The Euro Crisis and Euro-Mediterranean Relations

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Since late 2009, the European Union (EU) has been hit hard by a dramatic sovereign debt crisis that has undermined its internal cohesion, triggered a profound economic recession in the eurozone and worsened European citizens' living conditions. In the middle of the euro crisis, at the beginning of 2011, an unprecedented wave of popular mobilisations spread to the Southern Mediterranean (SM) region, leading to the fall of three dictatorships in Tunisia, Egypt and Libya. The Arab uprisings have opened a unique opportunity for the EU to develop a new relationship with SM countries. After its timid reaction, the EU indeed responded to the Arab awakening by proposing a renewed strategy for the southern neighbourhood, as described in the joint communications of the High Representative and the Commission of 8 March 2011 ("A Partnership for Democracy and Shared Prosperity with the southern Mediterranean") and of 25 May 2011 ("A New Response to a Changing Neighbourhood").

In the new documents, acknowledging its previous poor performance and mistakes, the EU shows a major commitment to sustainable political change, focusing on the promotion of "deep democracy," that is freedom of association and expression, respect for the rule of law, the fight against corruption, security reforms and democratic control over armed forces, as well as supporting a greater role for civil society organisations. In order to persuade SM partner countries to carry out deep political reforms, the EU sets out an incentive-based approach that relies on greater differentiation amongst SM countries according to the principle of "more-for-more" and offers them concrete rewards in three areas: more funding, an increase in the mobility of SM populations and greater access to the EU market.

However, as this article will show, while the Arab uprisings have created extraordinary momentum for rethinking EU-Mediterranean relations, the euro crisis has contributed to hindering the EU's ability and willingness to play a meaningful and proactive role in fostering genuine political change in the SM region.

EU Foreign Assistance in a Time of Austerity

Financial Aid Not Enough

The economic crisis in the eurozone has primarily challenged the EU's commitment to deliver more money for the SM region. As a result of fiscal austerity and consequent budget cuts in many European countries, since 2010 the EU official development assistance (ODA) has been steadily falling, reversing the trend seen in the last decade. From 2010 to 2012, the total ODA of the 27 EU Member States decreased from 0.44% to 0.39% of EU GNI, with crisis-struck states like Greece, Spain and Italy, experiencing the sharpest cuts.

Although, following the Arab uprisings, the EU has provided additional financial aid to SM countries, its room for manoeuvre has been seriously constrained by shrinking economic resources. Much of the aid devoted to SM countries has been simply reallocated away from the EU budget for Asia and Latin America (Vaïsse and Dennison 2013). Most importantly, the level of financial assistance pledged to the southern neighbourhood has been insufficient to offer serious incentives to undertake real political reforms. Not only do the figures reported below fall clearly short of the Member States' earlier promises for a Marshall Plan, but they disappoint the expectations of post-uprising governments and ordinary citizens confronted with enormous economic and political challenges, as claimed by SM officials on various occasions and recently acknowledged by the European Parliament President himself Martin Schulz.

The new EU aid package allocated to the southern neighbourhood has been increased by €700 million, in addition to the €3.5 billion already programmed for the 2011-2013 period. In spite of the emphasis put on democracy promotion, no substantial reorientation of aid assistance toward greater support for political reform seems to have occurred. The new SPRING program (Support for Partnership, Reforms and Inclusive Growth), which should disburse fund in accordance with a country's progress in building democracy, is provided with a total amount of only €540 million for the period 2011-2013. Additional funds to foster democracy promotion and support civil society initiatives are limited. Within the framework of the Civil Society Facility (CSF), SM countries have received €12 million for 2011 and another €22 million for the 2012-2013 period; and the European Endowment for Democracy (EED), inaugurated only in January 2013, has so far attracted about €14 million, still a long way off the €100 million annual budget envisaged by the Polish Presidency in 2011. Under the pressure of financial problems, several EU Member States such as France, Italy, Great Britain, Spain and Ireland, have refused to contribute to the EED's budget.

Financial Support in the Form of Loans

Partly owing to the declining ODA, beyond direct aid, the rest of the EU's financial support for SM countries is channelled in the form of loans through the European Investment Bank (EIB), which approved €1.7 billion of extra loans in the southern neighbourhood in 2012, and the European Bank for Reconstruction and Development (EBRD), which allocated €1 billion in May 2012 to start operations in Egypt, Jordan, Morocco and Tunisia. These funds are substantially geared towards fostering economic development in SM countries by supporting the private sector.

However, channelling much of the EU's foreign assistance through the EIB and the EBRD carries the risk of making the EU's renewed initiative less effective and attractive to SM countries. EIB activities in developing countries appear to have benefited corrupt elites and multinational companies rather than local populations because, among the many problems, they are badly monitored and lack transparency over spending on loans (Tricarico 2010). Continuing to ignore the deep linkages between political and economic dynamics in SM countries where crony capitalism and corruption are pervasive will certainly reproduce the same inefficiencies and failures of the past.

In response to rising frustration, soaring euroscepticism and diffuse anti-immigration sentiment, several European governments have increasingly taken drastic measures to contain immigration, citing the difficult economic situation as a reason

Moreover, civil society organisations and public opinion in a number of SM countries have a negative perception of financial aid channelled through loans, as this has increased dependency on foreign countries. Groups such as the Popular Campaign to Drop Egypt's Debts and the Tunisian Committee for the Abolition of Third World Debt indeed demand debt relief from the EU. The possibility to turn debt relief into an incentive for SM countries to adopt political reforms was disclosed by European governments in a summit held in February 2012, but no concrete step has been taken so far to address the issue.

EU Migration Policy

Soaring Euroscepticism and Spreading Anti-Immigration Sentiment

The euro crisis has also posed serious challenges to the adoption of a renewed migration policy toward SM countries. Unpopular austerity measures, high unemployment levels and economic recession in Europe have fuelled discontent toward national governments and anti-immigrant feelings. Right wing political parties such as the National Front of Marine Le Pen in France and the Golden Dawn in Greece have made unprecedented electoral gains in the last two years. In the Greek June 2012 elections, the Golden Dawn, which sustains an anti-immigrant programme, won 7% of the vote for the first time in the national Parliament.

In response to rising frustration, soaring euroscepticism and diffuse anti-immigration sentiment, several European governments have increasingly taken drastic measures to contain immigration, citing the difficult economic situation as a reason. In 2012, Greece carried out mass arrests of illegal immigrants, with many of them sent back to their countries of origin. In March 2013, UK Prime Minister David Cameron announced that welfare benefits for recently arrived immigrants would be curtailed. Since 2011, with the arrival of refugees from Tunisia and the massive influx of illegal immigrants across the Greek-Turkish border, several EU Member States have displayed growing resistance to the free movement of people across EU borders, seriously putting into question the Schengen system. The decision taken by EU Interior Ministers in March 2013 to delay the expected Bulgarian and Romanian membership of the visa-free Schengen zone is just one of the most recent episodes.

In a context marked by the economic crisis, EU Member States have tended even more to prioritise national interests in the management of immigration flows. This was clear when, in early 2011, in the wake of the Arab uprisings, a diplomatic dispute arose between France and Italy over the influx of migrants arriving from the southern Mediterranean to Italy. On that occasion, France, Germany, and the UK firmly resisted Italy's call, shared by other EU Mediterranean States, to help share the burden of these new arrivals. Furthermore, Greece has frequently lamented the lack of solidarity and responsibility-sharing from other European countries to tackle illegal migration crossing the Greek-Turkish border.

No Chance to Implement a Mutually Beneficial Migration Policy

Against this backdrop, the chances of an innovative and mutually beneficial migration policy being established between EU and SM countries appear very slim. Negotiations on Mobility Partnerships have indeed proceeded very slowly, with some progress made only in Morocco. The country signed an agreement with the EU in March 2013 that, for the moment, only concedes visa issuance facilitations for certain categories of persons, namely students, researchers, business men and women, and makes the signature of a Mobility Partnership dependent on Morocco's commitment to accept a readmission agreement with the European Union. As the case of Morocco clearly shows, in the current form proposed by the EU, Mobility Partnerships appear to offer still unattractive possibilities for migration to SM countries as they do not allow mobility for purposes of employment, while at the same time imposing rigid conditionality requiring SM countries to adopt European security policy instruments (Carrera et al. 2012).

Encouraged by growing intra-EU tensions and in response to internal pressures, in 2011 and 2012, southern European countries like Spain, Greece and Italy have continued to prioritise a purely security-focused approach in their bilateral relations in the field of migration with SM countries; i.e. stricter border controls, systematic detention of irregular immigrants and forced returns, even at the cost of serious violations of immigrants' rights and despite critics from EU institutions (for example, see Paoletti 2012).

Euro-Mediterranean Economic Relations

The Implications of the Euro Crisis for EU Trade Policy

The euro crisis has contributed to delaying progress in economic integration in the Euro-Mediterranean area. As far as EU Member States are concerned, inward-looking market-protection against non-EU countries is on the rise as shown by a marked increase of export subsidies and invisible forms of protectionism (Youngs 2011). As a way to overcome the internal financial crisis, European countries have been more aggressive in their pursuit of bilateral economic relations with emerging countries such as China, India Japan and Gulf countries, away from EU common approaches (Youngs and Springford 2013). Following the same logic, over 2012, France and Spain have reinvigorated their commercial diplomacies with North African countries to advance their specific economic interests. At the end of 2012, French President François Hollande, accompanied by numerous businessmen, visited Algeria, becoming the first French President to do so since 2007, with the sole purpose of strengthening French investment opportunities, while he refrained from commenting on the political situation. The result is that competition among Member States for commercial access to new markets has become fiercer, threatening EU solidarity and common EU Trade policy (Youngs and Springford 2013). In light of these trends, European countries are unlikely to accept a lifting of the protectionist barriers that have so far limited EU market access for SM countries.

The Impact of the Euro Crisis on SM Countries

The euro crisis may have reinforced the perception in SM countries that gains from free trade with the EU are limited, underscoring the risks of heavy dependence on trade exchanges with Europe. Due to EU economic recession, trade between the EU and SM partners, particularly Egypt, Tunisia and Morocco, has slowed down. Given these developments, trade integration in the Euro-Mediterranean area is likely to be seen with increasing scepticism in SM countries. For example, the EU-Tunisia Privileged Partnership that was agreed in November 2012 has been strongly criticised by a number of political and social forces that have warned of the risks in deepening economic relations with the EU in the context of the current crisis.

Faced with dramatic economic problems, SM countries show little interest in trade liberalisation agreements that require partners to accept the EU's full set of market rules and whose social effects in the coming years are likely to be high, at least initially. Also agricultural trade liberalisation, as currently envisaged by the EU, holds a limited attraction for SM countries. If Europe's Common Agricultural Policy (CAP) is not drastically reformed by reducing farmer subsidies, the promised liberalisation of trade in agriculture is unlikely to bring about expected gains for SM countries.

In the context of the economic crisis, the reform process of the CAP, which is underway, remains unpredictable. With worsening financial conditions for a number of EU Member States, stronger protectionism tendencies could prevail partly owing to pressure from the farming lobby. This could lead reform-oriented countries to refrain from a radical revision of the CAP in order to avoid further tensions. In contrast to this, however, the euro crisis could strengthen the front of those countries who support CAP reform (such as the UK, Sweden, Denmark and The Netherlands) in the conviction that a radical change of the EU's Agricultural policy and therefore a substantial revision of the EU budget are necessary steps towards coping with the ongoing economic crisis.

EU Trade Integration Jeopardised

Partly as a result of the above trends, over the past two years, progress in trade negotiations between EU and SM countries has stalled, with the exception of Morocco. Negotiations for a Deep and Comprehensive Free Trade Agreement (DCFTA) between Morocco and the EU were started at the beginning of 2013, while an agreement on agriculture liberalisation entered into effect in October 2012. Although in November 2012, Tunisia received 'advanced status,' the exact details of the agreement, especially on trade liberalisation of service and agriculture, still require further negotiations that have been postponed until the next elections.

Meanwhile, the ongoing crisis in Europe seems to have accelerated a trend already visible in several SM countries in the pre-crisis period, namely the diversification of trade partners outside the EU. Post-uprising countries such as Tunisia and Egypt have deepened economic relations with Gulf countries, particularly Qatar, Saudi Arabia and Turkey. In Tunisia, over the last two years, Qatar has become the first foreign investor in the country to supersede France. With Europe facing serious economic hardships, Morocco is also increasingly turning toward Africa in the hope of strengthening economic ties.

The Promotion of "Deep Democracy" in the Context of the Euro Crisis

The Crisis Has Weakened the EU's Political Will and Ability to Encourage Genuine Political Reform

It seems clear that the euro crisis has contributed, at least in part, to discourage real rethinking and concrete action in EU policies toward SM countries, particularly in promoting genuine political reform. In the context of the euro crisis, the EU has became increasingly less interested and capable of taking advantage of the great opportunities opened by the Arab awakening. Since the sovereign debt crisis, EU Member States, particularly southern countries, have increasingly turned their attention toward internal problems and, under the pressure of austerity measures, have been compelled to significantly revise foreign priorities and financial assistance. Moreover, by provoking growing resentment and mistrust among EU Member States, particularly between Northern Europe and Southern Europe, the euro crisis has deepened intra-EU divisions on both internal and external affairs. These contrasts have undermined coherence and unity in EU foreign policy as well as encouraged EU Member States to be even more vigorous in securing their national ambitions in migration policy and trade relations.

Immersed in their own internal problems, hard-pressed by economic recession and more interested in defending their own strategic concerns in external action, many EU Member States have relegated democracy support in SM to second priority. As seen above, the EU has thus failed to deliver an attractive package of incentives in terms of financial assistance, trade and mobility, weakening the relevance of political conditionality.

Inconsistencies in EU Democracy Promotion Efforts

After launching several positive initiatives in the field of democracy promotion, EU Member States have shown a lack of intent in advancing them. As shown above, the institutions specifically tailored to sustain political reforms in SM remain underfunded. The EU's renewed emphasis on civil society participation has not been accompanied by concrete and genuine changes. In November 2012, Egyptian human rights organisations were prevented by the Foreign Minister from taking part in the first Egyptian-European Task Force, with no reaction from the EU delegation. In the SM countries where, after popular mobilisations, incumbent regimes are still in place, EU funding continues to be channelled toward civil society groups that are co-opted by political rulers. In Tunisia, civil society organisations lament that the signing of the Privileged Partnership with EU was done without the approval of the National Constituent Assembly and dialogue with civil society groups. Overall, negotiations between EU and SM governments have continued to take place behind closed doors, with scarce or no participation from civil society forces.

The EU's approach to democracy promotion in the SM region is fraught with many other inconsistencies, as shown in the cases of Algeria, Egypt, Morocco, Jordan and Libya (see Vaïsse and Dennison 2013). For example, the criteria through which the EU has disbursed incentives to SM countries appear unclear and not always congruent with the more-for-more principle. While this is certainly due to lack of clear benchmarks and monitoring mechanisms, it also reflects the fact that the EU's strategic interests, for the reasons discussed above, continue to militate against a more proactive support of political reform. As a case in point, the EU has backed and praised the political reform process overseen by the Moroccan King in spite of purely cosmetic political changes. In addition to "more trade," under the SPRING program the EU has offered Morocco similar financial incentives to those offered to Tunisia, amounting respectively to €80 million and €100 million. Morocco has also benefited from more than half of the €1.7 billion disbursed by the EIB in the SM region in 2012.

With regard to Egypt, a key strategic player in the Palestinian-Israeli conflict and the Syrian crisis, the EU has maintained a wait-and-see approach for almost two years, limiting its action to expressing concern against human rights violations, while refraining from pressing post-uprising authorities to implement reforms in key strategic sectors such as security, justice, and media systems. On 14 November 2012, at the first EU-Egyptian task force, the EU announced its decision to offer Egypt a package of €5 billion of loans and grants. However, only a minimal part of this aid package is made conditional to political reform, namely €90 million from the SPRING program.

At the same time, the EU has conditioned the disbursement of €500 million to the signing of a loan programme between the IMF and Egypt, whose approval has been postponed since 2011. By tying the provision of its assistance to the adoption of an IMF package of austerity measures, the EU seems to completely ignore that continuing with the same economic model pursued over the last two decades cannot but lead to a deepening of those same forms of exclusion that contributed to the outbreak of the Egyptian uprising and to an aggravation of political uncertainty. It also neglects that most Egyptian political and social forces have criticised negotiations between government authorities and the IMF for lacking transparency (for example on the details of the programme tied to the IMF loan) and genuine consultation with civil society groups.

The EU's Leverage on SM Countries at Serious Risk

Since the onset of the crisis, the EU has lost a great deal of credibility and attractiveness, not only among its own citizens but also around the world. To the eyes of SM populations, the euro crisis has come to further undermine the EU's already compromised credibility. A lack of improvement in EU migration policies is likely to have generated much frustration in North African countries that value greater mobility of national citizens as particularly relevant. Despite the many failures of the past, the EU has re-proposed the usual free trade agenda that, at least up to now, has not delivered SM countries the promised advantages. The EU continues to give the impression that its commitment to promote political reform in the SM region is less motivated by genuine intentions than by geopolitical and economic concerns. The question of political conditionality in the SM region is made complicated by increasing competition of non-European actors such as Qatar, Saudi Arabia and Turkey that, in the post-uprising phase, have disbursed generous assistance to SM countries, particularly Egypt and Tunisia, with no formal strings attached on political reform.

As the eurozone crisis is far from being solved and competition by non-European actors intensifies, the EU's leverage to encourage political transformation in SM countries is at serious risk. In the light of the above context and of persistent political uncertainty in the SM region, it remains to be seen whether or not SM partners will be interested in deepening political reforms on the basis of scarce economic incentives that tie them even more closely to a declining Europe, unwilling and incapable of offering a mutually beneficial partnership.

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