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PROMOTING ECONOMIC AND POLITICAL RECONSTRUCTION IN THE MIDDLE EAST: ROOM FOR EU-US COOPERATION?

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PROMOTING ECONOMIC AND POLITICAL RECONSTRUCTION IN THE MIDDLE EAST: ROOM FOR EU-US COOPERATION?

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Perspective

The focus of this paper is on the strategies which the EU and US are pursuing so as to promote the economic and political reconstruction of the Middle East. The central issue is whether EU and US policies are mutually compatible and, if so, whether they should be coordinated. Current developments in Iraq of course provide a focus to this issue, but the concern relates to the region as a whole.

The bringing together in this paper of economic reconstruction and political reconstruction itself reflects a common starting-point in US and EU policy. Both US and the EU policy-makers emphasise that political change must accompany any coherent attempt at economic development in the Middle East. On the EU side, the link between economic and political dimensions has been explicit since the early 1990s. It was first mooted in discussions about creating a Conference on Security and Cooperation in the Mediterranean in 1990/1, when European countries were reformulating their policies in the Middle East following the Iraqi occupation of Kuwait.¹ The link was not, however, articulated in any formal EU document until the Barcelona Declaration of 1995. This now provides the documentary foundation for EU policy in the Mediterranean. The declaration insists on the importance of political change, deftly interlacing the economic and political. It calls for a “strengthening of democracy and respect for human rights, sustainable and balanced economic and social development, measures to combat poverty and promotion of greater understanding between cultures”², where these different elements are conveyed as being mutually-dependent.

Developments subsequent to, and following from, the Barcelona Declaration have given practical effect to the Declaration’s linking of the political and economic dimensions. The MEDA programme, established as the principal financial instrument of the EU in implementing the Euro-Mediterranean Partnership, was given responsibility for promoting human rights and democratisation as well as economic development and interchange.³ The association agreements, signed by the EU with individual non-EU Mediterranean countries, all state (in Article 2 of each) that respect for human rights and democratic principles underlies the policies pursued and is an essential element of the agreements. The Association Councils, established by each association agreement have

¹ See Ministry of Foreign Affairs (Italy), *The Mediterranean and the Middle East After the War in the Gulf: the CSCM* (Rome: Ministry of Foreign Affairs, 1991).

² “Barcelona Declaration”, adopted by the Euro-Mediterranean Conference, 27-28 November 1995, available at <http://europa.eu.int/comm/external_relations/euromed/bd.htm>.

³ See the MEDA Programme website at <http://europa.eu.int/comm/external_relations/euromed/meda.htm>

a duty to cover these concerns, together with the economic relationship between the two sides.⁴

While the countries of the Gulf do not fall within the ambit of the EU's Mediterranean policy, they are nevertheless covered by a similar EU approach. Indeed, the emphasis on linking economic and political development in the Mediterranean reflects a wider, global, EU policy. It is significant that the EU's MEDA Democracy Programme has now been integrated into the European Initiative for Democracy and Human Rights (EIDHR), whose scope is world-wide.

On the US side there has, recently, been a similar insistence on linking the political and economic dimensions of development and reconstruction. The US government programme which puts this view most coherently is the Millennium Challenge Account (MCA), initiated by President Bush in March 2002. This is a specifically global document, relevant to policy towards all parts of the non-Western world and not just the Middle East. In his speech to the Inter-American Development Bank on 14 March, President Bush said: "Good government is an essential condition of development. So the Millennium Challenge Account will reward nations that root out corruption, respect human rights, and adhere to the rule of law".⁵

Two initiatives specific to the Middle East, linking the political to the economic, have been started in the course of 2002/2003, very much in the shadow of the developing crisis over Iraq. The first is the Middle East Partnership Initiative (MEPI), whose mission statement brings together concerns for economic, political and educational reform, and also women's empowerment. The funding proposed is relatively modest (\$29 million in FY 2002, \$100 million in FY 2003, and \$145 million in FY 2004), but it is intended to be accompanied by a realignment of existing US economic assistance programmes in the Arab world – orienting them to these new agendas. Most of the funding provided so far has gone to civil society and private sector projects. The second is the proposal for a Middle East Free Trade Area (MEFTA), put forward by President Bush in May 2003. As MEFTA was described as allied to MEPI (and both were later described as part of the Middle East Initiative in June 2003),⁶ it may be assumed that it too shared the characteristics of political-economic linkage. President Bush stressed in inaugurating it that "ultimately, both economic success and human dignity depend on the rule of law, and honest administration and justice".⁷

⁴ In addition to the formal institutions through which the European Commission promotes human rights in the non-EU Mediterranean countries, the Commission also funds the Euro-Mediterranean Human Rights Network (EMHRN), which reports on human rights conditions in these countries. Despite the Commission funding, the EMHRN takes an independent line, often criticising the Commission's failure to pursue human rights issues with sufficient vigour. See Euro-Mediterranean Human Rights Network, "Plan of Action Adopted at the 4th. General Assembly", November 2002.

⁵ "Millennium Challenge Account: a Presidential Initiative", August 2002, available on the website of the MCA, at MCA@mca.gov

⁶ Programmes linked to MEFTA are to be supported with MEPI funding. Details of the Middle East Initiative can be found in the US Department of State's Fact Sheet on the Middle East Initiative, dated 18 June 2003. Accessed at <http://www.state.gov/p/nea/rls/22243.htm>.

⁷ The counterpart to the EU's European Initiative for Human Rights and Democracy is the US Human Rights and Democracy Fund, established in 1998. This operates on a world-wide basis and is aimed directly at democratic change, with no link to economic concerns. Its stated aims are to promote democracy through assisting newly-formed democracies to implement democratic principles, assist

Despite the existence of Middle East specific programmes, US policy on political-economic linkages in supporting development and reconstruction in the Middle East are better understood through the prism of the Millennium Challenge Account. The MCA makes clear the requirements and objectives of policy more explicitly than do either of the other initiatives. In what follows, therefore, the main basis of comparison will be between the EU's Barcelona Declaration and the US's Millennium Challenge Account.

The paper will now investigate whether the initial similarity of approach between the EU and the US can constitute a basis for a coordinated policy on economic and political reconstruction in the Middle East. Beyond the shared conception that political and economic dimensions of reconstruction must be seen as mutually-dependent, the two sides would need to hold compatible views on the content of policy, i.e. what political and economic programmes should be promoted, and how they should be implemented. Moreover, any differences in how Middle Eastern states are likely to respond to EU policies, as against those of the US, may also be critical. Such reactions are not necessarily dependent on the content of the reconstruction policies, but may reflect differing regional perceptions about EU/US roles in the region. Regional hostility towards the US could inhibit the effectiveness of its regional reconstruction programmes, and the impact could spread to EU programmes if these are seen to be coordinated with US strategy in the area. On the basis of these considerations, the scope for cooperation and coordination can then be assessed.

The Content of Policy: Economic Restructuring, Democracy and Good Governance

There are in fact many respects in which the content of the political and economic reconstruction programmes pursued by the EU and US are compatible, aimed towards common policy objectives. Both the EU and the US, for example, place great emphasis on the need for economic liberalisation, viewing this as the necessary foundation for economic development in the region. The Barcelona Declaration puts this within the context of the projected Euro-Mediterranean free trade area, saying that such a development is dependent on "the pursuit...of policies based on the principles of market economy". This involves "the adjustment and modernisation of economic and social structures, giving priority to the promotion and development of the private sector."⁸ The MCA, geared towards helping countries which have a record of commitment to effective development policies, defines the key economic criterion as whether a country has been "pursuing sound economic policies that stimulate enterprise and entrepreneurship – promoting open markets, sustainable budgets, and opportunities for economic growth".⁹ In President Bush's March 14 2002 speech, he told his audience: "Sound economic policies unleash the enterprise and creativity necessary for development. So we will reward nations that have more open markets and sustainable

democracy activists around the world, and identify and denounce regimes which do not hold democratic elections. See the HRDF website at <<http://www.state.gov/g/drl/democ.htm>>

⁸ "Barcelona Declaration", section on "Economic and Financial Partnership: Creating an Area of Shared Prosperity", sub-section (a).

⁹ L.Nowels, "The Millennium Challenge Account: Congressional Consideration of a New Foreign Aid Initiative", Report for Congress, Congressional Research Service, Library of Congress, 3 January 2003

budget policies, nations where people can start and operate a small business without running the gauntlets of bureaucracy and bribery”¹⁰.

There is clearly some difference in perceptions of what is required to make possible the freeing of markets. As would be expected of a programme which will have significant economic and social effects on the EU, and which has been developed jointly with southern and eastern Mediterranean governments, the Barcelona framework gives greater emphasis to defusing any negative effects which may flow from economic liberalisation. Whereas the US document suggests a rather simplistic faith in free enterprise, the EU tends to temper its prescriptions for free trade and economic liberalisation with promises of support for infrastructural development, programmes to aid disadvantaged parts of the population and provide training and re-training for key groupings, and concern for the environment.¹¹ Nonetheless, there is no incompatibility here. It is worth noting that the MCA also recognises the significance of strengthening the social infrastructure of the states concerned. One of the three main criteria for eligibility for MCA funding, indeed, is “investment in people”, covering “adequate health care, education, and other opportunities that sustain an educated and healthy population”.¹²

Turning to the political agenda, there is again substantial overlap. The pronouncements favouring democracy made by each side have, not surprisingly, much in common. In the Barcelona Declaration the signatories were required to “develop the rule of law and democracy in their political systems” and to “respect human rights and freedoms and guarantee the effective legitimate exercise of such rights and freedoms, including the freedom of association for peaceful purposes and freedom of thought, conscience and religion”. President Bush, for his part, has talked of the US promoting “moderation, tolerance and the non-negotiable demand of human dignity – the rule of law, limits on the power of the state and respect for women, private property, free speech and equal justice”.¹³

Making this attachment to democracy operational, however, is not simple. Both sides have encountered similar problems in moving from declaratory pronouncements to the actual achievement of democratic change. There has been a widespread recognition, by both EU and US policy-makers, that punitive measures or negative conditionality are neither practical nor effective in promoting democracy – although the US has been prepared to use sanctions more freely than has the EU. Such a strategy, it is acknowledged, may bring encouragement to those struggling for democratic rights within Middle Eastern states, but it also enables regional governments to defend themselves as the protectors of local customs and culture against foreign pressures. The realities of international politics, moreover, have meant that direct pressure for regime change (with the intended institution of a democratic government) will not be applied on governments which are regarded as friendly and/or strategically critical – which in practice applies to most of the regimes of the area. Within the EU, France has been particularly sensitive to criticism of the human rights records of North African

¹⁰ “Millennium Challenge Account: a Presidential Initiative”.

¹¹ As an example of this see MEDA, “Euro-Med Partnership: Regional Strategy Paper 2002-2006”, Brussels 2002.

¹² Nowels, “The Millennium Challenge Account”, p.1.

¹³ George W. Bush, “Our Power to Change the World”, *The Guardian*, 12 September 2002. The article originally appeared in the *New York Times*.

governments, while the US has (until recently) sought to defuse criticism of the democratic deficits in the Arabian peninsula and Egypt. Despite the fears of some southern Mediterranean countries, and the hopes of some democracy activists, then, the EU has not used heavy-handed means to promote its democracy agenda. Where the US has imposed sanctions, the issues have generally related more to issues of terrorism and weapons of mass destruction than to democracy or human rights.

Having generally ruled out punitive measures and negative conditionality (economic sanctions) to promote the political changes which are deemed necessary, the EU and US have both relied on two alternative approaches. The first has been to promote the idea of partnership. In this approach, the EU/US offer the countries concerned a close relationship based on mutual interest. Channels are created within the structure of this relationship where issues of political and economic change can be discussed and promoted. This constitutes the central thrust of the Euro-Med strategy, establishing a “comprehensive partnership among the participants...through strengthened political dialogue on a regular basis, the development of economic and financial cooperation and greater emphasis on the social, cultural and human dimension, these being the three aspects of the Euro-Mediterranean partnership”.¹⁴ The signatories to the Barcelona declaration agree to “conduct a strengthened political dialogue at regular intervals, based on observance of essential principles of international law...”¹⁵ The association agreements concluded since the declaration all establish Association Councils, composed of representatives from both sides, whose duty it is to oversee all aspects of the relationship – political, cultural and economic. The main channels for influence, however, are the ongoing meetings between EU officials/leaders and government personnel from the southern/eastern Mediterranean state concerned. The European Parliament and bodies such as the Euro-Mediterranean Human Rights Network (a EU-financed NGO) play a role in ensuring that EU bodies act on the Barcelona principles.

Youngs has demonstrated that in some cases the EU has indeed been able to influence policy for change within this framework:

The discourse on democracy was not without impact, as Mediterranean governments came to perceive a greater need to legitimise their actions in terms of the idea or norm of democracy. Despite the absence from European policy of any punitive coercion, Mediterranean governments complained that the EMP was increasingly constraining precisely because of the “imposed” democratic discourse.¹⁶

Nonetheless, Youngs also shows that the prospect of southern and eastern Mediterranean countries becoming “entrapped” through this democratic discourse, i.e. finding themselves forced to democratise further than they had intended, was remote. Such reforms as were carried through were often tactical concessions rather than substantive openings to the creation of a civil society.

While the partnership concept is particularly associated with the EU (at least as far as the Mediterranean is concerned), it has also recently been adopted by the US. The US

¹⁴ “Barcelona Declaration”, preamble.

¹⁵ “Barcelona Declaration”, section on “Political and Security Partnership”.

¹⁶ R.Youngs, *The European Union and the Promotion of Democracy: Europe’s Mediterranean and Asian Policies* (Oxford University Press, 2001), p.92.

Middle East Partnership Initiative, indeed, takes its name from this concept. As noted above, however, the activities of MEPI have so far focused mainly on civil society and the private sector. The Millennium Challenge Account, on the other hand, operates formally on the basis of intergovernmental partnership. The MCA describes its activities as signalling “a new relationship between donors and recipients. Implementation will be based on a genuine partnership between the United States and the recipient country”.¹⁷ Every contract between the US and a recipient country, indeed, is conceived as a contract. The recipient country will be responsible for guaranteeing open private sector and civil society involvement in developing and implementing the contract; maximising the development impact of the aid given; ensuring an open and unbiased process for identifying projects; making it clear that the responsible actors within the country will be held accountable for performance; and monitoring and assessing activities. The US government, for its part, is responsible for providing technical assistance relative to development planning; disbursing the funds effectively; and monitoring progress towards the goals promoted by the MCA. It should be noted that the partnership described here is phrased primarily in terms of the economic objectives, whereas the Euro-Med partnership gives rather more emphasis to political issues. There is, moreover, as yet little indication of the institutional infrastructure through which non-economic issues could be pursued. The “goals promoted by the MCA”, however, do include the political dimensions which were mentioned above.

The second means by which both the EU and the US have sought to promote political and economic change has been through identifying clearly, and making public, the elements which are in need of change. This strategy has fitted well with the partnership strategy just discussed, in so far as the foci for discussion and pressure are made explicit. For the EU side, the MEDA programme has been the main channel through which targets for economic change and reform have been identified. MEDA’s Regional Indicative Programme 2002-2004, for example, covers the measures which need to be taken to make the Euro-Med Free Trade Zone a reality and to ensure that the Association Agreements achieve results. EU concerns have included helping southern and eastern Mediterranean countries develop trade among themselves as well as with the EU. Targeted change covers improving regional infrastructure in transport, energy and telecommunications; enhancing the sustainability of integration through protecting the environment, increasing opportunities for women in economic life, and providing education and training for employment; strengthening the rule of law and good governance; and bringing the Euro-Med partnership closer to the people.¹⁸

As for the US, the Millennium Challenge Account specifies in detail the elements which constitute good performance, and which will therefore determine which countries will enjoy funding. The criteria used for assessing performance are placed in three categories: governing justly, investing in people, and encouraging economic freedom. Under “governing justly”, six indicators are provided: civil liberties (as assessed by Freedom House); political rights (again assessed by Freedom House); voice and accountability (using World Bank Institute indices); government effectiveness; the rule of law; and the control of corruption. Under “investing in people”, there are four

¹⁷ Millennium Challenge Account, “Background Paper: Implementing the Millennium Challenge Account”, February 5, 2003. Accessed on the MCA website. The information which follows in the paragraph is taken from the same source.

¹⁸ MEDA, “Euro-Med Partnership”, pp.6-7.

indicators: public expenditure on health as a percentage of GDP; the immunisation rate for DPT and measles; the total public expenditure on primary education as a percentage of GDP; and the primary school completion rate. “Encouraging economic freedom” has six indicators: the country credit rating; the rate of inflation; the budget deficit as a proportion of GDP; the number of days it takes to start a new business; the openness to international trade; and the regulatory quality rating (i.e. measuring the burden on business arising from regulations and bureaucratic corruption).¹⁹

While US and EU policy-makers have been engaged in a similar process with regard to highlighting key elements for economic development, there is a substantial difference in character between the two. The EU agenda, rooted in the practical circumstances of the Mediterranean region with which it is dealing, is constituted by measures aimed at improving the current situation in all the countries of the region – whether they are currently performing well or not. The MCA agenda is to identify countries which are both poor and worthy of help, focusing all of the developmental effort on these. This difference is of crucial significance to Middle Eastern states. The first stage of the US MCA, in fact, will be of little relevance to them. Only countries with an annual per capita income below \$1,435, are eligible to receive funding, and the only Arab countries which fall into that bracket are Yemen, Sudan and Mauritania. None of the latter countries, moreover, are considered likely to attain the levels required for selection as a “best performer”.²⁰ The relevance to the Middle East of the MCA’s targets for change, therefore, depend on whether they are made operational within the framework of the US’s Middle East specific programmes, MEPI and MEFTA, and in aid provided by the US Agency for International Development.

The Political Context for Ongoing Policies

As noted above, similarities between EU and US programmes for reconstruction do not necessarily lead to the conclusion that coordination between them would be valuable. There are political parameters, relating to the record, interests and objectives of both sides in the region, which have to be taken into account. These will be given consideration here within the context of the crisis over Iraq.

On the one hand, the new regional context appears to provide new opportunities for the US and EU to promote a common agenda for political and economic change. The prospects for such change are now greater than before. The regimes of the region face new challenges to their legitimacy. The record of authoritarianism, with all its weaknesses and injustices, has been made public, and the social, political and economic effects of authoritarianism have been made explicit. Among populations there is a general mood that most of the existing regimes are devoid of legitimacy, lack the ability to bring about effective economic restructuring, and need to be replaced by regimes which are accountable to the populations, reflective of the values inherent in society, and purged of corruption and nepotism.

Yet, before accepting the conclusion that now is the time for concerted EU/US action to bring about economic and political change, some further dimensions of the

¹⁹ The information in this paragraph is taken from the testimony of Treasury Under Secretary John B. Taylor before the Senate Committee on Foreign Relations, March 4, 2003. Accessible at <http://www.treasury.gov/press/releases/js80.htm>

²⁰ Nowels, “The Millennium Challenge Account”, pp.12 and 24.

contemporary situation need to be considered. First, popular criticism of Middle Eastern governments does not necessarily translate into support for external involvement. Indeed, part of the anger currently directed by Middle Eastern populations towards their own governments stems precisely from the perception that they have failed to resist such involvement. There is likely to be increased sensitivity to external pressures, especially those coming from the US and/or Britain. Populations may view the US's championing of democracy in a rather different light than they would see that of the EU.

Second, a critical need within the Arab world at the moment is for governments to find new bases of legitimacy. The economic and political strategies pursued by the governments of the region should lead to a strengthening of their legitimacy rather than undermine this. The concept of legitimacy has both domestic and international dimensions, and the practical reality is that a government which fails to respect one dimension of legitimacy will not be taken seriously when it promotes the other. In the past, the Arab states have themselves suffered from this problem. Their claim that international legitimacy should be respected on the Palestine issue was undermined by their own lack of constitutional legitimacy. The issue now relates to the Western side. The legitimacy of the military action undertaken by the United States and Britain is widely questioned within the region, as well as outside. Pressures from the US for democratic change within the region may be more effective than before, but they may also be perceived as being less legitimate. Again, regional states may prove to be more receptive to pressures for democratisation coming from the EU than from the US, even though the latter pressures may be more direct and threatening.

Third, the ability of external powers to exert influence on the Arab states of the Middle East is inevitably closely linked to developments in Palestine/Israel. How regional states perceive the US and EU in the near future will depend on progress in the implementation of the Road Map. For the moment, EU and US policies appear to be aligned, given that the Road Map emerged from the collaborative setting of the Quartet. The continuation of this alignment, however, is not assured, given that there is little sign that the Road Map will be implemented. If Arab states attribute responsibility for any failure more to the US than the EU, due to US support for Israel, the political dynamics of the two sides' relationships with Arab states will be affected and will grow more different. The advantages of reconstruction/development policies operating within a collaborative context will clearly be lessened.

Conclusion

This paper has shown that US and EU strategies for reconstruction and development in the Mediterranean and Middle Eastern region have much in common. There is no deep ideological divide between the approaches taken. Each side can learn from the experience of the other as the process of political and economic change in the region advances.

Nonetheless, there is little to be gained by seeking to coordinate policies in this field. There are significant differences in the interests and objectives of the EU and US in the region. The attempt to coordinate development strategies in such a context may be counter-productive. EU programmes could be weakened by identification with a US policy framework at variance with the EU's own regional objectives. The varying

perspectives from which the US and the EU see the region may be summarised as follows:

The EU's central concern in the region is with stability and security (founded, of course, on economic and political systems which serve the interests of the populations). The proximity of the area to the EU means that the EU's own social, political and economic stability is dependent on this. While the US also clearly favours stability in the region, its objectives are wider and more varied. Some of these latter objectives (especially those which relate to Israel, the war on terrorism, and US oil interests), do not cohere well with regional cooperation and security – at least in the short term.

In its relations with the Middle East and Mediterranean, the EU is rightly pursuing a comprehensive approach to partnership – creating a zone of peace and stability in which all states participate.²¹ US perceptions of partnership have been more restrictive, separating acceptable partners from states whose governments need to be confronted (at the extreme end, the “axis of evil”). The partnership envisaged by the MCA, moreover, is only being offered to the world's poorest countries. In the Mediterranean/Middle East, the EU is seeking political and economic change from countries which are not necessarily poor. Indeed, the per capita incomes in some of the states is higher than that in some EU states. The dynamics of the relationship, and the character of the approach, will therefore need to be substantially different.

The EU is in a stronger position than the US to emphasise the importance of legitimacy and constitutionality. This stems not only from recent political developments over Iraq, but also from the nature of the EU. As a rule-based grouping of quasi-sovereign states, there needs to be continual justification of policy in terms of the legal basis. While this may at times inhibit effective policy-making, the EU has been keen to project the value of its legally- and constitutionally-bound model of political interaction. It is a model which can contribute to the Middle East's contemporary political development. The EU has an interest, therefore, in keeping its own policies separate and distinct.

While the US and EU can learn from each other's experience in reconstruction and development, and should recognise that they are both interested in promoting political and economic change within comparable frameworks, therefore, their actual programmes should remain distinct and uncoordinated.

²¹ The one state which was not able to participate in the Euro-med partnership was Libya, but this stemmed (formally at least) from the UN Security Council resolutions which had imposed sanctions on the country.