



# The Political Economy of Governance in the Euro-Mediterranean Partnership

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## **The Edges of External Governance Europe and its Mediterranean Neighbours**

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## Abstract

Disappointment with the results of the Euro-Mediterranean Partnership's first decade has forced the EU to look at alternative policy strategies for its southern neighbours. While the resulting European Neighbourhood Policy (ENP) has introduced some changes, the basic policy approach remains the same. The Neighbourhood Policy is based on the principles and techniques that proved successful in transforming neighbours ahead of EU enlargement in 2004. The European Commission is the actor most responsible for the ENP's design, and the policy reflects the Commission's desire to increase its foreign policy prerogatives. But the next phase of the EU's 'external governance' programme does not offer the carrot of EU membership for reforming countries. Data on the pace of reform in neighbouring countries over the decade 1995 – 2005 shows that in the absence of a clear system of rewards and conditions, transformation is very difficult to achieve.

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## 1. Introduction

The European Union's 2004 enlargement and the aftermath of September 11, 2001 have profoundly altered Europe's strategic position within its neighbourhood. New countries have become neighbours, while the challenges posed by regional instability have raised the stakes for EU foreign policy initiatives. Nowhere is this more apparent than in the EU relations with its Mediterranean neighbours, where the disappointing results of past initiatives have forced European policymakers to look at alternative options for foreign policy design. To date, Europe's most successful strategy for influencing developments in neighbouring countries has been the enlargement of the EU itself. Prospective members have had to implement reforms based on EU standards and practices before joining – in many cases this has meant radical political and economic transformation. EU expansion, however, has limits as a remedy for solving political and economic problems even in prospective members, let alone countries that are unlikely ever to join the EU. Nevertheless the European Commission has modelled its new European Neighbourhood Policy (ENP) on the EU *Acquis Communautaire*, albeit without the offer of membership. The ENP may offer a first definition what Europe's final borders will be – and therefore can be seen as a test case for EU foreign policy in the 21<sup>st</sup> century.

The ENP aims to create a 'ring of friends' around the EU by actively promoting democratic political and legal reform and economic liberalisation in sixteen European and Mediterranean countries.\* Its key elements are close dialogue, cooperation and monitoring in a number of political, economic and socio-cultural areas, with a 'stake in the market' the major incentive for countries that implement an agreed reform programme. The ENP is thus designed to bridge the economic and political trenches dividing the EU from its neighbours, with the aim of stabilising the EU's external economic and security environment while fostering stability and growth in neighbouring countries. However, the EU faces a dilemma: policy instruments need to go beyond rhetorical statements of intent and deal with the central issues facing governments and societies in neighbouring countries as well as in the EU itself. At the same time the Commission must design a policy capable of managing the multiplicity of sometimes conflicting interests among European institutions, EU member states and the neighbours themselves. This dilemma is especially sharp in the South Mediterranean where the interests of the EU and its members are significantly different from those of most partner governments.

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\* Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestinian Territories, Syria, Tunisia, Ukraine.

The European Commission insists that the ENP does not replace the Euro-Mediterranean Partnership (EMP) launched at Barcelona in 1995.\* Rather, the new policy is designed to complement existing bilateral and regional initiatives in the Middle East and North Africa. Nevertheless there are some notable changes in the policy from the EU side, suggesting that Europeans intend more than to merely reinvigorate existing strategies for neighbourhood relations. This paper addresses several issues related to the ENP's design and performance. Firstly, we compare the main features of the EMP and the ENP. We consider that the ENP is more hierarchical than the EMP and more explicit in terms of the EU's goals and interests, but that little has changed in terms of substance, especially in the mechanisms the EU uses in pursuit of its neighbourhood objectives. Secondly, we discuss the EU policymaking process responsible for the remarkable similarities in the ENP and the *Acquis Communautaire*. We find that the ENP's policy objectives, incentive structures, technical implementation and monitoring processes have been developed out of enlargement policy. We argue that the ENP and its instruments are the outcome of the European Commission's interest in designing a neighbourhood policy that extends and enhances its institutional competences in the foreign policy domain.

Thirdly, we assess some of the EMP's main outcomes with reference to key economic, political and social indicators. The political and economic record thus far has not met expectations – but the problem lies not with incompatible social values and norms that separate Europe from its neighbours. Data on economic and political liberalisation shows that little has changed in these areas since 1995. And yet values surveys show ample support for political and economic liberalisation in Mediterranean Partner Countries (MPCs), meaning that the ENP's goals are basically sound. The main issues for the EU are tactical, rather than strategic: the ENP's 'positive conditionality' approach lacks bite and the incentives for reform are unclear. Furthermore, the ENP's regional objectives are too heavily structured around EU interests for effective multilateralism to take root. We conclude that if the EU intends to develop a more effective policy for fostering good governance in the Mediterranean, it needs to address these areas – but that under current EU foreign policy rules the Commission does not have the mandate from the member states to implement the necessary changes.

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\* Margot Wallström 'The European Neighbourhood Policy and the Euro-Mediterranean Partnership.' Speech to Euro-Mediterranean Parliamentary Assembly, Cairo, 14 March 2005. EC SPEECH/05/171.

## 2. Trajectory or transformation? From EMP to ENP

Much has changed in the decade since the Euro-Mediterranean Partnership (EMP) was launched in Barcelona in 1995. The European Union has enlarged to 27 members, absorbing two former MPCs (Malta and Cyprus) in the process. The shocks of the September 11 2001 terrorist attacks in New York and the March 11 2003 Madrid train bombings have sharpened fears of terrorism in European cities. The geopolitical context in which the EMP operates has been heavily influenced by the inexorable deterioration in Arab-Israeli relations and the ongoing, American-led 'Global War on Terror', with its 'fronts' in Iraq and Afghanistan. Meanwhile, European reform agenda in the region has stagnated amid rising political and social tension. The European Commission formulated the ENP – announced formally with the publication of the 2003 'Wider Europe – Neighbourhood'\* Communication – in an effort to reinvigorate EU-Mediterranean relations and further the development of EU foreign policy more generally.

The ENP signals a shift in the EU's policy towards Mediterranean countries in several ways: firstly, the ENP follows the internal governance logic of the *Acquis Communautaire* – it is an agenda for political and economic transformation in the neighbourhood. Most importantly, the Commission has put new emphasis on bilateral relationships, specific benchmarks for reform, monitoring of compliance and positive conditionality. The ENP's main instruments are its pre-negotiated 'action plans'. These bilateral agreements are designed to improve relations on a neighbour-by-neighbour, issue-by-issue basis – with the visionary goal of creating a 'ring of friends' to the East and South of the EU as each neighbour follows the example of others. Secondly, the ENP brings EU relations with Eastern European, Caucasus and Mediterranean countries together under one framework, funded by a single financial instrument (see table 1). Previous initiatives towards neighbouring countries tended to group them into sub-regions, whereas the geographical scale of this project is very ambitious - from the Atlantic to the Baltic States via the Black Sea. 'Differentiation' under the ENP is between individual neighbours, but all are offered the same type of relationship with the EU. Thirdly, the ENP's bilateral focus may signal the EU's move away from multilateral institution-building in the MENA, especially in the political-security area. However the ENP action plans are not binding – the legal relationship between the EU and most of its neighbours remains the Association or Partnership and Cooperation Agreements already in force. The EU has not

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\* Commission of the European Communities (2003) 'Wider Europe – Neighbourhood' Communication from the Commission to the Council and the European Parliament, COM(2003) 104 final.

introduced new rewards for Mediterranean partners, nor has it tightened the conditions it places on its relationships.

The European Commission insists that the ENP complements rather than replaces the Barcelona process, although there are changes that make it a new policy paradigm for Europe's external policy. The formulation of a new neighbourhood policy ran alongside the final stage of eastward enlargement. The European Commission and several member state governments were eager to forestall potentially negative external shocks brought about by eastward enlargement by extending the EU's governance framework beyond the EU itself. In 2002 the United Kingdom pushed for a 'Wider-Europe' initiative that would cope with these new challenges, mainly by focussing on Europe's new neighbours in the East (Smith 2005). In late 2002 former Commission President Romano Prodi announced that the EU would aim to create a 'ring of friends' consisting of former Soviet states in Eastern Europe and the Caucasus and most of the countries of the south and east Mediterranean. Prodi declared that the EU's neighbours would be offered 'everything but institutions' in return for implementing reforms.\* The new policy was introduced to the EU's partners at the mid-term Thessaloniki European Council in May 2003, which endorsed the policy. In May 2004 the Commission released its ENP Strategy Paper, which offered neighbouring countries a 'privileged relationship' based on 'common values' while respecting the 'needs and capacities' of individual neighbours.† The strategy paper proposed that the EU commence negotiations for Action Plans with countries that already had PCAs and AAs in place before extending talks to further countries.

One of the key characteristics of the ENP is that it incorporates the principles and mechanisms of enlargement policy, leading to a specific form of European 'external governance' (Lavenex 2004). Contrary to its predecessor, the ENP adopts an explicit benchmark approach designed to deepen bilateral economic and political relations (Del Sarto/ Schumacher 2005). The ENP partner countries are even accorded a 'stake' in EU's internal market as major carrot for reforms (Dannreuther 2006) although the size and shape of this stake is not made explicit. According to the European Council, ENP action plans should be comprehensive, but specify a limited number of key priorities while offering real incentives for reform. Unfortunately the draft action plans do not appear to measure up to this standard, instead listing lots of 'things to do' while the benefits on offer are only vaguely specified and are not connected directly to the

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\* Romano Prodi 'A Wider Europe – A Proximity Policy as the key to stability.' Speech to Sixth ECSA-World Conference, Jean Monnet Project, Brussels 5 – 6 December 2002. EC SPEECH/02/619.

† Commission of the European Communities (2004) 'European Neighbourhood Policy Strategy Paper' Communication from the Commission to the Council and the European Parliament, COM(2004) 373 final.

priorities for each country. There are no time frames given for meeting objectives and, as Smith (2005) points out, for some reforms it is unclear as to whom – the EU or the neighbour – is responsible for implementing them (p. 765).

**Table 1: EU Agreements with neighbouring countries**

<b>Partner</b>	<b>GMP Cooperation agreement</b>	<b>PCA signed</b>	<b>PCA in force</b>	<b>EMP AA signed</b>	<b>EMP AA in force</b>	<b>ENP Country Report</b>	<b>ENP Action Plan</b>
<b>Mediterranean neighbours</b>							
<b>Algeria</b>	1976	N/A	N/A	2002	2005	-	-
<b>Egypt</b>	1977	N/A	N/A	2001	2004	2005	-
<b>Israel</b>	1975	N/A	N/A	1995	2000	2004	2004
<b>Jordan</b>	1977	N/A	N/A	1997	2002	2004	2004
<b>Lebanon</b>	1977	N/A	N/A	2002	2006	2005	-
<b>Libya</b>	-	N/A	N/A	-	-	-	-
<b>Morocco</b>	1976	N/A	N/A	1996	2000	2004	2004
<b>Palestinian Authority</b>	-	N/A	N/A	1997	-	2004	2005
<b>Syria</b>	1977	N/A	N/A	2004	-	-	-
<b>Tunisia</b>	1976	N/A	N/A	1995	1998	2004	2004
<b>Eastern European and Caucasus neighbours</b>							
<b>Armenia</b>	N/A	1996	1999	N/A	N/A	2005	2006
<b>Azerbaijan</b>	N/A	1995	1999	N/A	N/A	2005	2006
<b>Georgia</b>	N/A	1995	1999	N/A	N/A	2005	2006
<b>Belarus</b>	N/A	1995	-	N/A	N/A	-	-
<b>Moldova</b>	N/A	1994	1998	N/A	N/A	2004	2004
<b>Ukraine</b>	N/A	1994	1998	N/A	N/A	2004	2004

Source: European Commission

The EU integration process has taught European governments that multilateral cooperation is the best vehicle for the promotion of peace and stability. The success of this intra-EU process has led many European policymakers to assume that Mediterranean countries should be equally committed to the political, social and economic liberalisation required for the implementation of European governance models. For Europeans the most significant disappointment of the EMP's first decade was therefore its lack of success in establishing multilateral cooperation in the MENA. This failure was revealed most dramatically in

November 2005 when only two out of ten MPC leaders attended the Barcelona Summit marking the EMP's tenth anniversary\*. Mediterranean multilateralism has stalled because Europeans have failed to convince MPC governments of the benefits of overcoming their differences and implementing reforms. Put simply, the interests of Mediterranean partners in regional political and economic institutions are not as strong as those of the EU and its member states.

The effective sidelining of the multilateral track as an EU priority is the biggest – and possibly the least reversible – change in EU policy towards the MENA. Multilateral institution-building was part of the core logic underpinning the EMP (Solingen 2003). The EU enlargement of 2004, however, incorporated Malta and Cyprus into the EU. This development, along with Turkey's now official status as a candidate country, has changed the composition of the EMP's southern partners. The Barcelona Process' multilateral track is now an EU + selected Arab states + Israel arrangement, which is highly unlikely to develop to any significant depth at all under the ENP. The multilateral dimension of the ENP has effectively been downgraded to an 'optional' element (Del Sarto/ Schumacher 2005). The new framework rests more explicitly on a hierarchical 'hub-and-spokes' pattern, ironically similar to that which characterised Euro-Mediterranean relations before the Barcelona process. The new ENP practices differentiated bilateralism by setting up country specific Action Plans and by assessing countries on an individual basis. The partner countries, thus, focus on the EU and there are few incentives to encourage them to develop cooperation among themselves. The European Commission itself appears to favour this conceptual separation. Its website states: 'With many goals in common, the Barcelona process pursues a multilateral track whereas the ENP provides additional focus and impact through a bilateral approach of mutual commitments to implement reforms and modernisation conducive to closer economic integration and political cooperation.'<sup>†</sup> Bilateral negotiations are aimed as partner countries' specific needs and take into account countries' capacities to meet the targets set by the EU.

The Commission intends to achieve the ENP's goals through a rewards structure based on 'positive conditionality.' ENP policy drafts mention positive conditionality in both economic and political terms, with rewards on offer for progress on economic liberalisation as well as for democratic political reforms and improvements in human rights protection. In return for promoting 'shared values' neighbouring countries are promised deeper political, economic

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\* Turkish Prime Minister Erdogan and Palestinian President Abbas were the only MPC leaders to attend the Barcelona Summit. The eight other MPCs sent lower level delegations.

<sup>†</sup> See [http://ec.europa.eu/world/enp/faq\\_en.htm#1.2](http://ec.europa.eu/world/enp/faq_en.htm#1.2) (accessed 2 August 2006).

and security relationships with the EU. Schumacher and Del Sarto (2005) argue that this represents a significant change from the old 'negative conditionality' of the EMP. However, major alterations to the reward and punishment structure do not appear to have taken place under the new neighbourhood policy. In fact, the EU has never used any conditionality clause in the Euro-Mediterranean agreements to punish a country for violations of democratic or human rights principles (Baracani 2005, p 64). Moreover, as Baracani notes, although positive conditionality has in theory only just been introduced by the ENP, in practical terms the EMP also relied on this principle through providing more aid for reformers (p. 57). Ironically, the one time the EU did punish a Mediterranean partner government was when it froze the flow of funds to Hamas after the Islamist organisation won an EU-supervised, democratic election in the Palestinian Territories in January 2006.

The Commission itself appears to support the view that little has changed regarding the rewards structure. As Chris Patten told Al Jazeera in 2004: 'our financial support is clearly linked to influence: all our partners know that there is more assistance available to those who are ready to make progress in the fields of governance and human rights.'<sup>\*</sup> More recently, former head of DG External Relations Eneko Landaburu has stated that the ENP is based on the same kind of conditionality that the EU has used already to promote reform. He insists that the EU agrees reform priorities with its neighbours. 'As our partners fulfil *their* commitments,' he writes, 'on rule of law, democracy, human rights, market-oriented economic and sectoral reforms and cooperation on key foreign policy objectives, *we* offer deeper political and economic integration with the EU' (2006, p 2).

The decision not to include stronger conditions in the ENP appears not to have been taken lightly. As Kelley (2006) points out, the 2003 'Wider Europe' document was much more forthright on this point than the May 2004 European Neighbourhood Policy Strategy Paper. The EU appears to have backed away from the idea of using strict conditions to gain greater leverage over its MENA partners, even though this is favoured by some member states. Kelley notes that the UK initially wanted to tie rewards and reforms closely together under the ENP, but the Commission regarded this as too inflexible and unlikely to be accepted by partners 'within the concept of joint ownership.' Instead, Kelley writes that the Commission has stated that 'the countries that push more shared values will get priority in financial support, greater and speedier access to the internal market' (p. 36). Effectively this leaves decisions over who gets what and when solely up to the Commission in the sense that there are no rewards that kick in automatically when progress is made. Neighbours must trust the

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<sup>\*</sup> <http://english.aljazeera.net/news/archive/archive?ArchiveId=3703> (accessed 21 December 2006).

Commission to be true to its word, and there is always the danger that countries that implement reforms will not receive greater access to the EU's 'four freedoms' simply because the Commission does not have the mandate to grant this on its own.

The legal basis for the EU's relationship with individual neighbouring countries remains the Association Agreement or the Partnership and Cooperation agreement currently in force (EC 2004, p.3). The Action Plans are not legally binding and are designed to help the EU and its partners fulfil the objectives in the Association Agreements. As such, the Action Plans themselves do not carry any reference to conditionality. Nowhere in the text of the EU/ Jordan Action Plan is it stated that rewards or punishments are conditional on Jordan's implementation of the Priorities for Action. Jordan is offered 'New Partnership Perspectives' including 'a stake in the EU's internal market' and 'increased financial support (which) will be better targeted to support the actions identified in the present document.' The introduction to the Action Plan states, somewhat blandly:

'The level of ambition of the EU-Jordan relationship will depend on the degree of commitment to common values as well as the capacity to implement jointly agreed priorities. The pace of progress of the relationship will acknowledge fully the efforts and concrete achievements in meeting those commitments'\*

The Action Plan promises potential cultural, educational, environmental, technical and scientific links are promised, but no specific rewards, linked to progress in specific areas, are offered. The EU is offering a carrot which clearly has a luxuriant green top above the ground. The carrot itself remains buried, its size and quality yet to be determined.

Nor do the Action Plans stress sanctions where priorities are not implemented. In the section on 'monitoring' the EU/Jordan Action Plan states:

The Action Plans will guide the work between the EU and Jordan. Should the need arise, on the EU side, for specific measures necessitating legally binding decisions, the Commission will recommend to the Council the adoption of the necessary negotiating directives. The Action Plan can be regularly amended and/or updated to reflect progress in addressing the priorities.†

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\* EU/Jordan Action Plan 2005, pp. 2 – 3

† EU/Jordan Action Plan 2005, p. 24

In other words, the Commission has not been able to take 'the stick' out of the hands of the Council, and by extension the EU member states.

The Action Plans are explicitly only a stage in the process of deepening relations between the EU and neighbouring countries. The Commission will draw up periodic progress reports, which will form the basis of proposals for future development of the EU's contractual links with neighbouring countries. Depending on the success of these reports, the Commission has proposed that each partner could be offered European Neighbourhood Agreements, which would take the place of current Association agreements as the legally binding agreements between the EU and neighbouring countries (EC 2004, p.4) Conditionality is therefore likely to become an even more important issue as the ENP develops. This is because the reforms implemented by MENA countries to date have been the easiest ones, where the economic and political costs have been lowest. The next ten years will be even more difficult than the last, as the cost of deepening reforms increases for the Mediterranean neighbours (Philippart 2003).

The ENP, thus, is an answer to the changing international environment and the Europe's new geopolitical position after enlargement. The EU now puts more emphasis on its own interests and pursues a transformational agenda to ease cooperation with its immediate neighbours. Consequently, the ENP's design differs in crucial aspects from the EMP. Whereas the latter attempted to build on multilateralism, the new policy explicitly stresses bilateralism and positive incentives. This bears much resemblance to the EU enlargement policy, although without the membership perspective and with a lower level of conditionality. It is not clear why the EU adopted the techniques and principles of enlargement policy to deal with challenges that are different from the integration of the European Union itself. The next section argues that the Commission's self interests led its attempt to emulate a policy with a proven success record.

### **3. Explaining ENP design: enhancing the Commission's foreign policy prerogatives?**

The European Union did not develop ENP's policy design from scratch. It drew on a successful predecessor. Not only the technical design of the policy, but also the very decision to incorporate neighbouring countries into a single framework emerged from a similar policy dilemma the EU was facing after the collapse of communism in Europe. The launch of the ENP cannot be understood without the 2004 EU enlargement. The pre-accession policies

served in many respects as a guideline for how to deal with a larger Europe's neighbours. As Kelley (2006) observes: 'The ENP is an extension and adaptation of the Commission's active role during enlargement' (p. 31). The Commission took an early lead in crafting the new neighbourhood initiative. More precisely, it was the DG Enlargement under Commissioner Verheugen who set the pace.

The ENP was developed by DG enlargement before being transferred to DG External Relations. The resemblance of the ENP with the enlargement policy is striking (Lavenex/Schimmelfennig 2006). The whole idea of the enlargement strategy consisted of gradually 'socialising' the new democracies towards European values, norms and regulatory standards (Smith 2005). The decisive instrument for this was country-specific Action Plans assessing the progress made by applicant states in the adoption of the *acquis communautaire* (Schimmelfennig 2005). The candidate states went through painful transformation programmes altering regulatory institutions, changing the economic structures, challenging governments' way to look at freshly gained national sovereignties. Indeed, the core pillars of the ENP are also 'common values' between the EU and its neighbours and the use of Action Plans to bring about transformation (Philippart 2003).

The academic literature debates various arguments about why the Commission embarked on a policy design that puts emphasis on attempting to control partners' internal development. Some scholars believe that path dependency is the key reason why policies take on a particular shape (Pierson 1996, Kelley 2006). Path dependency theory suggests that actors discount alternative options because they bear higher learning costs, require new management strategies or are just overlooked due to selective perception. There is one indication that indeed path dependency could have taken place. Many of the Commission officials who worked on enlargement have been working on the ENP since 2004 (Kelley 2006). Their rich experience in designing and monitoring the accession process could have influenced their perception of the alternative space for the would-be ENP.

Path dependency through personnel and organisational design, however, requires strong assumptions about bounded rationality of actors. According to this logic, officials responsible for the ENP's design must have stood firm on routines they were accustomed to and transferred these to their work on the ENP. This view supposes that officials were unaware of the difference between potential future EU-members and countries that are unlikely to get a membership perspective even in the distant future. The feasibility of enlargement policy hinges crucially on the eligibility of central and eastern European countries for membership

which is not a realistic option for MENA countries. Without this perspective a central piece of the policy design would fall apart, and it is unlikely that the ENP's architects were unaware of this. There must, therefore, be more than organisational stickiness leading the Commission to adopt key mechanisms of enlargement policy in the context of the ENP.

Other scholars argue that EU Member states have had their say in developing the ENP, and that their conflicting interests in the neighbourhood are reflected in policy outcomes. The enlargement issue has always been controversial in many EU member states and the sheer scale of the 2004 enlargement, together with those waiting in the queue (Romania, Bulgaria, Croatia, and Turkey) has made some European politicians uneasy. As one scholar argues, 'the new neighbourhood policy has, for this reason, been promoted quite overtly as a generous integration scheme designed to stave off new accessions (read: Moldova and Ukraine) in the near to medium term (Johannsen-Nogues 2003 p. 241). Musu (2003) argues that EU policy towards Mediterranean neighbours is influenced by varying member state interests in the region. Musu believes that France wants to develop a common European policy that is independent from the USA. Germany wants to develop relations with Arab states without offending Israel, while the UK wants to mediate between the EU and the USA. Italy and Spain want to ensure a coherent Mediterranean dimension for EU foreign policy. Musu identifies several interests common to most EU member states: reasonably priced oil, and secure energy supplies, regional political stability and lowering migration pressure, development of market for EU exports. Member states have come to support common policy, but with varying degrees of enthusiasm.

As previously mentioned, British efforts to introduce a strict conditionality regime were rejected by the European Commission and the extent of member state influence on the development of the ENP is unclear. Rather, it appears that the Commission itself has used its agenda setting power as agent of the member states to enhance its own foreign policy prerogatives and secure the lead in designing and implementing the ENP. Enlargement policy is the only area where the Commission has the right to engage in active foreign policy making without hurting its competencies set by the treaties. The European Court of Justice (ECJ) ruled that the European Community could conclude agreements with third countries on behalf of member states in areas where the Community represents their competencies (ECJ Opinion 1/75 of 11.November 1975). The Commission has the subsequent right to engage in 'mixed agreements' that are based on the principle of joint competencies between the Commission and the member states (Smith 2001). Accession treaties are a typical case because the negotiation mandate has been granted to the Commission and accession and membership

issues touch upon supranational policies such as the internal market and common trade policy. Outcomes of these negotiations create binding decisions for EU member states (McGoldrick 1997 p. 183-4). On foreign policy matters, the existing pillar structure precludes the Commission's dominance and acts as an institutional break on the Commission's prerogatives (Moravcsik 1998 p. 450). Therefore, defining relations with the Mediterranean countries in terms of accession negotiations allows the Commission to build on the ECJ rulings on 'mixed agreements' and to circumvent these brakes that restrict its competencies.

The failure to put external relations under the heading of 'mixed agreements' sharply reduces the agenda-setting influence of the Commission in foreign policy matters (Stetter 2004). This is often the case with specific international issues, where foreign policy actions are determined by the three biggest EU states. A case in point is the ongoing negotiation over Iran's nuclear programme: talks are guided by the Troika of the European Council with the member states bearing ultimate responsibility for EU- Iran relations.\* Similarly, the 'Contact Group' dealt with the Balkans and the 'Quartet' is involved in conflict resolution in the Middle East (Hill 2004). Under the current institutional arrangement of the Nice treaty, the Commission could only gain oversight over Europe's Iran policy if it managed to bring it under the umbrella of association agreements.

In sum, the ENP seems to be an attempt by the Commission to strengthen its agenda setting power in external relations where its competencies are not clearly defined. The success of enlargement and the experiences gained by leading EU experts on enlargement policies induced a degree of path dependency in developing ENP's policy design. EU member states have had a degree of influence over the design of the policy, especially in providing the Commission with the tools it can use in implementing the policy. The decision, however, to adopt such a design to appease a key region for Europe's wellbeing can only be explained by the Commission's wish to extend its reach into the foreign policy domain and enhance its capacities as an international actor. The question that rises from this is whether ENP's drive for a grand transformation in the Mediterranean basin can overcome the disappointments of the past ten years. More importantly, are the foundations and assumptions of ENP's policy approach appropriate when dealing with Europe's Mediterranean neighbours? The next sections discuss both of these key questions.

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\* See [www.europa.eu/scadplus/leg/en/lvb/r16004.htm](http://www.europa.eu/scadplus/leg/en/lvb/r16004.htm). Accessed 2 December 2006.

#### **4. The great transformation: The record so far**

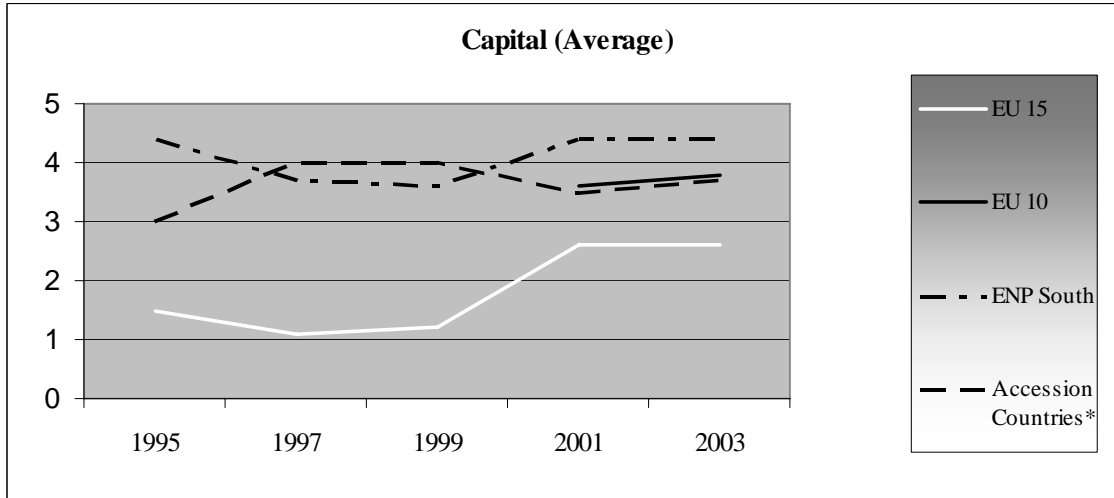
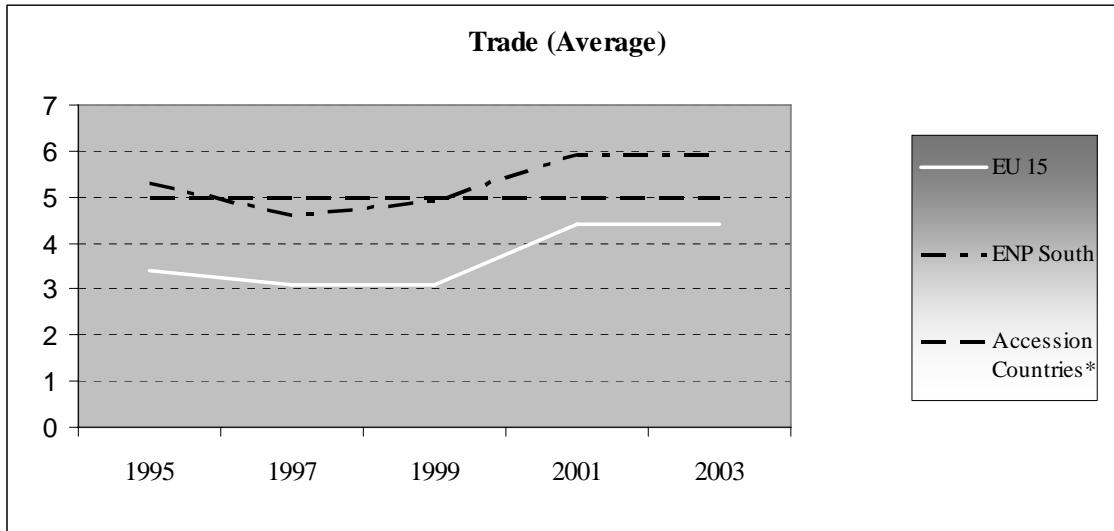
Positive conditionality is the main instrument for encouraging the compliance of the partner countries, for induce reforms and for bringing about the desired transformation. The ENP's goals are very ambitious, and the instrument may fail. Conditionality in order to work draws on a set of preconditions the most important being a certain degree of policy similarity combined with the willingness to comply, which means that each partner's interests should be served by the relationship. As argued previously, the ENP's conditionality structure is not an innovation, as positive conditionality was also a feature of the EMP and its Association Agreements. The ENP is certainly clearer than the ENP in terms of benchmarks for reform, and countries that implement the detailed provisions of their action plans will have a strong claim for concrete rewards. Reaching these goals, however, may be very painful if the gap between the desires and interests of the EU, its member states and citizens, and the governments and peoples of the South Mediterranean is too wide. As a result, partner countries might get frustrated and refrain from deeper cooperation.

The key issue is whether positive conditionality has thus far been able to induce reforms in the neighbouring countries. As far as economic and political system transformation is the ultimate goal of Europe's neighbourhood policy, the gap between key political and economic indicators in Europe and its neighbours should have narrowed in the decade since the EMP's launch. The empirical test is easy to deliver if one agrees on what the relevant indicators for success should be, and over which period. The Barcelona process started in 1995 and it is reasonable to assume that since then some change should have taken place if European conditionality had worked. More demanding are indicators for the 'success' of a given policy. Economic reforms, for instance stretch over a wide policy continuum that is extensively summarised in the 'Washington Consensus' framework for international economic liberalisation (Williamson 1994). The Joint Action Plan for Jordan, for instance, includes inter alia the promotion of the 'stability and effectiveness of institutions strengthening democracy and the rule of law including good governance and transparency', the 'liberalisation of trade in goods', the 'elimination of non-tariff trade barriers' and the continuation 'of progress in the establishment of fully functioning market economy through structural reforms.'<sup>\*</sup> This is certainly a wide ranging transformational agenda, both politically and economically.

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<sup>\*</sup> EU/Jordan Action Plan 2005.

**Table 2: Economic Openness**



Source: Martin, Christian (2005): Die doppelte Transformation. Data for ENP East are not available.

In order to measure progress on economic reform dimensions, we contend that growth rates as a consequence of successful structural reforms are useful proxy indicators. In addition, we look at reforms of neighbouring countries' foreign economic regimes. The EU urges these countries to open their economies and to become more integrated with the global economy. Economic openness, thus, is a second indicator for the impact of the EU's transformation policies. On the political dimension, neighbouring countries are expected to reform their autocratic systems and introduce democratic standards, institutional checks and balances and reduce their corruption levels. Any move on one of these dimensions can be measured with available data. We compare the Mediterranean countries' (ENP South) advances with levels in 'old Europe' (the EU 15), in the new EU member states (EU 10), in the eastern

neighbouring countries (Belarus, Ukraine and Moldova) and in the two former candidate countries that joined the EU on 1 January 2007 (Romania, Bulgaria).\*

Did European conditional aid induce structural reforms in the Mediterranean countries? Table 2 offers a closer look at foreign economic reforms, which were at the heart of structural reform obligations during the Barcelona process' first decade. The data are coded for non-tariff regulations in the respective countries. Lower values depict fewer non-tariff barriers. A comparison of non-tariff barriers in the respective regions shows that the EU 15 countries still maintain obstacles for trade and capital movements, especially barriers for trade. On average, the ENP South countries have the highest non-tariff barriers for trade and capital, which does not come as a surprise. However, over time they have yet to liberalise their foreign economic regime as they were required to do under the terms of the EMP. In 1995 the average ENP south value for trade is 5.3, whereas in 2003 it has increased to 5.9. Likewise, the value for capital barriers has remained on the same level. Evidently, EU policy in the region has failed to induce the desired economic reforms.

**Table 3: Democracy and institutional constraints**

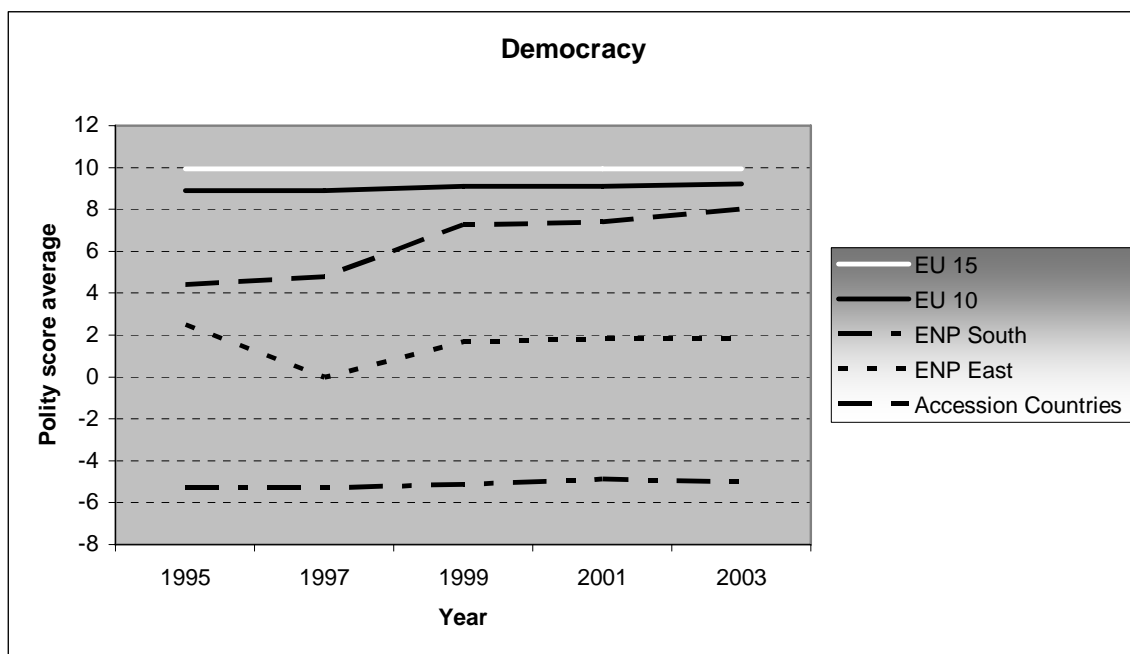
		1995		1997		1999		2001		2003	
		Polity	Xconst	Polity	Xconst	Polity	Xconst	Polity	Xconst	Polity	Xconst
<b>EU 15</b>	Average	9,93	6,86	9,93	6,86	9,93	6,86	9,93	6,86	9,93	6,86
	Std. Dev.	0,27	0,36	0,27	0,36	0,27	0,36	0,27	0,36	0,27	0,36
<b>EU 10</b>	Average	8,89	6,89	8,89	6,89	9,11	7,00	9,11	7,00	9,22	7,00
	Std. Dev.	1,54	0,33	1,54	0,33	1,36	0,00	1,36	0,00	1,39	0,00
<b>ENP South</b>	Average	-5,29	2,43	-5,29	2,43	-5,14	2,43	-4,86	2,71	-5,00	2,57
	Std. Dev.	2,63	0,98	2,63	0,98	2,54	0,98	2,12	0,76	2,00	0,79
<b>ENP East</b>	Average	2,50	4,00	0,00	4,00	1,67	4,33	1,83	4,33	1,83	4,33
	Std. Dev.	4,85	1,79	6,99	2,00	6,77	1,97	6,94	1,97	6,94	1,97
<b>Candidate Countries</b>	Average	4,40	5,80	4,80	6,00	7,25	6,75	7,40	6,60	8,00	6,60
	Std. Dev.	5,41	1,79	5,54	1,73	0,96	0,50	1,14	0,55	1,00	0,55

More telling for the efficacy of EU's 'grand transformation' policy are democratisation scores. As we have seen before, it is one of the main goals of the neighbourhood policy to bring about democracy and institutional reform in order to create a neighbourhood of well-

\* Data for Israel has been excluded from these tables. The reason for this is that Israel is an extreme outlier – in each case the data for Israel resembles an EU-15 country rather than an ENP-south country. Including Israel has the effect of distorting the picture for the ENP-south as a whole.

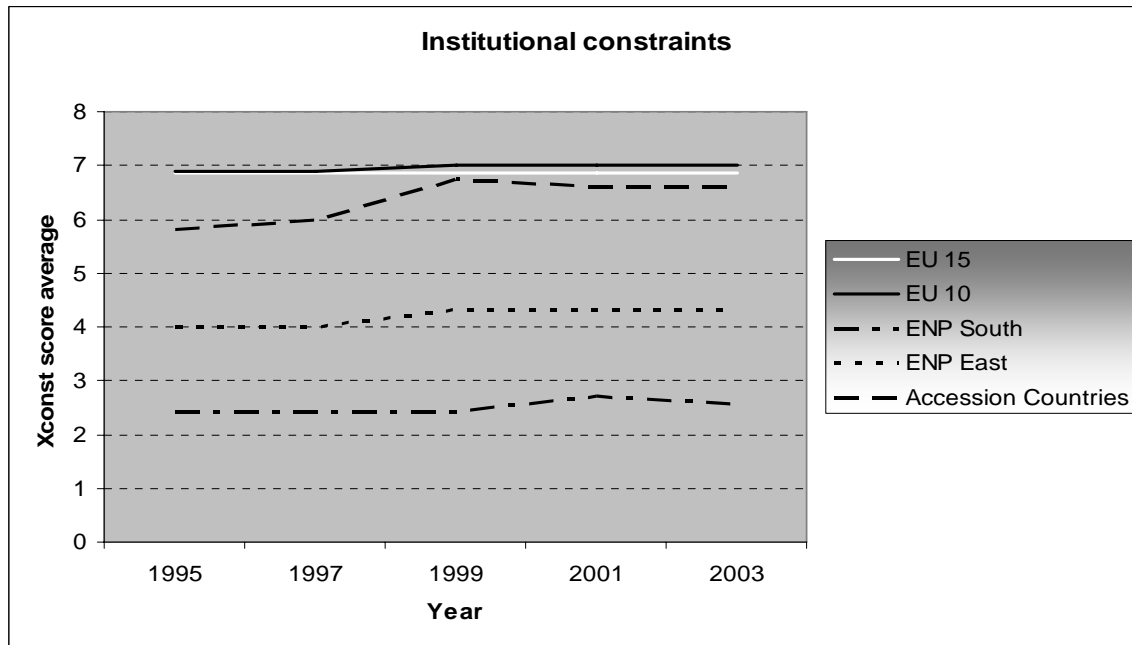
governed countries around the EU. The Polity IV database\* provides two indicators to measure both dimensions. The extent of democratisation is depicted by ‘Polity’ which is an aggregate measure of the amount of democracy and autocracy in a country. It ranges from -10 to 10 with higher numbers showing higher levels of democracy. The other indicator is ‘Executive Constraints’ (XCONST) which measure the degree to which the executive branch of government is checked and balanced by institutions such as the constitution, the legislature and the judiciary. The range is from 1 to 7 – higher values stand for more constraints and thus for greater stronger institutional controls on governments. Table 3 shows the raw data and indicates the standard deviations between the sample countries. Table 4 shows how these have changed during the last decade.

**Table 4: Democracy and institutional constraints over time†**



\* Data and documentation are available from the University of Maryland's Center for International Development and Conflict Management at <http://www.cidcm.umd.edu/>.

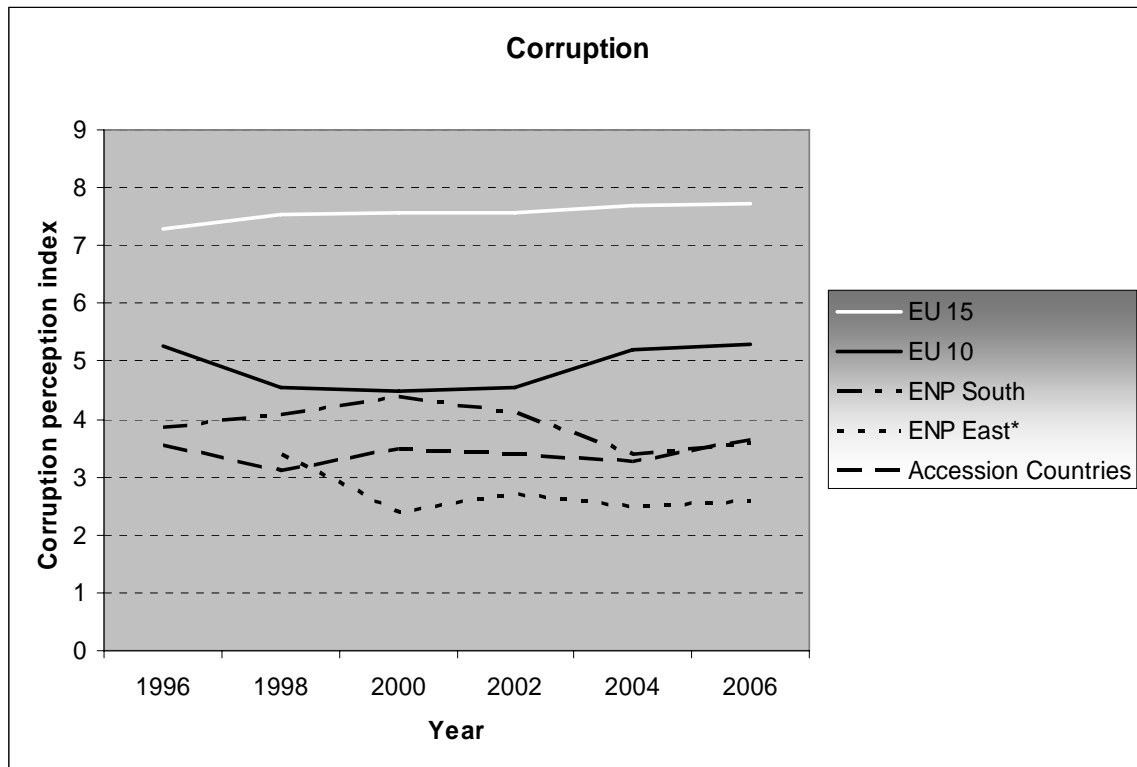
† Our scale differs slightly from the original, owing to the difficulty of depicting the Polity figures graphically. Instead of -10 to 10, our scale runs from -8 to 12.



Source: Polity IV database, University of Maryland Center for International Development and Conflict Management.

The picture revealed by Tables 3 and 4 is worrisome. In fact, the EU 10 group improved its democracy and institutional constraints records from 1995 and had reached similar levels to the EU 15 in 2003. This does not come as a surprise, for the EU 10 states were obliged to implement full democracy according to the Copenhagen criteria. On average, the Mediterranean partner countries have the worst democracy records, scoring around -5. Even the eastern neighbourhood countries have better democracy records although the standard deviations suggest that these figures are affected by the inclusion of autocratic Belarus in this group. More importantly, the Mediterranean countries have not managed to improve their democratic records over time. Between 1995 and 2003 their polity score increased by 0.29 points, which is almost nothing on a -10 to 10 scale. The same holds for institutional constraints. The ENP South averages around 2.5 suggesting that there are few constraints imposed on governments. The Mediterranean neighbourhood countries, thus, did not undertake any reforms of their political systems despite of their obligations under the EMP. Tables 3 and 4 appear to corroborate with the hypothesis that the best incentive the EU has to offer is a membership perspective. Where such perspective is absent, there are few incentives for governments to embark on risky democratic reforms.

**Table 5: Corruption Perception Index 1996 to 2006**



Source: Transparency International (1996-2006)

Slightly more promising are the corruption levels in the Mediterranean partner countries, at least when compared to other areas. Table 5 uses the corruption perception data gathered by Transparency International between 1996 and 2006. The index ranges from 1 to 10, where a higher score stands for a lower level of corruption. These figures reveal several trends. Firstly, the ENP South did not improve its corruption records – on average these countries remain as corrupt in 2006 as they were ten years before. Secondly, in compiling the data for this table we encountered very low standard deviations among the ENP South, showing that all Mediterranean countries are similarly affected by corruption and that there are no positive or negative outliers. On the other hand, the ENP South group outperforms the ENP East countries, which fare far worse as regards corruption. Moreover, the candidate countries that have recently joined the EU were until recently more corrupt than the ENP South countries. The conclusions from Table 5 are clear: The Mediterranean countries are, on average, less corrupt than other neighbourhood countries. But the EU has not managed to implement anti-corruption policies that would yield a positive effect on corruption in the neighbourhood over time.

Taken together, these figures reveal that the EU has not been able to encourage political and economic reform in neighbouring countries during the last ten years. A key reason for this is that the carrots of market access and aid money, together with the lack of conditions the EU places on its assistance, have been insufficient to bring about change. What the graphics also show is that the EU 10 countries had better starting values in terms of economic openness, democracy, institutional constraints and corruption levels than the Mediterranean partner countries, and the reform process did not face the same obstacles. Nevertheless, after 10 years of encouragement one would expect to see at least the signs of a trend towards improvement, but this is clearly absent. As Tovias and Ugur (2004) argue, the EU's ability to encourage economic policy reform in third countries through contractual provisions in the Euro-Med Association Agreements was never sufficient. Political reform is even more difficult. The ENP's emphasis on human rights and democracy continues the pattern established by the evolution of the 1970s Global Mediterranean Policy and the Euro-Maghreb Partnership into the EMP in 1995. Despite the agreement of both sides to implement reforms, these have been slow in forthcoming – and yet the EU has not threatened to get tough. In sum, the expectations raised by the Barcelona process have not been met. No dramatic transformation has taken place in any Mediterranean partner country. There seems no reason to expect that the ENP will prove any more successful, as a strategy designed for the enlargement process, but lacking the key membership carrot, would seem inadequate to deal with the problems of the Mediterranean rim.

## **5. Can it work? Value foundations of the ENP**

The preceding section showed that key political and economic benchmarks have not been met by the Mediterranean partner countries. The reasons for failure, however, might have deeper roots. International organisations, including the EU, constitute clubs of shared values and norms. Enlargement, membership and even close cooperation with these clubs necessitate convergence towards their core principles and values. With respect to the expansion of western organisation, Schimmelfennig (2002) contends that 'the more a state complied with domestic liberal norms, the more likely it was to establish institutionalized relations with and to apply for membership of the EU, NATO, and the CoE, to join these organizations, and to remain a member of good standing' (p. 622).

The EU considers itself to be a ‘civilian power’ and it expects that its neighbourhood partners will show commitment to shared norms and values (Del Sarto/ Schumacher 2005). Europe was successful in socialising post-communist countries into the EU, and integration went beyond the economic and the institutional. A similar process is expected to happen in the neighbourhood. In fact, the convergence of values can be considered even more important in the absence of the membership perspective – neighbours are expected to want reform for its intrinsic value, and not simply because they will be able to join the EU. The obvious question, then, is whether a policy design that worked for accession countries will also work under new circumstances. Europe is able to ‘socialise’ its partner countries if they are willing to move in Europe’s direction and actively adopt and promote universal values. Where such commitment is failing, the value gap may turn out to be impossible to bridge.

It is important to examine whether the ENP is really built on the foundations of shared norms and values. In order to give at least a rough picture, we present data from country surveys between 1999 and 2004 collected in the last period of Inglehart’s World Values Survey\*. For sake of comparison we again create five regional subgroups. Unfortunately, the value data are not as comprehensive as the data on economic reforms and democratisation, and are only available for few countries in these groups: for Table 6 the ENP south only includes Morocco, Algeria, Egypt and Jordan. Furthermore, in compiling these tables we discovered rather high standard deviations for the ENP south, revealing significant differences within the sub-region. Nevertheless, the following tables reveal some interesting statistics about shared values.

On average, 92.8 % of respondents from ENP South countries agree that ‘democracies have problems but are better than any other form of governance’ – a similar result to that of the EU-15. Figures are lower for the other three sub-regions, but all are above 80 percent. A vast majority of the citizens of the EU’s neighbourhood regard democracy as a superior form of governance.

The second question where the WVS offers enough data for cross-regional comparison is whether democracies are ‘indecisive and have too much squabbling’. 36.3% of respondents in ENP south countries for which data is available agree. Roughly half of EU 10 Europeans also agree, and numbers are around 40 % for the EU-15 and Accession countries. On the other hand, the new member countries (EU 10) come close in their average scepticisms about democracy to the ENP South countries, with an average score of 38.9 %.

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\* Data and documentation are available at [www.worldvaluessurvey.org](http://www.worldvaluessurvey.org).

**Table 6: Attitudes towards Democracy**

- (Percentage of people who agree or strongly agree with the following statements)

	<b>Democracies have problems but are better than any other form of governance</b>		<b>Democracies are indecisive and have too much squabbling</b>	
	Average	Std. Dev.	Average	Std. Dev.
<b>EU 15</b>	93.4 %	5.1	40.5 %	15
<b>EU 10</b>	87.8 %	3.3	49.4 %	15.9
<b>ENP South</b>	92.8 %	4.8	36.3 %	10.3
<b>ENP East</b>	80.2 %	3.3	38.9 %	5.3
<b>Accession Countries</b>	88.5 %	7.3	40.1 %	15.8

Source: Own calculations based on the World Values Survey (1999-2004).

**Table 7: Religion and Politics**

- (Percentage of people who agree or strongly agree with the following statements)

	<b>Religious leaders should NOT influence voters</b>		<b>There should be people with strong religious beliefs in public office</b>		<b>Governments should implement Shari'a law*</b>	
	Average	Std. Dev.	Average	Std. Dev.	Average	Std. Dev.
<b>EU 15</b>	76 %	7.5	18.1 %	7.4		
<b>EU 10</b>	81.5 %	4.9	25.9 %	11.5		
<b>ENP South</b>	63.6 %	14.8	56.2 %	22.7	73.8	7.1
<b>ENP East</b>	75.3 %	9.8				
<b>Accession Countries</b>	80.2 %	2.2	40.4 %	17.1		

Source: Own calculations based on the World Values Survey (1999-2004).

Table 7 depicts scores on questions related to religious preferences, in particular the implementation of Islamic law (Shari' a) and the influence of religious authorities in politics. About 73 percent of respondents in the ENP South countries agree with the implementation of the Shari'a law. This result is challenging to European observers, for it appears in stark

\* Data for this question available for Algeria, Egypt and Jordan only.

contrast to the great support democracy enjoys in this area. While Europeans tend to believe that Shari'a contradicts the principles of democratic rule of law and thus the principles of democracy (Arzt 1990), this view is clearly not shared in ENP South countries where the vast majority of respondents see no conflict between Shari'a and democracy. This result appears to make sense in the context of recent elections in Egypt and Palestine, where Islamic movements have done very well.

As regards preferences for the public influence of religious politicians, there is a huge gap separating the enlarged EU from its Mediterranean neighbours. About 56 percent in the ENP South countries agree that there should be people in public office that hold strong religious beliefs as opposed to 18 percent in the EU-15 and 25 percent in the EU-10. The Mediterranean countries, thus, are not close to the preference median of the EU, but this question does not downsize the genuine support for democracy in Mediterranean partner countries. The third question corroborates with this insight: Respondents in ENP South countries are even more sceptical about religious authorities influencing their vote choice than are respondents in the EU.

In sum, as far as convergence of norms and values is the bedrock of increased cooperation within the new partnership scheme, there is hardly a gulf to bridge. Tables 6 and 7 show that basic political values are indeed 'shared' in the European neighbourhood. The southern Mediterranean countries are not necessarily contingent with the European preference median, but their general support for democracy is strong. Constant failure to push for further democratisation and economic reforms during the Barcelona process cannot be attributed to general resistance to so-called 'western' norms in these countries. However, it is likely that there are significant differences between the preferences of ordinary people and their governments in the ENP South. While ordinary people may favour democracy at least in principle, convincing their governments of the benefits of political liberalisation is more difficult.

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## **6. Conclusions and policy recommendations**

Europe's relationship with its Mediterranean neighbourhood is too important to become diluted by overambitious policy goals. The 'ring of friends' is a seductive vision for a future geopolitical order, but the European Commission does not possess the necessary tools to realise its goals under the ENP. According to our data there are few major differences

between the views expressed by ordinary people on both shores of the Mediterranean on basic values. However it is clear that the governments of neighbouring countries do not necessarily share these values, and are in any case unwilling to implement the far-reaching political and economic reforms necessary to achieve convergence in levels of democracy and economic development. What follows are some ideas about specific areas where the EU and its member states could bring policy objectives and instruments closer together.

### **1. Address the ENP's geo-strategic regional focus**

Mediterranean and Eastern European countries do not belong in the same policy framework. The needs and preconditions of Mediterranean partners are not the same as those of the ENP-East countries, and necessitate a separate policy approach. It may be that this process is underway already. German Chancellor – and European Council President for the first half of 2007 – Angela Merkel reportedly believes that the EU is sending out the wrong message by grouping continental and non-European countries together in the same policy.\* The ENP should be reformed, establishing a new club of Eastern European states to encourage membership hopes. If this were to be attempted, the perception that relations between the EU and non-European countries are being downgraded would need to be avoided, and Mediterranean partners assured that integration with Europe remains the EU's objective. This can be achieved through reforming bilateral agreements so that rewards and conditions are more clearly specified.

### **2. Promote democracy slowly, because national elections don't necessarily work out the way you want them to**

The election of Hamas in January 2006 brought home to Europeans the central conflict between the need for democracy and the need for stability in the MENA. The argument that authoritarian rule fosters frustration which can increase the appeal of Islamist political movements and spill over into terrorism is strong, and a return to the Cold War era policy of tolerating friendly dictators is not advisable. However, free elections may be counterproductive in countries where liberal institutions are weak, and the EU needs to work

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\* *Guardian* 17 July 2006

on improving these before sponsoring national elections, especially as Hamas and the Muslim Brotherhood are viewed as normal democratic parties in the 'Arab Street' (see table 7).

The EU has been criticised for not using the ENP to encourage democratisation at local government levels. Some MENA countries – most notably Kuwait and the Palestinian Territories – have held successful local government elections, and there seems some validity to the arguments that local democracy is politically easier than national democracy to implement, and that it serves as a useful testing ground for institutionalising wider political reform. In 2005 a British local government councillor expressed to the European Commission his disappointment 'with the absence of a substantive mention and defined role for local and regional government' in the ENP. The European Committee for the Regions adopted the criticism, proposing a conference in 2006 for all regional and local authorities covered by the neighbourhood policy.\* Fostering democratic reform at the local level would assist in introducing 'bottom up' reform – and would bring European Union agencies closer to civil society organisations at the local level.

### **3. Balance Multilateral and Bilateral relations:**

One of the key criticisms of the EMP is that it falls short of the principle of a 'partnership' between equals. Indeed, as Michael Smith (2000) writes, the Barcelona Process emphasises the boundary dimension in that it defines insiders and outsiders, and is based on a set of principles enunciated by the EU and its members, rather than negotiated on the basis of multilateral reciprocity (p. 815). The ENP is undoubtedly an improvement, and its bilateral focus has been welcomed by many neighbouring countries who wish to benefit from engagement with the EU without having to wait for reforms in other countries. Multilateralism in the MENA has struggled because of differences between Mediterranean partner countries rather than because of failings on the part of the EU. The bilateral track seems to be the logical way forward, and the ENP is definitely moving in the right direction by focussing on this area.

However, it would be a mistake to abandon the multilateral track entirely. The problem for the EU is that its concept of what constitutes a 'region' differs somewhat from that of most Mediterranean countries. Perhaps a more radical approach is needed. Efforts to foster economic reform leading to a Euro-Mediterranean Free Trade Agreement will continue

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\* BBC News 17 April 2005 ([www.news.bbc.co.uk](http://www.news.bbc.co.uk) – accessed 14 August 2006)

through EU support for initiatives such as the Agadir agreement. But political issues should be approached in a forum that includes all of the major players with influence in the region – including Iran, Libya, Russia, the United States, China and the Gulf States. There are limits to what this kind of grouping would achieve, and serious questions as to whether it could be established at all. Nevertheless, should the EU choose to take the lead in exploring the options for creating a wider regional grouping, it could no longer be accused of picking and choosing its partners. The EU work towards creating a permanent forum for dialogue on political issues in the MENA in order to create a layer that is currently lacking in international diplomacy. However, south Mediterranean countries must also take a leading role in these initiatives, or multilateral institutions will remain arenas of conflict rather than cooperation.

- **4. Institute clearer provisions linking specific reforms to specific rewards and stressing sanctions for poor performance:**

The rewards structure is the key to making the ENP more effective than the EMP. Reforms need to be tied more clearly to benefits that also satisfy actual interests, and do not just reflect lowest common denominator principles. Crucially, conditions need to be agreed that will lead to consequences if progress is unsatisfactory. Securing agreement on this is a delicate task of negotiation. Enforcing conditions – including those already present – is a matter of political will. The EU should not be afraid of using stricter conditions in its bilateral relationships, especially for human rights violations. Europeans should not be afraid of hurting their partners' feelings, so long as agreements concentrate on the interests of the countries involved and avoid grand statements and generalisations. If the EU is to be ready to wave the stick, it must also be prepared to offer a juicier carrot. If the EU's transformational agenda is to have any prospect of achieving a positive outcome, rewards that conform to the expressed desires of Mediterranean partners should be offered – especially in agriculture and temporary migration. These are rewards that under current EU decision-making rules can only be offered by member states rather than by the Commission.

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