

From Barcelona Process to Neighbourhood Policy

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Assessment of the Barcelona Process

2004 was the year when the European Neighbourhood Policy (ENP) was, for the Mediterranean region, introduced as a new tier on top of the existing Barcelona process. It has been said in the European Union institutions that the ENP is going to reinvigorate the Barcelona Process. This sounds like an interesting proposition, but it needs to be specified and examined. Where had the Barcelona process actually got to? What might the ENP add to it?

If the standard of assessment were that the Barcelona process should have been already transforming the region's economic and political trends, then it has not succeeded. The economic performance of the region has stagnated and its relative performance in relation to Central and Eastern Europe and most of Asia has deteriorated. Political reform has also been almost non-existent. Societal trends, for example tendencies in favour of radical Islam, are deeply worrying.

If the standard were whether or not Barcelona had created a constructive political and institutional infrastructure of comprehensive partnership between the region and Europe, which had the potential to be built upon and further strengthened in the early decades of the 21st century, then Barcelona has already

become a considerable achievement. The Barcelona Process has surely not been in the category of a strategic mistake, generating unexpected and counterproductive effects, such as causing conflict, destabilising societies or aggravating tensions between the European and Arab communities. This is not an empty remark, given the political tensions generated by US policies in much of the region. On the contrary, relations between the European Union and its partners are relatively cordial and constructive, and thus provide a plausible foundation for a deepened relationship.

European Neighbourhood Policy (ENP) so Far

The European Union started developing a new Neighbourhood Policy as soon as the big enlargement from 15 to 25 member states was becoming virtually certain and when, as a result, minds began to focus on what this would mean for the 'new neighbours'. Initially concerns were expressed for three Northern neighbours, Belarus, Moldova and especially Ukraine. But when the debate among foreign ministers and the Commission began to get serious, the Mediterranean member states voiced their concern that the South should not be relatively disadvantaged in any new initiative. In policy documents published in May 2004 the territorial ambitions of the initiative were progressively expanded to embrace all the European CIS states to the North and East and all the Mediterranean states of the Barcelona Process. The title of 'Wider Europe' was discarded in favour of European Neighbourhood Policy (ENP). The Commission initially gave the responsibility for developing the policy to a task

force mainly staffed from the Directorate-General for Enlargement, although this is now changed under the new Commission, with responsibility passed to the Directorate-General for External Relations. However the initial link to the enlargement people in the Commission had an evident impact on the content and method, even though the ENP was clearly stated not to imply a membership perspective. Like the accession negotiation process, the method was to be essentially bilateral and differentiated according to the ambitions and capabilities of the individual partner states. This has translated into the drawing up of Action Plans for each partner state, whose structure was derived from the standard agenda of the accession negotiation process. This meant a comprehensive set of chapters, covering in the first place the Copenhagen political criteria for democracy and human rights, going on to cover the subjects of the 'acquis', i.e. European Union norms for the four freedoms of movement of goods, services, capital and labour, further extended with the law of the single market policy, and sector policies that have significant legal or financial content. The table lists the chapters of the bilateral Action Plans, taking the example of Jordan. There are differences in the precise agenda for each partner state, but the general structure is the same for all. There are in the case of Jordan 38 chapter headings, which further break down into 260 bulleted action points or programmes.

While this huge list of desiderata is a modified transplant of the accession negotiation agenda, it is a political principle of the process that these are jointly agreed and jointly owned agendas. Looking at some of the details of the bul-

leted action points it is evident that the standard agenda has been screened by the partner state, so as to import references to relevant national policies and plans. Where there is an identifiable national policy the reference is made. Where this is not the case there is either a general recipe of reform in the direction of conventional thinking (e.g. Washington consensus doctrine) or alignment on European Union norms. Given the virtually encyclopaedic agenda, the degree of specification of many of the bulleted action points is short and banal, such as:

“Continue progress with the privatisation programme,” or
“Strengthen banking regulation and supervision.”

However a main difference with the Barcelona Agreements is the considerable switch in emphasis moving on from vague intention to co-operate to the prescription of harmonisation on European Union norms and standards, or at least converge towards them, such as:

“Establish a binding, uniform definition of state aid compatible with that of the EU”
“Establish a list of priority sectors for Jordan to participate in the EU internal market,”
“Draw up a list of measures for gradual legislative approximation towards the principles of EU legislation in sanitary and phyto-sanitary food safety domains.”

More precisely the main differences seen in the draft Action Plan (for Jordan) compared to the (1997 Jordanian) Association Agreement are:

- The democracy and human rights agenda is far more developed.
- Co-operation in foreign and security policy and conflict resolution is a new feature.
- In trade policy little is added to the free trade plan set out in the Agreement.
- In the internal market domain a lot of

prescriptions for policy reform, development and alignment of European Union standards are introduced in the Action Plan.

- The transport and energy policy domains are much more detailed and specific, also with advocacy of European Union standards or regulatory approaches.
- In the justice and home affairs domain the Action Plan is much more developed, whereas the Agreement went little beyond vague intentions to co-operate.

These developments largely match the evolution of the European Union's own policy competences since 1997.

The Action Plans will be layered on top of the existing Association Agreements, rather than replacing them. There is therefore important material that is not repeated in the Action Plans, for example the free trade timetable of commitments and the general institutional and procedural provisions.

There is no new drafting on the political conditionality, which is carried over from the Association Agreement. This means using the standard formula found in all European Union external association agreements, with linkage between two articles. A first article states the common commitment of the two parties to democracy and human rights and a later one says that if one party fails in its obligations, the other party may take 'appropriate measures'. This highly diplomatic formulation is generally interpreted to mean that the European Union could withdraw advantages under the agreement (e.g. trade or aid) in the event of serious default over political commitments and in an extreme case suspend the Agreement. However this has never been done in the history of the Barcelona Process.

An effort is made in the Action Plan to open up perspectives for an ongoing dynamic in the relationship, with a section outlining “New Partnership Perspectives,” which are summarised in the table using the case of Jordan. The idea is to offer perspectives of positive evolution under all headings: trade,

market integration, aid, sector policy co-operation and the institutional/contractual relationship. A notable absentee on this list is the perspective for liberalisation on the movement of persons (visas or migration). None of the positive perspectives are defined in operational or legally binding terms. This means that the whole issue of incentives and conditionality is left hanging in the air.

Sequencing of Democratic versus Economic Reforms

The European Union policy vis-à-vis Central and Eastern Europe has favoured the simultaneous promotion of political and economic liberalisation across the whole region. In the Western Balkans, the European Union has so far concentrated in the first place on state consolidation and institution-building – a third layer of problems superimposed on the initial political and economic conditions in the region. But because the Western Balkan countries are headed towards full EU membership, the recipe of double transition with incremental improvements on both political and economic governance will be applied.

The European Union faces a completely different task vis-à-vis its Southern neighbours, the Arab states of the Mediterranean. So far the European Union policy has been a textbook example of seeking to promote modernization through economic means, as Barcelona gave precedence to economic reform. Following in this tradition the first and most obvious candidate for being a 'driver' is the proposal in the Action Plan to bring the partner states closer to the European Union internal market. A recent study published under the World Bank/European Commission programme, regarding Mediterranean economic infrastructure, develops this proposition in some depth and rather convincingly.¹ According to this study, the potential benefits for the Mediterranean partner states offered by free trade (which is already programmed) are

¹ Daniel Mueller-Jentsch, “Deeper Integration and Trade in Services in the EuroMediterranean Region – Southern Dimensions of the European Neighbourhood Policy,” World Bank, 2004.

1. Enhanced Political Dialogue and Reform

Democracy and the rule of law
 Human rights and fundamental freedoms
 Cooperation on foreign and security policy
 Regional conflict prevention and crisis management

2. Economic and Social Reform and Development

Monetary, exchange rate and fiscal policies
 Functioning of market economy
 Social situation, employment and poverty reduction
 Regional development
 Sustainable development

3. Trade-Related Issues, Market and Regulatory Reform

Movement of goods
 Trade relations
 Customs
 Technical regulations, standards (EU harmonized areas)
 Administrative procedures (EU non-harmonized areas)
 Sanitary and phyto-sanitary issues
 Right of establishment, company law, services etc.
 Movement of capital and current payments
 Movement of persons
 Regional cooperation
 Other key areas
 Taxation
 Competition policy
 Intellectual property
 Statistics
 Enterprise policy
 Public financial control

4. Co-operation in Justice and Home Affairs

Migration issues
 Border management
 Fight against organized crime
 Drugs
 Money laundering
 Combating terrorism

5. Transport, Energy, Information Society and Environment

Transport
 Energy
 Information society
 Environment
 Science and technology, research

6. People to People Contacts

Education, training and youth
 Culture and audio-visual issues
 Public health

rather modest by comparison with what could be achieved by policy reforms and competitive private sector development in the area of 'backbone services', such as transport, logistics, financial services, telecommunications and electricity, as well as other service sectors that can profit from proximity to the European Union market, such as tourism, IT services, business and professional services and distribution. All these services also have to become competitive to give manufacturing and agricultural production sectors a chance to profit from their potential comparative advantage (due to proximity and cheap labour) in relation to the European Union market. Moreover the vision of broader political-economic integration with the European Union could in principle help overcome interest group obstacles to reforming micro-economic policies. The first merit of the Action Plans is, therefore, that it opens up this perspective.

Stimulating political reforms of the authoritarian regimes in the South has not received the same policy attention as it did in the case of the former communist dictatorships. A second candidate for the European Union's role as 'driver' is in the field of democracy and human rights. This is displayed in the Action Plans in the considerable detail given to these political governance issues, compared to the previous agreements. Indeed, as Table 8 illustrates, progress towards democracy has been virtually zero.² However the Action Plans, being jointly agreed with the partner state governments, are unsurprisingly careful and cautious. Wholesale adoption of the Copenhagen political criteria, as for European Union accession candidates, is not the model. Rather, the Action Plans are identifying those elements in the existing reform agendas of the partner states that have at least a partial fit with the Copenhagen criteria. Thus, Jordan undertakes to implement its 'Judicial Upgrading Strategy', and its 'Higher Media Council', etc. Progressive, partial and controllable political reform is the name of the game. Whether this will succeed in setting in motion broader democratic dynamics remains to be seen.

² See Daniel Brumberg, 2002. "Democratization in the Arab World? The Trap of Liberalized Autocracy," *Journal of Democracy* 13 (4): 56-68.

'Priorities for Action'*Political:*

- National dialogue on democracy
- Independent judiciary
- Further freedom of expression and media
- Equal treatment of women
- Political dialogue, e.g. on peace process and terrorism

Economic:

- Measures to enhance growth and investment
- Further liberalisation of trade
- Progressive liberalisation of services
- Management of migration and some visa facilitation
- Sustainable development, poverty reduction
- Develop economic infrastructure networks
- Cooperation on science and technology

'New Partnership Perspectives'*Political and Institutional:*

- Upgrade of political co-operation
- Enhance institutional co-operation between administrations with sub-committees
- New contractual arrangements to be considered in due time

Economic:

- A significant degree of economic integration, including a stake in the EU's internal market
- Convergence of economic legislation, reduction of barriers,
- Deepening trade relations, extended progressively to cover agriculture and services

Aid and Other:

- Increased financial support with new neighbourhood instrument and EIB
- Technical assistance
- Reinforced co-operation in several domains: cultural, educational, environment, etc.

While the economies of the Southern neighbours have functioned according to market principles for some time, most have inadequate regulatory frameworks for a modern competitive economy.³ A comparison between the European Union accession countries from Central and Eastern Europe (8 of whom are already European Union members) and the MEDA countries with regard to their score on a synthetic indicator for governance constructed by the World Bank suggests that the Southern neighbours fall behind in terms of structural and institutional reform underpinning the success of the advanced economies nowadays (see graphic 12).

In any case the time seems now to have come for a recalibration of European Union policies in the area of democra-

tisation. Even without demanding full compliance with the Copenhagen political criteria, the European Union could strengthen the democracy emphasis in its relations with the Southern neighbours through:

- willingness to raise issues of human rights and questions of adequate democratisation strategies more forcefully in political dialogue;
- finer and more coherent application of MEDA aid projects and programmes for improvement of human rights protection, governance and civil society development. In the context of structural adjustment, greater thought could be given to the conditioning of budgetary support to the partner's respect for human rights in its poli-

cies and systematic practice;

- systematic consultation with civil society, in particular with movements and organisations embedded in society and those working in controversial areas such as civil and political rights;
- engagement with moderate, non-violent Islamist parties where these have evident mass support in the partner states. Where these parties are excluded from participation in official political institutions of electoral democracy, the European Union may have to promote 'track 2' activity with academics, think tanks and NGOs to connect with the 'hearts and minds' of moderate Islam.

Conclusions

On the Barcelona Process, our assessment is that it has been a valuable systemic/institutional advance in Euromed relations and a valuable confidence-building measure on a large scale. But it has not been a sufficient driving force to have created a momentum of economic, political and social advance in the partner states. Nor is it evident which might have been the potential domestic drivers of change with which the incentives of the Barcelona Process might in recent years have connected with greater effect.

It is therefore quite plausible that the European Union should seek some new advance – through the ENP – to build on the positive features of Barcelona and so try to introduce some new driving force.

The Action Plans currently being adopted point to a way ahead. In essence these are proposing to replace many of the vague intentions in the Association Agreements of the Barcelona Process with another very extensive set of policy prescriptions. The particularity of the Action Plans is that they seek to make these prescriptions more operational by linking them either to domestic policy programmes of the partner state or to European Union policy norms and standards as an external anchor.

The major outstanding questions concern the mechanisms for setting these

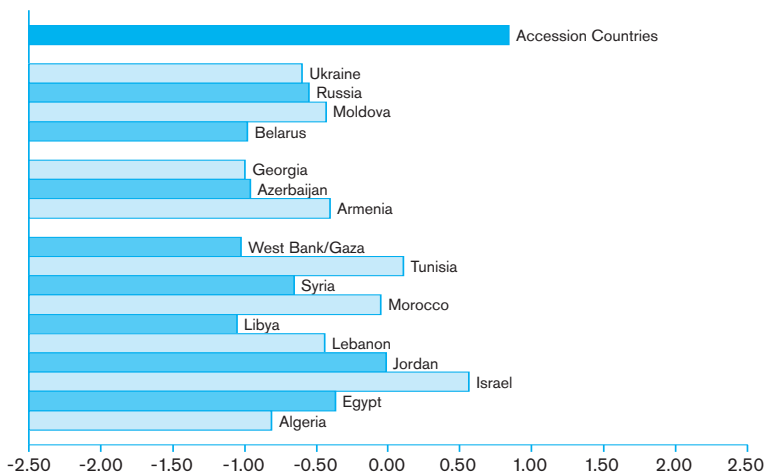
³ Michaela Dodini and Marco Fantini, "The EU Neighbourhood Policy: Implications for Economic Growth and Stability," European Commission, Directorate General for Economic and Financial Affairs, July 2004.

TABLE 8 Middle East and Northern Africa: Average Ratings of Political Rights and Civil Liberties

	1973	1983	1993	2000	2003
Maghreb	5.9	5.4	6.0	5.6	5.8
Algeria	6.0	6.0	6.5	5.5	5.5
Libya	7.0	6.0	7.0	7.0	7.0
Morocco	5.0	4.5	5.0	4.5	5.0
Tunisia	5.5	5.0	5.5	5.5	5.5
Mashreq (excl. Palest. & Israel)	5.3	5.3	5.6	5.5	5.9
Egypt	6.0	5.0	6.0	5.5	6.0
Jordan	6.0	6.0	4.0	4.0	5.0
Lebanon	2.0	4.5	5.5	5.5	5.5
Syria	7.0	5.5	7.0	7.0	7.0
Israel	2.5	2.0	2.0	2.0	2.0
Gulf	5.6	5.5	6.1	5.7	5.7
Bahrain	5.5	5.0	6.0	6.5	5.0
Iran	5.5	6.0	6.5	5.5	6.0
Iraq	7.0	6.5	7.0	5.5	6.0
Kuwait	3.5	4.0	5.0	4.5	4.5
Oman	6.5	6.0	6.0	5.5	5.5
Qatar	5.5	5.0	6.5	6.0	6.0
Saudi Arabia	6.0	6.5	7.0	7.0	7.0
United Arab Emirates	5.5	5.0	6.0	5.5	6.0
Yemen	5.5	6.0	4.5	5.5	5.0
Total Average	5.6	5.4	5.9	5.6	5.8

Note: Country Status: 1 to 2.5 – Free, 3 to 5 – Partly Free, 5.5 to 7 – Not Free.
 Source: <http://www.freedomhouse.org/ratings/allscore04.xls>

GRAPHIC 12 Governance in the EU Neighbourhood



Source: 2003 WB Governance Indicators.
 Legend: The indicator is an average of the score for 6 indicators developed by the WB: voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption.
 Source: Michaela Dodini and Marco Fantini, "The EU Neighbourhood Policy: Implications for Economic Growth and Stability," European Commission, Directorate General for Economic and Financial Affairs, July 2004.

comprehensive Action Plans into real motion, rather than relapse into token diplomacy. This involves two main issues: first is how the Action Plans are to be worked out in operational detail. Some items, like trade policy, can be worked out in the course of direct negotiations between the two parties. However, for the larger part, the substance relates to internal policies of the partner state, and here the European Union would do well to join forces with the World Bank, which has huge expertise that can be used to define sector reform plans of key sectors, such as financial services, transport and energy. The Commission and World Bank have experience in working together, notably in Central, and South-Eastern Europe in the context of European Union enlargement and the Balkan Stability Pact.

Second, is how far the European Union may now be willing to go in introducing some meaningful conditionality in relation to the economic and political incentives it can offer. In the economic domain there is an obvious opportunity to achieve synergy between three main actors – the Commission, the European Investment Bank (EIB) and the World Bank. The EIB has not so far tried to link its investment financing activities to economic policies being pursued in sectors concerned by its investments, even though it is the largest investment financier in the region. But with the Commission and the World Bank hopefully collaborating to define sector policy recommendations, there is an obvious opportunity for the EIB to associate its operations with these recommendations as part of the conditions for its investment decisions.

On the familiar issue of sequencing or relative prioritisation of economic versus political reform efforts, it looks plausible that pro-democracy efforts should receive a stronger emphasis under ENP compared to the Barcelona Process so far. The European Union is well positioned to help set in motion an important dynamic in market reform areas, linked to its own internal market policies.

THE BARCELONA PROCESS AND THE EMPLOYERS' CONFEDERATIONS

On 23rd July 2004, the Union of Mediterranean Confederations of Enterprises (UMCE) and the Union of Industrial and Employers' Confederations of Europe (UNICE) addressed a joint message to the 5th Euro-Mediterranean Conference of Industry ministers (Caserta, 3rd and 4th October 2004). The points to highlight were the following:

The process of Euro-Mediterranean economic integration needs more political will, as it is moving neither fast enough nor far enough. Proof of that are the relatively low effects on growth and job creation in the partner countries.

The European Union should look carefully at the results obtained since the Barcelona Declaration took place, by deploying more means in order to strengthen the effectiveness of Euro-Mediterranean policy in the future.

The Southern Mediterranean Countries must clearly accelerate economic reforms, make some significant progress in South-South relations and harmonise regulatory frameworks towards the Euro-Mediterranean free-trade area. All these points are crucial for the overall success of the Euro-Mediterranean project. Furthermore, the Employers' Federations believe it essential that the Southern Mediterranean Countries become members rapidly of the World Trade Organisation, by contributing positively to the success of the Doha Development Round.

The Euro-Mediterranean Summit of Heads of State and the European Commission should reinforce consultation with the private sector, in order to be able to launch with all the necessary authority a new strategic phase for the Euro-Mediterranean Process.

The financial perspectives 2007-2013 are an opportunity to achieve better financial support from the EU in the framework of the Neighbourhood Policy and to take stock of the results obtained by the MEDA programme since its launch. There is also a need to define new and more effective instruments. On this point, UMCE and UNICE urged the European Commission to prepare and publish a detailed report, evaluating the results obtained by MEDA, which can serve as a basis for debate on changes to transform it into an instrument that genuinely facilitates Euro-Mediterranean economic integration.

Promotion of investments should become a top priority. Therefore, transfers of technology and know-how, as well as increased productivity would be logical consequences of facilitating investment promotion.

The need for greater flexibility for the mentioned financial instruments and procedures is a cornerstone. For instance, the European Commission and EIB's FEMIP, coupled with bilateral funds and programmes, should make available to potential investors an integrated package of

advisory and financial services, grants and loans, escaping from a bureaucratic logic and putting in place instruments which meet market needs. Finally, promoting private investment to increase the attractiveness of Southern Mediterranean countries will constitute one of the main conditions for their economic expansion. Strong involvement of the private sector is a *sine qua non* for the success of the Euro-Mediterranean project. Successful experience with the projects successively managed by UNICE and UMCE, shows that the private sector can be trusted to facilitate Euro-Mediterranean integration on the ground and to strengthen sectoral and local organisations, which provide day-to-day assistance to their associate companies. Hence, using the expertise of the private sector can be used to good effect, such as for making a success of integrated investment promotion programmes in the partner countries.

Finally, UNICE and UMCE welcomed the Euro-Mediterranean Charter for Enterprise as an instrument for promoting corporate competitiveness and setting objectives for enterprise policy in Southern Mediterranean Countries. In their opinion, the success of the Charter depends on its effective implementation. To that end, it is essential to carry out a regular assessment of the results, using the most quantifiable indicators possible.