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**THE EUROPEAN NEIGHBORHOOD
POLICY IN NORTH AFRICA :
*The politics of EU Foreign
Assistance***

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CHRISTOS KOURTELIS

**THE EUROPEAN NEIGHBORHOOD POLICY IN NORTH
AFRICA:**

The politics of EU Foreign Assistance.

Abstract

Identifying the European and North African interests behind the ENP

In most papers about the ENP, the main theoretical question is whether or not a rational or a constructivist framework is more adequate to analyze the policy. The aim of this paper is twofold. The first is to show that the aforementioned frameworks do not incorporate deeply the role of the interest groups in the formation of the policy. The second aim is to evaluate the interests that have informed the first steps of the policy and to identify the role of the participants in the agricultural, industrial and energy sector. Based on a sectoral analysis of three North African economies (Morocco, Tunisia and Egypt) and of the EU, this paper determines the interest groups that benefit and lose from the initiative. The paper shows that the policy does not yield only commercial gains for the participants, but it has reinforced the political power of the North African regimes.

1.Introducion

After the eastern enlargement of the EU in 2004, the Union developed a new programme towards its eastern and southern neighbours. The European Neighbourhood Policy (ENP) was formed with the objective to create a ring of allies with the countries that share borders with the EU and it is based on the idea of close co-operation between parties and not on a donor – recipient model of help. Towards its southern partners the ENP builds on the EMP and offers bilateral incentives to develop closer links with the region (European Commission, 2009).

As a new policy, the ENP is attracting increasing interest among researchers and policy-makers. Unsurprisingly, at the first years of the policy, many works tried to explore the problems (mainly technical) of the ENP or the challenges it might face in the future (Kaczynski and Kazmierkiewicz 2005; Emerson and Noutcheva 2005; Emerson et al 2007; Balfour and Missiroli 2007; Zaiotti 2007; Gstohl 2008).

When a theoretical framework for the analysis of the ENP is proposed, most papers are influenced by constructivist views and they present the EU as a teacher that uses its normative power to persuade its neighbours to accept its values (Costalli 2009). In that respect, Costalli, in an attempt to criticise the domination of constructivism on the debate, suggests that there is a need to reassess the ideas behind classical realism in order to shed light on other parameters of this relationship, which are often overlooked (Costalli 2009).

Indeed, in order to understand the ENP, firstly, we need to define whether a rationalist or a constructivist explanation should be used to explore the strategy. 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 reproducing 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. Under this perspective,

rationalist self-interest should not be forgotten. Especially in economic agreements, the EU rhetoric about free trade does not always follow the negotiations with the North African countries. For example, the EU agricultural sector remains protected. This situation demonstrates the rational nature of the ENP and the role of the EU member states. Yet, rationalism should not be used as a vehicle for a 'hard' 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.

So, if there is a need to incorporate deeper the role of social groups in the analysis of the Euro-Mediterranean relations, how can this be done? The following part proposes a theoretical framework for the analysis of the ENP that places the various interest groups at the centre of the Euro-Mediterranean relations. The second part of this paper offers a precise configuration of these interests that are involved in the ENP until the beginning of the Arab Spring in 2010. It shows that the ENP setting has benefited not only the economic actors, but also the political elites in North Africa. Lastly, the conclusion summarises the findings of this analysis.

2. In search of a theoretical framework: the role of the interest groups in the ENP

The debate about the role of the domestic economic interests on states' foreign policies is not new and several scholars have tried to define how the domestic politics influence foreign economic policies at the international and at the European level (Katzstein 1977, Putnam 1988, Moravscik 1993; 1997). Regarding the economic sphere of the ENP, many authors mention the strong economic relations of Germany with East Europe and of France with North Africa (Attina and Rossi 2004; Kaczynsky and Kazmierkiewicz 2005). These assumptions capture the political relevance of the current economic activity for each country, but they fail to recognize the specific domestic forces that influence the initiative. In that respect, Moravscik (1997) mentions that 'commercial liberalism explains the individual and collective behavior of states based on the patterns of market incentives facing domestic and transnational economic actors' (Moravscik 1997, p528).

Yet, which domestic actors determine the formation of the ENP at the economic level? Is it the state bureaucracies, the political parties or the preferences of the economic forces? In economic issues, the societal actors approach that focuses on the role of sectoral actors is more effective from the State-centered theories, which highlight the role of the state apparatus and from the economic ideology explanations, which illustrate the role of economic perceptions (Talani, forthcoming). By analyzing separately the different economic sectors, the researcher can see more clearly the relative power of the various interest groups and which interests are benefited and at whose expense.

Beyond the theoretical significance of this approach, at the ENP level, the way the EU works helps the researcher to follow a sectoral approach in order to evaluate the outcomes of the policy. The EU divides the ENP in sectors and the related reports and working documents assess the progress of the strategy on a sectoral basis. For example, in a working document by the EC to the European Council and Parliament it is argued that ‘the depth and intensity of ENP thematic cooperation varies depending on the sectoral field’ (European Commission 2006a, p1). This structure facilitates the researcher to appreciate who exactly gains and what at every sector of the initiative.

Yet, 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 the class-based approach? The class-based approach (usually perceived as a Marxist approach) generally perceives 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. At the ENP level, the literature that perceives the policy as an exploitative tool adopts a similar position (Hettne 2007; Joffe 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 even if they rely on Marxist assumptions, 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 ENP level, the EU workers have cross-cutting interests (Frieden 1991, p438). For example, in the long run, agricultural workers have the same interests with the industrial workers, but in the short run, 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 and why it will be followed here. This analytical platform informs us about the

distributional costs and benefits of each sector and makes clear which interest groups win and which lose from the policy. So in this view, the domestic politics of the EU member states about the ENP are shaped primarily by the competition between different sectors of the economy, not by class interests.

Given the fact that the main economic objective of the ENP is to further improve the EMP policies regarding the free-trade area between the EU and the other Mediterranean countries, the second assumption here is that the beneficiaries of easier trade will support greater openness, whereas the ones that lose from free trade will demand protection (Rogowski 1989, p5). However, at this point it is important to take into account the asymmetrical relationship between the EU and the North African countries in order to see who loses politically from open market. Actually, the impact of this asymmetrical relationship is highlighted by the analysis of the agricultural sector, which is the starting point of the sectoral map of the economy. Agriculture plays a significant role in the economy of the North African countries and it is at the same time a very sensitive issue for the EU. Since the creation of the CAP in 1957 and despite the various reforms, the European countries treat this sector in a special way.

Even if agriculture is significant for both regions, there is a big difference between the way agriculture is treated in the EU and in the poor countries of North Africa. In the latter countries, the agricultural sector remains one of the main sources of employment and it is less capital intensive than in the EU. North Africa suffers from the absence of good agricultural land (Morocco and Egypt have some scope for extension of irrigated land) and the sector is based on small farmers. The potential use for irrigation is related to land use patterns and it depends (partially) on the EU agricultural import policies (Hunt 2005, p205). An open food market between the two regions will create further investments on the agricultural sector of the North African countries and more jobs. So, it will help the development of the partner countries and it will mitigate the problems of unemployment and migration. Thus, the developing countries wish to export their agricultural surplus abroad.¹ Due to their geographical proximity to Europe, in the eyes of the North African agricultural groups and statesmen, the EU looks like the best solution for food exports.

Yet, the countries of the EU see the issue differently. Agriculture accounts for less than 5% of the labour force, meaning that agricultural enterprises use land intensively. According to Rogowski, this means that farmers seek protection (Rogowski 1989, p7), and indeed the sector is

¹ According to Rogowski, free trade of agricultural goods will increase the price of food and that can lead to an urban-rural conflict in the developing countries (Rogowski 1989, p7).

insulated from other market forces in a big degree in order to help the European farmers against international competition. During international negotiations, the EC is closely monitored by states' representatives who support their farmers and the EC is traditionally the subject to intensive pressure directly from the agricultural lobbies, which have privileged access to the corridors of power and manage to restrict its policy options (Grant 1993, Pollack 1998, Daugbjerg 1999). However, the main question that rises here is whether or not the agricultural producers in the two regions form a unified group and if it is correct to assume that agricultural groups at the EU or North African level win or lose from the ENP.

In the industrial sector an array of factors 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. Tackacs found that adverse macroeconomic conditions increase the demands and the level for protection (Tackacs 1981 in Bhagwati 1988, p61). This is evident from the industrial history of the US between 1949 and 1979 and from the European industrial policies of the 1970s (Urwin 2010, p28). In both cases, a number of safeguards petitions were introduced for the domestic industries that seek import relief against the threat, which came from Japan, from the New Industrialized Countries (NICs) such as Brazil and from the New Exporting Countries (NECs) such as Thailand and Malaysia. So, under this notion the macroeconomic situation of the countries of the EU and of the North Africa contributes to the creation of protectionist pressures. Moreover, interventionist policies are used from developing countries in order to protect their infant industries from external competition. Actually, this sort of intervention is not a recent phenomenon, but an old tool that all the states have used when they were in catching-up positions and when they felt that international competition threatened domestic industries (Chang 2003).²

On the other hand, there are other factors that arise from the increased levels of interdependence through trade and foreign direct investments (FDIs) and favour freer trade. 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 someone would hope that export-oriented companies oppose import-competing industries'

² Chang (2003) argues that infant industry protection was a key tool for the development of the rich nations and he illustrates the fact that the economic evolution of the now-developed countries differed significantly from the prescriptions that they now offer to poorer nations.

demands for protection. Especially, multinational corporations (MNCs) that hold a big percentage of FDIs in the developing countries are in favour of free trade (Bhagwati 1988, p74). Therefore, it is not a surprise to see chief executive officers (supported by the media and many academics) to mobilize public opinion and lobby against protectionism.

In this case, MNCs' strategies against protectionism take various forms. They do not only lobby the politicians, but they also threaten the other protectionist domestic interests. For example, a usual response from the MNCs to protectionism is to shift production to other locations and in that way they are able to break the resistance of the labour unions. However, it must be mentioned that organized labour is not always against free trade and as we mentioned above, workers have cross-cutting interests. FDIs are welcomed by labour unions and exporting firms are using this instrument to mitigate the resistance of local pressure groups (firms and unions) that seek protection from the international competition (Bhagwati 1988, p79). In the same vein, supporters of trade liberalization between the EU and North Africa argue that FDIs and institutional reforms will increase the efficiency of the North African economies and will reduce emigration from North Africa to the EU (Hunt 2005, p202). At this point, certain sectors are perceived as the spearhead of the North African development. For example, within Europe, the interests related to energy call the EU to built stronger relationships with the countries of North Africa (Belkin 2008, p17) and this is perceived as a big opportunity for the domestic energy sector of the North African countries. This is the reason why significant energy cooperation objectives are included in all the ENP Action Plans (European Commission 2006a).

3. Who gains and who loses from the ENP?

As stated above, a sectoral approach is more adequate to explain the ENP than holistic approaches towards the policy. Here, the aim is to appreciate the priorities of the various groups at the agricultural and industry/energy sector and to see who benefits from freer trade, which is the main aim of the ENP.

3.1 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, which have succeeded in subsidizing exports and create barriers for food

imports (Anderson and Tyers 1995; Keeler 1996; Coleman et al 1997, p275; Patterson 1997; Moyer & Josling, 2002, p33).

However, the political power of the agricultural lobbies should not be regarded as unchallenged (Daugbjerg 2007). Neither the farming groups are necessarily unified about every issue, as agriculture is a wide sector and it embraces many different products, meaning that the local farming groups have different priorities when decisions must be made on which specific products the EC should protect. These two parameters influence the national preferences of the EU member states regarding to the formation of the ENP and of the related trade agreements.

In general terms, the related bibliography argues that the cheaper agricultural products of the developing countries will destroy the European farming communities if they are allowed free access to the European markets (Hunt 2005, p203). However, it is wrong to assume that North African countries only benefit from the liberalization of agricultural trade. In certain products, the European farmers enjoy a competitive advantage against the producers of North Africa. Yet, who are these farmers and where are they located?

These are the farmers who are located mainly in Central and North Europe and produce meat and dairy products. According to FAO, Europe is among the biggest exporters of these products. On the other hand, these products are among the top twenty imports of the North African. Thus, the markets of Egypt, Tunisia and Morocco offer great opportunities for the European meat and dairy companies. 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. Hence, these markets deserve the attention of the European meat and dairy producers. Yet, an important element that must be taken into account is the 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, someone can 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 they 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 a free agricultural market. Yet, do the North African markets reflect this assumption?

Fonterra, the world's largest exporter of dairy products, is owned by 13000 New Zealand farmers and it is the main source of supply for dairy products for 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 (TheMeatSite 2011). The Egyptian government has an export subsidy

system, importers of meat and poultry have to pay minimum 50% cash insurance to bring these products from abroad. Under this condition, a number of European dairy companies have tried to establish joint ventures with local companies for further processing, yet further liberalization results to net benefits for the European dairy companies. James O'Donnell, Director of Emerging Markets at Bord Bia and Abdel Aziz El-Sayed, Head of the Poultry Division of the Chamber of Commerce in Cairo, both agree that further liberalization and a lift of the trade barriers will help the Irish dairy companies to improve their position in the Egyptian market and the importers of meat (Zootecnica 2010).

These conclusions are reinforced from the findings from interviews with members of the permanent representations of the EU member states in Brussels and with officials from the European Commission at DG Agriculture. They stated that the pressure from the meat and dairy lobbies were enormous in order to persuade statesmen that the trade of these products between the EU and the countries of North Africa should be further liberalized (Personal interview 17/12/2011). For the European companies, a potential free market would lead to net profits. EU companies face severe competition from the companies of the developing world and from New Zealand when they try to penetrate in emerging markets. If the EU could sign an agreement that lifts the restrictions that the North African economies put on the European meat and dairy products, then the latter would enjoy an advantage against the same products that the North African countries import from the other non-EU producers, who will still had to pay import fees. An official from the EU that works for DG Agriculture added that the agreement will benefit not only the European meat and dairy companies, which are located mainly in North Europe, but also other agricultural companies. Free trade will benefit also the consumers, because the prices will drop. However, a free trade agreement will not improve the situation of the vegetable producers, especially the small farmers of South Europe (Personal interview 12/01/2011).

However, is the assumption of the EU official correct? Are the small farmers of South Europe going to face the competition of the North African producers in case of a free trade agreement and if so are they able to prevent its ratification? For Egypt, in 2008, the most selling agricultural product abroad 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 exporting products, oranges are among the top twenty exporting products of Tunisia as well (FAO 2008). Hence, these figures justify the assumption of the EU official. Indeed, the farmers of South Europe face already the competition of the North African exports and any further liberalization will have a direct impact on their productions.

Under this condition, a question rises. Why the farmers of South Europe were not able to prevent this development? According to the interviews with the official from DG Agriculture and with the officials from the Greek permanent representation in Brussels the diminishing power of the fruit and vegetable lobbies of South Europe is an outcome of three factors (Personal interview 12/01/2011; Personal interview 17/12/2010). The first one is related to the domestic situation in the country. The related lobbying groups constantly put pressure to the statesmen to protect their products. Yet, the frequent reshuffles of the Greek administrations lead to different degrees of pressure at the European Council. Ministers of Agriculture from the same region of the producers are more active against any decisions that influence their products. The other ministers are more open to free trade agreements on these products and give more room for manoeuvre to the Greek permanent representation.

However, this parameter should not be overestimated. Even if the Ministers of Agriculture were equally worried about the interests of the Greek farming lobbies, the outcome would not be different. This is due to two other parameters. The first one is related to the commitments of the EU to the WTO. As stated above, for the last three decades the pressure of the US and the other developing countries is escalating and this is reflected in the negotiations in the WTO. According to the official that works for DG Agriculture, the EU struggles to maintain its protective measures for some 'sensitive' products (Personal interview 12/01/2011). These products are the products that the South European farmers produce.

The other factor that weakens the power of the aforementioned lobbies is the price of these products. The price of the total agricultural production in the EU has increased by 29% from 2000 to 2008. Yet, the price of crop products has increased by more than 36% during the same period. The main aim of the EC is to keep the food prices low, and given the fact that these products are produced in cheaper prices at the other shore of the Mediterranean Sea, it is perceived that further liberalization will help to achieve this target (European Commission 2006b, p3).

3.2 The industrial sector

What is the main aim of the European industrial groups? If someone tried to answer this question with a single phrase, the reply would be 'more trade'. According to the representatives of the ERT and BUSINESSEUROPE (BE), this can be achieved by creating a free trade area between the two regions. EUROCHAMBRES shares the same ideas with ERT and BE

regarding the future of regional trade. Preferential trade policies and the openness of borders are the ways that guarantee the stability and prosperity of the partner countries.

Under this notion, the industrial federations support the Agadir Agreement, which was signed in Rabat in 2004 by Morocco, Tunisia, Egypt and Jordan to promote free trade. According to the officials that work for BE, the main merit of the initiative is not only its content, but that the plan is organized by the south partners (Personal interview 16/11/2010). In that respect the European support to the Agreement is not perceived as instrumental in shaping any hegemonic goals, meaning that the EU does not intent to dictate its rules to the Arab countries (Personal interview 16/11/2010).

Yet, according to its third chapter, 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 (Agreement for establishing a Mediterranean Free Trade Area 2004, p3). This element is very important for the European industrial groups, because it gives to the EU an advantage against the US in order to establish a Euro-Mediterranean Free Trade Area instead of a US-Middle East Free Trade Area (by 2013). 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.

Yet, it would be misleading to say that the European industrial groups value the North African countries in the same way. North Africa is not a key player in the global trade and this low position of the region is reflected on the work of the European industrial federations about the region. Only the South European members, the Netherlands and the German federation show active interest about the situation in North Africa, but for different reasons. For the South European federations and for Germany deeper economic integration is of greater importance. This is not a surprise as France and Germany are among the biggest industrial powers in the EU and certain industrial sectors have shown interest in investing in North Africa. For example, Renault has intensively lobbied the French government in the past for the creation of a Mediterranean free trade area and now for further integration of the North African countries (Kilkelly 2008; Von Reppert-Bismarck 2011). On the other hand, the Dutch federation is interested only in the development of the EU Association Agreement 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).

In the same vein, even if the ERT argues that it is crucial for the partner countries to have voice in the decisions regarding Single Market rules, it does not mean that for its members the neighbouring countries have the same weight. This fact is obvious from the work of the ERT in the older candidate countries. The ERT organised Business Enlargement Councils (BECs) and Business Advisory Councils (BACs) in the candidate countries to facilitate accession and to support the transnationalization of CEE countries' production structure through FDIs (Holman 2001, p174 -177; Cecchini et al 2001, p161-162). In North Africa, the ERT showed some interest to organise BECs and BACs 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). In simple terms, the domination of the Egyptian state over business didn't allow the creation of these councils.

3.3 Energy

In all the Action Plans signed between the countries of North Africa and the EU, energy issues are considered as matters that require priority actions (EU/Tunisia, p3, EU/Egypt p24-25, EU/Morocco p4). 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.

Yet, why is energy a priority issue for the EU in the ENP strategy and what is the role of the European domestic forces in the construction of the EU's energy policy in North Africa? In this case the oil groups do not play a significant role in shaping the agenda; other factors influence the EU's energy strategy. These are related to the volatile international environment and to the need of the EU for energy.

The problem at this point is related to the existing suppliers of the EU. These are Russia, Middle East countries (e.g Iraq, Iran) and Sub-Saharan countries (Nigeria) and for different reasons none of them is very reliable. 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. The retaliation actions of Moscow in the 1990s against the independency of the Baltic countries and the punishment of Ukraine for not paying for previous supplies showed to the EU how Russia uses its energy sources when blackmailing for political or commercial reasons (Bahgat 2010, p43; Darbouche 2011). The situation in the Middle East is unstable due to the war in Iraq and the political regimes in Sub-Saharan Africa are fragile. For

these reasons, the EU seeks to reduce its dependency from unstable suppliers (Desertec Foundation 2009, p13). 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 2010, p9).

In this framework, the North African region seems as a reliable alternative source to achieve the aforementioned targets; and this happens for two reasons. The first is related to the supplies of oil and gas that the region has and to the stability of the regimes (until the social unrests of 2010-2011). The second is related to the weather conditions of North Africa. The use of sun, which is a renewable source of energy, and of Sahara, which is uninhabited, offer the perfect conditions to produce electricity. This is the reason why the convergence of the electricity markets is considered as a high priority issue. The road to converge the energy markets of Europe and of North Africa was paved through the energy-related provisions of the ENP Action Plans and it opened the way for the implementation of ‘Desertec’ the largest EU project regarding the use of solar power to produce electricity. Desertec is implemented in North Africa, mainly by European companies.³ The plan promises to secure energy supplies by using renewable energy sources and this is considered as a huge advantage for Europe. The reason is not only environmental. The nature of the energy is such that it cannot be stored for long periods like fossil fuels. Therefore, the potential to use energy for political ends is unlikely in the case of the North African countries, because it will be a huge loss of revenue for the exporting country. Furthermore, Morocco, Algeria and Tunisia will all be exporters of electricity to the EU, so Europe will not rely only on one source.

The papers produced for the project confirm the need for closer cooperation between the two regions (Desertec Foundation 2009, p25,44). 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 analyze 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

³ 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, p4).

countries and the EC. The lobbying activities are conducted by the Desertec Industrial Initiative (DII) and the Desertec Foundation (DF). Members of the civil society, the academia and politicians work for the DF and 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). 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.)’ (BMU 2008), and they 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 it was included in the French proposal for the Union of Mediterranean. The project does not involve only the construction of solar power plants in North Africa, but first long-distance high-voltage transmission cables that can export energy to Europe with minimal losses must be constructed (Escribano 2010, p88). The European companies have the capacity and possess the know-how to build such lines, therefore their advantage for this project is obvious.

3.4 The situation in the partner countries

Before the creation of the ENP, many scholars argued that free trade between the partner countries and the EU will bring uncertain results for the former region (Jaidi 1994; Kebabdjian 1995; White 2001, p166). Even studies that mention the dynamic benefits of the policy acknowledge that the results are not obvious in the short run and they follow a lengthy painful adjustment period. For example, in Morocco, in spite of a severe structural adjustment programme that made labour cheaper and the business environment friendlier to foreign

investments, FDI proved volatile and they were related to the large scale privatizations of state companies (Fontagne and Peridy 1997, p83-84).

So, the fact that the governments of the three North African countries have signed the ENP agreements, despite empirical research that the costs of deeper integration in the European market are high, shows that the situation in North Africa is different from this in Europe. In Europe, there was a broad consensus between the various interest groups (except from some agricultural groups), the public opinion and the member states on what they want from the ENP. On the other hand, the North African governments seem to pursue an agenda, which is not based on a broad consensus. This position proves that they believed that they were immune from any political consequences and prepared for the transitional socio-economic unrest.

In the relevant literature it is also mentioned that in North Africa the states control in a large extent the various actors of the local economies (White 2001; Bellin 2002; Paczynska 2009). Yet, even if the Arab Mediterranean states control the local economies, state-dominance does not tell us something about the groups that are actually benefited from the ENP. However, for the citizens of North Africa the answer is possibly obvious. It is the 'local elites' that benefit from the ENP in the North African countries. Yet, which are these 'local elites' what are their relations with the North African states and what do they pursue from the ENP? Simplifying the seminal explanation given by Prebisch about the elites of the peripheral countries of Latin America (Prebisch 1950), for the average North African citizen, these elites probably reflect these wealthy upper class citizens, who have a close relationship with the state seeking protection and patronage. Nevertheless, this explanation does not reveal much about the deeper nature of these elites, their origins and how they operate in these countries. So, to understand their function in a greater extent, here they are distinguished in two types: the state elite and the business elite.

3.5 The state elite

In Morocco, Tunisia and Egypt the single party structures provide the tools to the political elites to control crucial functions within and outside the state (Bianchi 1989, p20). Within these parties, a high degree of neo-patrimonialism characterizes their relations with the other actors, meaning that authority rests on personal power and that this power is under the control of the ruler. In this sense, the economic problems of North Africa do not pertain to Islam, but to the system of governance, which resembles the feudal structures of the past (Sorman 2003).

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 RNI and Istiqlal reach the top positions of the civil services in the country (Dawson 2009, p70). 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 (Financial Times 14/04/2011, p13).

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 that does 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. 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 (Dawson 2009). The military bureaucracy is used as an intermediate layer between the Palace and the various factions of the elite (Dawson 2009). The internal stability of the system and the avoidance of any conflicts are achieved through marriages and religious orders. These traditional structures remain strong until today, even if the younger civil servants are distancing themselves from these orders.

This semi-feudal structure neutralizes any social or economic forces of development and the political systems in these countries are characterized by constellations of dependents to the head of the state (Sorman 2003, p121). The creation of these dependencies follows a similar historic pattern in these countries, which comprises a number of 'carrot and stick' policies to control societal actors (White 2001, p82; Paczynska 2009 p88). A classic example of this sort of intervention 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, from the twenty-five candidates the state authorities have selected only four as the most suitable for the position (Bellin 2002, p67).

The close ties between the political and the business elites have been used to control the entrance of the latter 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 (Dawson 2009). In Egypt, only after the fall of Mubarak, the telecommunications tycoon Naguib Sawiris has formed a liberal party, but the lack of political

experience and the difficulty that all the new parties face to reach the rural population of the country are expected to bring marginal results (Financial Times 14/04/2011, p13).

Yet, even if the political structure of the North African countries is as such, does this mean that the political elites gain from the liberalization of trade and from the ENP agreements? And if they are benefited from the ENP, how do they manage to do so? Paraphrasing the functionalist logic of the EU experience, someone could argue 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. 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 the Tunisian and the Moroccan governments created many state-controlled agencies, which were devoted to external trade relations. The purposes of these mechanisms are similar in the North African countries. The first is to facilitate trade predominately with the EU. The second is to strengthen the state control over external trade and to keep the state out of any public control.

The ENP tools and financial aid do not do much to alter this situation. They provide technical assistance and money to modernize the state mechanisms, but they have a minimal impact on the structure of the state. For example, according to the EC, the ENPI's Twinning projects bring together public sector expertise from EU member states and from the partner countries with the aim of modernize the state's institutions. TAIEX is an institution building project, which helps the partners to harmonize their rules with the EU legislation. SIGMA is a joined initiative of the OECD and the EU and it focuses on administrative reforms by improving the partners' public sector ethics.

Judging from the experience of the East European states that have used these tools, someone can see that they cannot transform the North African states significantly. Twinning programme pays the civil servants of the EU member states to work with the ministries of the partner countries. However, they do not focus on institutional models, but on technical issues and to standardize harmonization. Moreover, as the European civil servants come from the Member states, they are not controlled centrally from the EC, they communicate the principles of their countries. Thus, any sort of institutional transformation appears as random and abstract, depending on the experience of the European civil servant (Grabbe 2002). TAIEX is a short-term tool that basically identifies future Twinning projects and educates the civil servants of the partner countries about the EU acquis, so the main aim of this tool is not to reform the state mechanisms.

SIGMA, which is meant to support administrative reforms, only provides baseline guidance to the partner countries. In addition, given the fact that the South partner countries do not have the option of becoming member states, the political elites do not have the incentive of changing the function of the state mechanisms. On the contrary, the ENPI tools are perceived from the political elites as instruments of maintaining their control over key sectors of the economy, by facilitating political reforms which cannot put at risk their power. The inability of these instruments to change fundamentally the political situation of the partner countries is acknowledged by officials that work for the EC. Clearly one stated that ‘we cannot change the function of the political elites if they don’t want to change. It is impossible’ (Personal interview 21/01/2011). Actually, the ENP reports clearly state that the political reforms in the partner countries are far behind from the economic reforms that the partner countries have implemented. In that respect, Tunisia is perceived as the clearest example of this contradiction. The country is the most advanced of the Euro-Med partners in the areas of free trade with the EU and the civil service is qualified and efficient. The authorities have also adopted measures to facilitate trade (such as the creation of a one stop-shop agency), but the civil service is still centralised and retains strong links with the party in power (European Commission 2004, p7).

3.6 The business elite

The business elite in the North African countries derives from the great bourgeois families and it is determined by family ties (Dawson 2009, p65). This means that the control remains in the hands of the family and that external participation is not substantial. When external participation is perceived as necessary, this is introduced (most times) as technical assistance, nor 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 (Baddou 1997, p63). 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. Disputes that could be solved in a more unified environment are often a subject of arbitration, a situation that allows the state to control the economic actors (Dillman 2002). Also, in that way,

the role of the political elites is perceived by the business elites as necessary, an element that increases the political power of the former.

The dependence of the business elites from their political patrons is more obvious when the matter of the debate is international trade. In this situation, businesses are often sought to seek more protection from the state, rather than support for their modernization (Tangeaoui 1993, p 265-268). However, this explanation is very general to explain who wins and who loses from the ENP. In order to provide a more specific answer, it is necessary to see each sector separately and categorize the businesses in two types. Export oriented industries and inward looking businesses. Regarding to the agricultural sector the strategies of the North African countries are different, and this change is related to their size and their exposition to the EU market. To facilitate the agricultural trade with the EU the Moroccan monarchy follows a dual agricultural policy. On one side, the government facilitates the development of the export oriented farms, which are located on the most fertile part of the country. These agricultural elites are benefited by several programmes (national and EU projects) that aim to the modernization of the production and to the harmonization of the agricultural standards. On the other hand, substitute farmers are located on the less fertile parts of the country and basically they are excluded from any significant support and from the EU market. With this policy the state achieves two goals. The first is to control the big farmers by integrating them into the EU market. The second is to increase the revenues from agricultural production. At the same time, the Moroccan (and the Egyptian) authorities try to prevent the imports of European dairy and meat products by supporting the domestic meat production (FAO 2008). Yet, it is not certain that these measures will protect the local producers. According to the EC, from trade liberalization the non-competitive meat producers and the small-scale rain-fed agriculture in the partner countries will face the consequences of the ENP (European Commission 2006b, p3). On the other hand, the Tunisian agriculture is deeper integrated into the EU market. Therefore, the only measures that the government has taken so far are related to the harmonization of the relevant legislation.

The impact of the ENP Agreements are clear in sectors other than agriculture. What is important to mention here is that industrial ventures in these countries, most notably in Tunisia and in Morocco tend to concentrate in few industry subsectors (Bellin 2002, p29). In addition, the size and the business cycle of these companies are small. If someone counts the companies engaged in the informal sector then the average size of the North African companies is getting smaller. In addition, the vast majority of these companies is characterized by a low level of value

added. This is the reason why in front of fears of further liberalization, the investment confidence has declined in the North African countries (Bellin 2002, p33).

However, the North African state support has been contradictory. On the one hand, it has supported the local industrialists, in ways that do not contradict the logic of the ENP and of the market. One example of this logic is related to the procedures. For instance, in the past, the Egyptian state subsidized inputs to support the industries. Now, with funds provided by the EC, it has simplified the tax code and the procedures to open a new business (European Commission 2010b, p83). 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 average regional time and cost to start a business (EBRD/WB 2010, p3). In addition, the cost and time that are needed to export are below the regional average (EBRD/WB 2010, p24-28).

On the other hand, in front of the opposition from the small businessmen, the North African states liberalize their industrial markets slowly. The procurement procedures of these countries are different from the EU and they allow the North African states to offer grants to the local suppliers, distorting in this way the market (De Wull et al 2009, 14). High tariffs remain in force and they allow to the local entrepreneurs to be inefficient without losing their profits (UNCTAD 2008). Especially in Egypt, the country was able to forestall the ENP reforms when compared with the other two countries. This difference can be also partially explained by the size of its economy and its natural resources. In 2006/2007, the Suez revenues have increased by 17% and they form the 10,3% of the GDP (other types of transport are included in this percentage). Similarly, petroleum and mining (industries included) contribute 32,4% 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. 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 for undermining the economic independence of the country (Personal interview 13/12/2010). Yet, after 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. On the other hand, 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 (White 2001).

Yet, it is not everyone that seeks protection from the state. From trade liberalization the energy sector and the other export oriented industries will gain more profits. In Egypt, the local related

elites are thriving from the trade with the EU. Morocco and Tunisia are not oil exporting countries, but there the Desertec projects are implemented. More specifically, the first Desertec project is constructed in Morocco and the biggest local conglomerate (Nareva) that takes part belongs to the royal family (Van Niererk 2010, p4). So, in that case the political and the business elite are identical. Moreover, Morocco exports raw materials to Europe (especially phosphate) and in this case the related business elites share the same ideas with the Egyptian oil elites about free trade agreements.

These interests are not 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, p70). 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 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.

4. Conclusion

As a new policy the ENP receives growing attention. However, the existing literature fails to appreciate the role of the domestic groups and to show explicitly who benefits and who loses from the strategy. By following a closer sectoral approach, we can see that in Europe, the small farmers of South Europe are the main losers of the strategy. On the other hand, the ENP offers to the European meat and dairy companies a platform for greater penetration to the North African markets.

Regarding the industrial sector, the European business community clearly benefits from the ENP. The related business associations have produced position papers and argue that the ENP should primarily focus on further integration of the Arab countries. In addition, in the energy sector, the international pressures play a crucial role in the formation of the related agreements. Considering the ability of North Africa to produce solar power, many European companies lobby the EU member states in order to promote their interests in the region and to include certain projects in the ENP.

As well, the North African export oriented sectors and industries are benefited from 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, at the political level the situation in the North African states is different. The underlying notion of many bureaucrats that economic liberalization brings in the long run the end of political authoritarianism proved wrong. For many years, the North African states managed to design policies that did not change the state structures considerably, but on the other hand were within their international obligations. In that respect, the partner countries have adopted a series of reforms in order to harmonize 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.

The Arab Spring has challenged this top down political liberalization project. Yet did it challenge it temporarily or is it the threshold of a new era in the North Africa region? Certainly, the time is not ripe to make concrete conclusions, but the first signs show that things do not change rapidly and easily. The elections in Tunisia brought the moderate Islamist party An-Nahda in power. Immediately after the results, the leader of An-Nahda, Rachid Ghannouchi, announced that it will continue the liberal reforms in the economy. Ghannouchi mentioned as well his dedication to social religious conservatism and to family (The Guardian 2011).

So, what do these statements mean for the future of the decision-making processes in these countries? The continuation of the liberal reforms might have calmed down the European and domestic interests that benefit from free market, but is the design of the state policies changing? As shown above, 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 basically the state strategies are an outcome of a top-down approach. The aforementioned emphasis on the role of religion and on family ties indicates that

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at the economic level this method will hardly change. The new government may recalibrate the patronage networks, but pluralism will be limited. At this point a phrase of a member of an international NGO before the Arab Spring sounds timely. She said that ‘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).

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