to define the modalities of the strategy</td>
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<tr>
<td>May</td>
<td>The EC publishes a communication paper about the UfM</td>
<td>The EC suggested a new institutional setting and the funding of the strategy</td>
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<tr>
<td>May</td>
<td>GAER Council</td>
<td>Presentation of the Polish-Swedish proposal</td>
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<td>June</td>
<td>European Council</td>
<td>The heads of states ask the EC to prepare the Eastern Partnership</td>
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<tr>
<td>July</td>
<td>Paris Summit</td>
<td>Paris Declaration about the UfM</td>
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<td>September</td>
<td>European Council</td>
<td>Eastern Partnership proposal to be published by December 2008</td>
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<tr>
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<td>EC proposals about the Eastern Partnership</td>
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<td>May</td>
<td>Eastern Partnership Summit</td>
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<td>Mohamed Bouazizi sets himself on fire</td>
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<tr>
<td><strong>2011</strong></td>
<td>Feb</td>
<td>European Council</td>
</tr>
<tr>
<td>March</td>
<td>EC publishes a communication paper about the Arab Spring</td>
<td>EC proposals highlight the need for inclusive growth, more jobs and the role of the SMEs in development</td>
</tr>
<tr>
<td>March</td>
<td>European Council</td>
<td>The heads of states support the EC proposals and suggest the review of the existing programmes</td>
</tr>
<tr>
<td>May</td>
<td>EC presents a new strategy paper for the ENP</td>
<td>New programmes for certain sectors and support to deep and sustainable democracy</td>
</tr>
<tr>
<td>June</td>
<td>GAER Council</td>
<td>Decision to increase the funds</td>
</tr>
<tr>
<td>Year</td>
<td>Month</td>
<td>Event</td>
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<tr>
<td>2012</td>
<td>June</td>
<td>European Council</td>
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<td>2012</td>
<td>March</td>
<td>European Council</td>
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<td></td>
<td>May</td>
<td>EC publishes a communication paper about the new ENP</td>
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<tr>
<td>2013</td>
<td>Feb</td>
<td>European Council</td>
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<td></td>
<td>March</td>
<td>EC publishes a communication paper about the new ENP</td>
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**Personal interviews**

Deputy head, RELEX, Unit D1, 08/11/2010

EMP, Delegation to the Parliamentary Assembly of the Union for the Mediterranean, 21/01/2011

International Coordination Officer - Head of sector, horizontal and thematic issues, cooperation with the Mediterranean region (ENPI-South), 26/11/2010

Official, Greek Permanent Representation in Brussels, 17/12/2010

Project Coordinator, Egypt, DG AGRICULTURE B3 12/01/2011

Project Coordinator ‘Euro-med and regional issues’ RELEX, Unit F1, 13/12/10

Project Coordinator, EU Delegation Egypt, 26/06/2013

Project Coordinator ‘International Affairs, Mediterranean Partners’, DG Enterprise, 13/12/10

Project Coordinator, WWF, 01/02/2011

Strategy & International Policy Relations Manager European Roundtable of Industialists (ERT), 04/11/2010

Policy Advisor Mediterranean, Trade Policy Instruments, Mercosur, BOSMIP (BUSINESSEUROPE), 16/11/2010