



# The United States and Europe: Responding to Change in the Middle East and North Africa

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## Summary

### **U.S. and European Responses to Changes in the Middle East and North Africa**

Over the last two years, many U.S. policymakers, Members of Congress, and their European counterparts have struggled with how best to respond to the wide range of challenges posed by the popular uprisings and political upheaval in many countries in the Middle East and North Africa (MENA). Almost immediately after the onset of the so-called “Arab Spring” in early 2011, U.S. and European leaders alike declared their intention to put greater emphasis than in the past on democratic reform and economic development in formulating their respective policies toward countries such as Egypt, Tunisia, Jordan, and Morocco. In Libya, the United States and many European allies participated in the NATO-led military intervention in support of rebel forces that ultimately toppled the Qadhafi regime. And as demonstrations in Syria escalated into a bloody civil war, the United States and the European Union (EU) have imposed sanctions, called for an end to the ruling Asad regime, and are considering greater material and financial support to the Syrian political and armed opposition.

### **Possibilities for U.S.-European Cooperation and Potential Obstacles**

In light of the immense changes and what many have long viewed as common U.S. and European interests in the Middle East and North Africa, numerous analysts have advocated for significant U.S.-European cooperation to promote a more peaceful and prosperous MENA region. Such collaboration, they argued, would help prevent a wasteful duplication of Western diplomatic and economic resources amid competing domestic political priorities and financial constraints on both sides of the Atlantic. Despite notable cultural, historical, and geopolitical differences, some commentators early on drew analogies with the way the United States and its West European allies worked together to support the transitions in Central and Eastern Europe after the end of the Cold War, and hopes were high for a similar robust transatlantic effort in the MENA region.

As events in the MENA region have unfolded, U.S. and European policymakers have been in frequent contact with each other. Analysts suggest that U.S. and European policies have been closely aligned on most issues regarding the changes underway. There have been some U.S.-European efforts to promote a more coherent international response through institutions such as the G8, the European Bank for Reconstruction and Development, and the International Monetary Fund (especially with respect to reaching a financial assistance agreement for Egypt).

Nevertheless, many observers contend that so far, tangible joint or coordinated U.S.-European initiatives to encourage political transitions and economic opportunities in the MENA countries have been modest at best. Debate thus continues about the prospects for greater U.S.-European collaboration and the possible benefits of it for U.S. interests. Skeptics point out that both the United States and Europe are limited in what they can do to influence events in the region and they worry that the political and economic difficulties facing many MENA countries in transition, combined with deeply problematic issues involving Iran, the Israeli-Palestinian conflict, and Syria, could lead to a progressively worse regional situation in the years ahead. Others are also concerned that more intensive Western involvement could be counterproductive if viewed in the region as an attempt to protect U.S.-European interests, or if used by some MENA leaders to deflect blame for domestic and regional problems.

## **Issues for Congress**

Many Members of Congress have closely followed events in the MENA region. Congress has been and will be considering the appropriation of U.S. aid to the MENA countries. As such, some Members may be interested in ways to coordinate U.S. and European foreign assistance, debt relief, and trade and investment policies in order to maximize their effectiveness as well as to conserve U.S. political capital and economic assets in the years ahead. Members may also be interested in European responses to the transitions in the MENA region, and the degree of U.S.-European cooperation, as a test of whether Europe can be an effective partner for the United States in protecting shared global interests and addressing common challenges.

At the same time, many Members of Congress are concerned about the eventual political orientation of emerging regimes in countries such as Egypt and Tunisia, and about the implications of regional change for Israel's security and U.S. counterterrorism efforts. Some Members may be apprehensive about working too closely with European governments or the EU if policy differences begin to emerge between the two sides, or if doing so might constrain future U.S. policy choices toward the MENA countries. Congress may also want to consider whether more robust U.S.-European cooperation in the MENA region could have implications for U.S. options in addressing challenges elsewhere in the greater Middle East (such as those related to Iran or the Israeli-Palestinian conflict).

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## **The United States, Europe, and Transition in the Middle East and North Africa (MENA)**

Over the last two years, U.S. policymakers, many Members of Congress, and their European counterparts have struggled with how best to respond to the swift pace of change in several countries in the Middle East and North Africa (MENA). Fueled by deeply rooted economic, social, and political frustrations, popular uprisings began in Tunisia in late 2010 and quickly spread to Egypt and Libya in early 2011. In all three of these countries, this so-called “Arab Spring” or “Arab Awakening” led to the downfall of autocratic leaders in power for decades. Such events also encouraged some citizens in Morocco and Jordan to press the existing monarchies for further political and constitutional reforms. And in Syria, demonstrations challenging the ruling Asad regime triggered a brutal government response that has since escalated into a civil war, in which tens of thousands have been killed.<sup>1</sup>

Almost immediately after the onset of the “Arab Spring,” analysts on both sides of the Atlantic began calling for robust U.S.-European cooperation to help promote a more peaceful and prosperous MENA region. Those of this view noted that the United States and Europe share a multitude of common concerns in the region (from countering terrorism to guaranteeing a reliable flow of energy exports), and similar interests in ensuring that the transitions underway result in more open and democratically accountable governments, greater economic opportunities, and long-term stability and security. These experts argued that greater transatlantic cooperation, in particular between the United States and the European Union (EU), would enable both sides to leverage one another’s strengths, ensure synergy in trade and development policies, and prevent a duplication of diplomatic and economic resources at a time when the United States and Europe are each facing their own political and economic challenges. Despite significant cultural, historical, and geopolitical differences, some commentators early on drew analogies with the way the United States and its West European allies worked together to support the transitions in Central and Eastern Europe after the end of the Cold War.

In light of the sweeping changes, U.S. and European officials alike asserted their intentions to pursue policies in the MENA region that emphasized supporting democratic and economic reforms to a greater degree than before in countries such as Egypt and Tunisia. At the same time, some observers have criticized U.S. and European responses to date as modest at best. Although only one gauge, analysts point out that the bulk of EU financial assistance for the MENA countries for 2011-2013 was budgeted prior to the start of the “Arab Spring,” and that U.S. financial support for the transitions in the MENA region over the last two years has largely come from reallocating funding from existing programs.

Experts contend that stronger EU efforts toward the MENA region have been hindered by different member state policy preferences and competing priorities such as managing the Eurozone financial crisis. Similarly, many note that the United States has been constrained in its response by its own economic and budgetary problems, a growing sense of “intervention fatigue” among the American public after more than a decade of war, and policy debates over the appropriate design and funding level for assistance programs in the region. For example, although

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<sup>1</sup> For CRS background and analysis on individual MENA countries, see “Related CRS Reports.”

the Obama Administration requested new funding to support the changes underway in the MENA region for FY2013, Congressional approval of this request was largely derailed by broader disagreements over the U.S. budget and how to handle the national debt. Some analysts suggest that the September 11, 2012 terrorist attack on the U.S. diplomatic mission in Benghazi, Libya—which resulted in the death of U.S. Ambassador Christopher Stevens and three other Americans—may also weaken the U.S. political appetite for robust engagement in the MENA region.

Amid such political and fiscal realities, several commentators have suggested that U.S.-European cooperation may be crucial to providing a significant, effective, and complementary package of Western economic and political support to help shape a positive outcome for the MENA region as a whole. The United States and the EU already share a dynamic political and economic relationship, and the United States often looks to the EU for partnership on an extensive range of global challenges. For years, many Members of Congress have called for European allies and friends—both in NATO and the EU—to shoulder a greater degree of the burden in protecting shared interests and addressing common challenges, including many of those emanating from the greater Middle East.

However, others contend that despite the possible benefits of greater U.S.-European coordination toward the Middle East and North Africa, it is likely to remain a lofty and elusive goal. Both the United States and Europe face inherent difficulties in dealing with a changed political landscape in the MENA region in which new actors and unsettled conditions make for considerable uncertainty. As events unfold in the region, potential U.S.-European policy differences—on issues ranging from how best to encourage Egypt’s democratic progress and prevent state failure, to how to manage the role of Islamist parties, or what to do about the deteriorating situation in Syria—could arise and complicate the prospects for closer U.S.-European cooperation. Some U.S. policymakers and Members of Congress may also be cautious about working too closely with European governments or the EU if doing so might constrain U.S. policy choices toward the MENA countries or U.S. options in managing challenges elsewhere in the region.

Furthermore, experts note that the United States and its European partners are limited in what they can or should do to influence events in the region. Past U.S. and European policies that emphasized stability and good relations with autocratic regimes may continue to taint public perceptions in the MENA countries. Others point out that too much Western involvement could be counterproductive if perceived as an attempt to protect U.S.-European interests at the expense of the aspirations of local populations, or if used by some MENA leaders to deflect blame for domestic and regional problems. And some note that the United States and Europe do not have the same tools or global standing as they did when seeking to bolster the transformations in Central and Eastern Europe after the end of the Cold War—i.e., the ability to provide significant economic incentives to the MENA countries given current domestic financial concerns, or to offer a European or transatlantic “perspective” in the form of EU and/or NATO membership.

## **Scope of the Report**

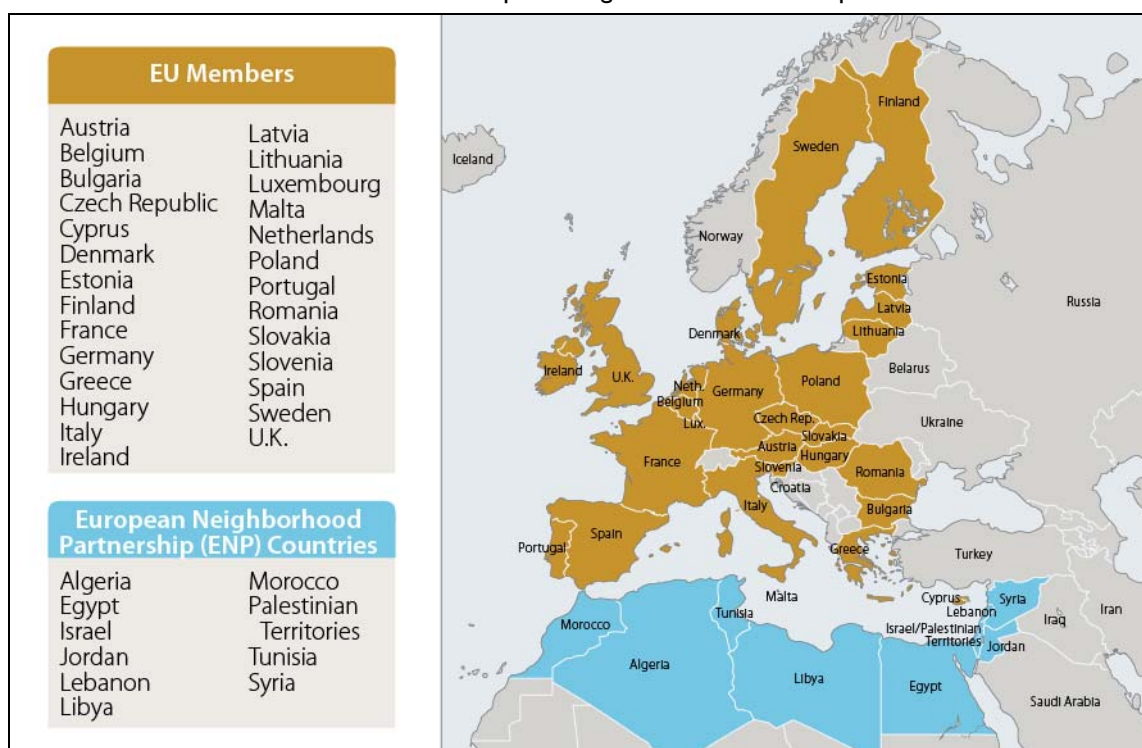
This report provides a broad overview of European and U.S. responses to the changes in six MENA countries (Egypt, Tunisia, Jordan, Morocco, Libya, and Syria). European countries have different histories and relationships in the MENA region, but much of the European response to the events of the last two years has been focused through the EU. As such, the report emphasizes EU efforts, although it also discusses how bilateral member state relations are influencing EU policy.

All six of the MENA countries discussed in this report are either part of or considered eligible for the EU's European Neighborhood Policy (ENP)—the centerpiece of EU efforts in the region. Discussion of U.S. and European policies toward most of these countries is focused on measures aimed at promoting political reform, good governance, and economic development. The report does not address U.S. and EU policies toward Algeria (although future iterations may do so should reform efforts there gain more momentum), the Middle East peace process, or Gulf states such as Yemen and Bahrain (which are not included in the EU's ENP).

The final section of the report describes the current status of U.S.-European efforts to coordinate political and economic policies toward the MENA region, including ongoing diplomatic contact and U.S.-European initiatives to promote a more coherent international response through institutions such as the G8, the European Bank for Reconstruction and Development, and the International Monetary Fund (especially with respect to Egypt). It also presents an array of potential areas and options for further U.S.-European cooperation, and discusses possible challenges and pitfalls to the United States and Europe working more closely together in the MENA region in the future.

**Figure I. Europe and the MENA Region**

EU Member States and European Neighborhood Partnership Countries



**Source:** Congressional Research Service.

**Notes:** Croatia will join the EU on July 1, 2013. The ENP countries include all those that the EU considers eligible for participation in the ENP; the ENP is not fully "activated" for Algeria, Libya, or Syria.

## European Policies in the MENA Region

Europe's geographic proximity to and history with the Middle East and North Africa, as well as the nature of its economic ties, shape its relations with the region in ways that are distinct from those of the United States. Over the years, the European Union has established an array of formal policies that seek to guide its relations and those of its member states with the MENA region. Many critics contend, however, that the EU in the past focused more on promoting stability and protecting economic interests—prioritizing concerns such as controlling migration, fighting terrorism, and ensuring access to energy supplies—at the expense of pressuring governments in the MENA region to reform.

EU policies toward the transformations in the Middle East and North Africa continue to evolve in response to ongoing events. In general, however, the EU has been seeking to impose greater conditionality in its relations with the MENA countries in the wake of the “Arab Spring,” offering more financial support and closer ties to those countries more committed to instituting political and economic reforms. But some experts contend that despite such rhetoric, EU policies toward the Middle East and North Africa remain largely the same as before and many stress that the EU's influence on events in the region is limited by a variety of factors.

## European Interests and Perspectives

Europe and the MENA region have a long and complex history, and some MENA countries were once European colonies. Today, most European leaders and EU policymakers view the Middle East and North Africa as part of Europe's “backyard.” They consider stability in the region as key to Europe's own political and economic security for several reasons.

First, Europe's geographic proximity to the MENA region makes it the destination of choice for many refugees and migrants fleeing political repression or economic hardship. The political upheaval and unrest in North Africa and parts of the Middle East in early 2011 at the start of the “Arab Spring” sparked new refugee flows, especially from Tunisia and Libya, to European countries such as Italy, France, and Malta. Although these refugee flows were relatively small and soon dissipated as the former regimes crumbled, they were a stark reminder for many in Europe about the potential for problems and instability in the MENA region to spill over into Europe.<sup>2</sup>

Second, a number of European countries (including France, Belgium, Denmark, Spain, and the Netherlands) have large immigrant populations or diaspora communities with roots in various MENA countries (especially Morocco, Tunisia, and Algeria). Some experts assert that the presence in Europe of these diaspora communities, many of which are predominantly Muslim, makes unrest or conflict in the Middle East not just a foreign policy concern but also a domestic one for European governments. Over the last four decades, for example, groups or individuals with ties to the MENA region have carried out or planned terrorist attacks in Europe; although

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<sup>2</sup> The refugee flows at the start of the “Arab Spring” also renewed tensions among EU member states over immigration policies, put pressure on the EU's Schengen system (which allows for freedom of movement among most EU members), and highlighted long-standing concerns among European publics over continued immigration to the EU and the degree to which such immigration is changing the culture and character of European society. See, for example, Yves Pascouau, “Schengen and Solidarity: The Fragile Balance Between Mutual Trust and Mistrust,” European Policy Centre, July 4, 2012, [http://www.epc.eu/documents/uploads/pub\\_2784\\_schengen\\_and\\_solidarity.pdf](http://www.epc.eu/documents/uploads/pub_2784_schengen_and_solidarity.pdf).



some incidents have been driven by grievances related to colonial legacies, others have been linked to the ongoing Israeli-Palestinian conflict or opposition to European foreign policies (especially those aimed at the “war against terrorism” that are perceived by some Muslims as a “war against Islam”). Studies also indicate that upticks in anti-Semitic attacks in Europe, many of which have been committed by disenfranchised Muslim youth in recent years, often correspond to surges in violence or unrest in the Middle East.<sup>3</sup>

Third, Europe’s dependency on the region’s natural resources, especially oil, and its extensive trade ties with many MENA countries, engender significant European economic interests in the MENA area. The EU is the largest trading partner for most of the MENA countries that border the Southern Mediterranean (and which take part in or are eligible for the EU’s European Neighborhood Policy), and has free trade agreements with many of them. Oil and trade in manufactured goods currently account for the biggest portion of trade between the EU and the MENA region.

**Table 1. EU Exports to and Imports From Selected MENA Countries in 2012**

(in billions of U.S. dollars)

Country	EU Exports	EU Imports
Algeria	25.7	32.29
Egypt	18.97	10.39
Israel	21.16	14.23
Jordan	4.07	0.43
Lebanon	7.86	0.47
Libya	6.32	38.83
Morocco	21.14	11.68
Syria	1.44	0.34
Tunisia	13.81	12.01
<b>TOTAL</b>	<b>120.47</b>	<b>120.67</b>

**Source:** International Monetary Fund, *Direction of Trade Statistics* database.

**Notes:** All of these MENA countries either participate in or are eligible for the EU’s European Neighborhood Policy (ENP). Although the Palestinian territories are also included in the ENP, EU data in the IMF’s *Direction of Trade Statistics* does not break out trade statistics for the West Bank and Gaza Strip separately from those for Israel.

As **Table 1** shows, in 2012, total EU trade in goods with the Southern Mediterranean countries was valued at over \$241 billion, with exports and imports nearly in balance. In comparison, the EU exports more than four times as much to these countries and imports almost three times as much from them as does the United States.<sup>4</sup> Some European officials and business leaders believe that additional economic development in these MENA countries would increase their potential as

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<sup>3</sup> “Gaza Strip Conflict Engendering Wave of Anti-Semitic Violence in Europe,” Associated Press, January 7, 2009; Gil Shefler, “Global Anti-Semitic Violence Fell 27% in 2011,” *Jerusalem Post*, April 18, 2012.

<sup>4</sup> In 2012, total U.S. exports to the MENA countries that border the Southern Mediterranean and are included in or eligible for the EU’s European Neighborhood Policy were \$27.29 billion, while U.S. imports from them were \$42.24 billion collectively. See the International Monetary Fund, *Direction of Trade Statistics* database.

European export markets. Finally, many European policymakers view stability in the Middle East and North Africa as imperative for ensuring a reliable flow of energy exports and commercial transit in and through the region given that it straddles key maritime trading routes and links Europe commercially to Asia and the Persian Gulf.

## **Role of the European Union and its Member States**

For many years, European countries have supported a strong EU role in managing European relations with the Middle East and North Africa, believing that the EU's collective political and economic weight provides greater clout and influence in dealing with the region. The EU has sought to develop common policies toward the MENA countries in order to encourage the political and economic conditions seen as necessary for long-term stability and prosperity in the Southern Mediterranean. Some analysts question, however, the degree to which the EU has succeeded in keeping the policies of its individual member states' on the same page.

Undoubtedly, bilateral member state relations with the MENA countries play a significant part in shaping EU policies toward the region. EU member states have their own national interests, historical relationships, and regional priorities in the Middle East and North Africa. Although the EU strives for consensus and foreign policy coordination in the MENA region, each EU member state retains its own national foreign and defense policy, and commercial ties or military relations are often managed country-to-country. For example, EU member states that border the Mediterranean tend to have greater political and economic interests in the region than do the Nordic countries. As such, the differing national priorities of the various member states may generate conflicting policy preferences and commercial rivalries, and at times, complicate the formulation of common EU policies toward the MENA region.

In the early part of 2011, some experts suggested that close relations between certain EU member states and authoritarian governments in the MENA region led to what they viewed as the EU's slow response to the changes underway, as well as to a number of incidents considered embarrassing for member state governments. The French Foreign Minister, for example, was forced to resign in February 2011 amid revelations about her personal ties to members of the former Tunisian regime.<sup>5</sup> In addition, as the Qadhafi regime began a violent campaign against the Libyan opposition in February 2011, media sources reported that member state governments had issued a total of €343.7 million worth of arms export licenses and shipped €173.9 million of arms exports to Libya in 2009.<sup>6</sup> The licenses included approximately €160 million for small arms and electronic jamming equipment and Italy, the former colonial power in Libya, granted nearly €108 million in export licenses for military aircraft and related equipment. In 2010, EU member states approved €531 million of arms export licenses to the governments of Egypt, Libya, and Tunisia.<sup>7</sup>

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<sup>5</sup> "French Foreign Minister Alliot-Marie Quits Over Tunisia," BBC News, February 27, 2011.

<sup>6</sup> This report frequently presents figures in euros (€). As of June 12, 2013, €1=\$1.3277 (European Central Bank).

<sup>7</sup> Andrew Rettman, "Libya Replete with EU Arms as Gaddafi Massacres Protesters," *EUObserver.com*, February 22, 2011; Andrew Rettman, "EU Figures Show Crisis-busting Arms Sales to Greece," *EUObserver.com*, March 7, 2012.

## **Past EU Policies: Focus on Stability**

For much of the last decade, the EU's European Neighborhood Policy has served as the focal point for EU efforts to engage many of the MENA countries. The ENP was launched in 2004 to coincide with the addition of ten new EU member states; it aimed to develop deeper political and economic relations with a "ring of friends," i.e., countries in close proximity to an enlarged Union. The ENP was proposed to six countries on the EU's eastern periphery, and ten countries or entities to the EU's south along the shores of the Mediterranean (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, the Palestinian territories, Syria, and Tunisia).

The ENP is chiefly a bilateral policy between the EU and each partner country. It offers an enhanced relationship with the EU—including enhanced trade and economic ties, increased mobility, and foreign aid and technical assistance—in return for a demonstrated commitment to EU values such as the rule of law, human rights, good governance, and market economy principles. To date, however, the ENP is not yet fully "activated" for Algeria, Syria, or Libya, and EU relations with each are at different stages of development.

Since 1995, the EU has also sought to engage in regional, multilateral cooperation with the MENA countries on common political, economic, and social challenges through the Euro-Mediterranean Partnership (formerly known as the Barcelona Process). In addition to fostering greater stability and prosperity, many hoped that this initiative would complement the Middle East peace process by helping to build trust and confidence among all the Mediterranean partners, including Israel and the Palestinians. In 2008, the Barcelona Process was re-launched as the Union for the Mediterranean (UfM) in an effort to reinvigorate the initiative; emphasis in the UfM has been placed on cooperative projects in the areas of economic development, the environment, energy, health, migration, and culture.<sup>8</sup>

Although supporters maintain that the ENP and the UfM provide avenues through which the EU can advocate for the adoption of common political and economic values, others assert that these initiatives have failed to produce any significant reforms in the MENA countries. Critics contend that many MENA citizens have long viewed EU policies in the region as seeking to exploit their markets while backing stable, yet autocratic regimes. Libya's Qadhafi regime, in particular, was viewed as a key partner in controlling migration from Africa to Europe, and the renewed focus of many Europeans on migration issues related to the "Arab Spring" has presumably reaffirmed regional perceptions of European priorities to some extent. Observers note that perceived past policy trade-offs of values for interests and long-standing relations with autocrats may continue to taint views of Europe among the populations of transitioning MENA countries. Many also point out that cooperation in the UfM (like the Barcelona Process before it) has been at least partially stalled by the stalemate in the Middle East peace process and tense Arab-Israeli relations.<sup>9</sup>

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<sup>8</sup> Of the Mediterranean countries eligible for the ENP, Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the Palestinian territories, Syria, and Tunisia are members of the UfM (although Syria has suspended its participation at present); Libya has observer status in the UfM. All EU member states, the countries of the Western Balkans, and Turkey also belong to the UfM.

<sup>9</sup> Roberto Aliboni, "Southern Europe and the Mediterranean: From Cold War To the Arab Spring," in *Southern Europe and the Mediterranean: National Approaches and Transatlantic Perspectives*, The German Marshall Fund, 2011.

## Revising EU Policies: “More for More”

Although the long-term conditions leading to the events of the “Arab Spring” were well known to observers of the region, the exact timing and sequence of developments were not anticipated. European officials, too, appeared to be caught unprepared as events quickly outpaced the relevance of the EU’s policy approach. Consequently, EU officials acknowledged the need to dramatically reassess the ENP and have sought to develop a more values-oriented, conditionality-based ENP, with terms and incentives linked more tightly to the implementation of democratic reforms and free market economic principles. In mid-2011, the EU outlined this “more for more” approach by unveiling a revised ENP (“A New Response to a Changing Neighborhood”) that will apply to all ENP partners on both the EU’s eastern and southern borders, and a new “Partnership for Democracy and Shared Prosperity with the Southern Mediterranean,” which sets out EU priorities and a roadmap for their implementation in the southern ENP countries.<sup>10</sup>

Over the last two years, the EU has stressed that ENP partner countries that go further and faster with reforms will be able to count on greater EU support. EU officials have also asserted that for those partners that stall or retrench on agreed reform plans, EU support will be reallocated or refocused. EU efforts in the region now focus on three key goals:

- Promoting “deep democracy” (i.e., building respect for the rule of law, an independent judiciary, and basic human rights) and institution-building;
- Fostering civil society and encouraging more people-to-people contacts; and
- Boosting economic growth, development, and job creation, especially by supporting small and medium-sized enterprises and expanding trade and investment relations.

To promote these goals, the EU has devised incentives for the MENA countries largely organized around the three broad themes of “money, markets, and mobility,” also known as the “3Ms.” EU leaders maintain that these incentives will be deployed following the “more for more” principle. (See the text box on the next page for details on the “3Ms.”)

### Evolution of EU Policies in the MENA Region

<b>1995</b>	Multilateral Euro-Mediterranean Partnership (the Barcelona Process) launched
<b>2004</b>	European Neighborhood Policy (ENP) established to develop deeper bilateral political and economic relations with 16 countries in close proximity to the EU, including 10 countries or entities to the EU’s south along the shores of the Mediterranean
<b>2008</b>	Union for the Mediterranean (UfM) created as successor to the Barcelona Process
<b>2011</b>	ENP revised (A New Response to a Changing Neighborhood) largely in response to the events of the “Arab Spring,” with emphasis on “more for more”  New Partnership for Democracy and Shared Prosperity with the Southern Mediterranean announced, setting out a roadmap for implementation of EU policies toward the Southern Mediterranean ENP partners

<sup>10</sup> For the EU’s Partnership for Democracy and Shared Prosperity with the Southern Mediterranean, released in March 2011, see: [http://eeas.europa.eu/euromed/docs/com2011\\_200\\_en.pdf](http://eeas.europa.eu/euromed/docs/com2011_200_en.pdf); for the EU’s revised ENP, released in May 2011, see: [http://ec.europa.eu/world/enp/pdf/com\\_11\\_303\\_en.pdf](http://ec.europa.eu/world/enp/pdf/com_11_303_en.pdf).

### **EU Incentives for the MENA Region: Money, Markets, and Mobility**

Since mid-2011, the EU has sought to revise its policies toward the countries of the Southern Mediterranean to better support political reforms, civil society, and sustainable economic development based on the principle of “more for more.” For European Neighborhood Policy (ENP) partners in the MENA region that commit to these goals and demonstrate tangible progress, the EU has offered to enhance relations and provide additional incentives, organized around the three broad concepts of “money, markets, and mobility” (the “3Ms”).

**Money:** The EU will provide additional financial assistance to ENP countries. In May 2011, the EU announced a total of €1.24 billion in new funding for ENP partners (in both the MENA region and those to its east), on top of the €5.7 billion already allocated for the ENP for the 2011-2013 period. The largest part of these additional resources appears slated for the Southern Mediterranean countries in transition, and will be channeled through a new Support for Partnership, Reform and Inclusive Growth program (known as SPRING), established in September 2011 with a budget of €540 million for 2011-2013. Measures supported by SPRING will focus on promoting democratic transformation and institution-building, as well as sustainable and inclusive growth.

The rest of the new ENP funding has been allocated mostly to mobility programs (see below) and support for civil society organizations and non-state actors. The EU has created a new Civil Society Facility, covering all ENP partners (to both the south and east) aimed at developing the capacity of civil society organizations and non-state actors to promote reform and increase public accountability in their countries. The EU has dedicated roughly €12 million annually between 2011 and 2013 from the Civil Society Facility for the ENP countries in the Southern Mediterranean.

In addition, the EU has been working to mobilize greater international investment and financing for the region. The European Investment Bank (EIB)—the EU’s financing institution, which is active in over 150 countries and supports EU external cooperation and foreign assistance policies primarily by investing in projects aimed at private sector and infrastructure development—will increase lending to the Southern Mediterranean countries by almost €2 billion (€1 billion to the ENP partner countries and up to €700 million for projects related to climate change), thereby providing almost €6 billion in loans between 2011 and 2013. The EU has also helped extend the mandate of the European Bank for Reconstruction and Development (EBRD) to allow it to finance projects in the MENA region (see “Prospects for U.S.-EU Cooperation” for more information on the EBRD’s new role in the Southern Mediterranean).

**Markets:** The EU has pledged further EU market access for ENP partners through the creation of Deep and Comprehensive Free Trade Areas (DCFTAs). Compared to current free trade agreements, DCFTAs are meant to go beyond tariff removal to provide the fullest possible liberalization of trade in goods, services, and investment, as well as convergence on trade-related regulatory issues such as technical standards, sanitary measures, and intellectual property rights. In December 2011, the EU approved negotiating directives for DCFTAs with Morocco, Jordan, Tunisia, and Egypt; negotiations have begun with Morocco and preparatory work is underway with Jordan and Tunisia.

Given that the negotiation and conclusion of such comprehensive trade accords will likely take several years at least, the EU is also pursuing trade measures that can be implemented in the shorter term. The EU has accelerated negotiations on expanding existing free trade agreements with the MENA countries in manufactured goods to include other sectors (such as agricultural products and trade in services), and is working to negotiate Agreements on Conformity Assessment and Acceptance (ACAA) of industrial products with several countries.

**Mobility:** The EU views increasing mobility and people-to-people contacts as crucial to developing close and stable relations with the MENA countries. The EU is seeking to establish “mobility partnerships” with the Southern Mediterranean countries to develop comprehensive arrangements governing issues such as regular and irregular migration, visa policies, border control measures, and security concerns. The EU has begun dialogues on these issues with Tunisia, Morocco, and Jordan.

In September 2011, the EU announced the expansion of two existing academic mobility and educational exchange programs with the MENA region: the Erasmus Mundus program, which enables students and academic staff from the MENA region to study in Europe, will be expanded by increasing the number of scholarships and the funding available; and the Tempus program, which seeks to help modernize higher education institutions and create partnerships between European universities and their counterparts in the Southern Mediterranean, will also receive new funding.

**Note:** This box highlights major new EU initiatives launched in response to the “Arab Spring” and should be considered illustrative, not comprehensive, in nature.

**Sources:** European Commission Press Release, “EU Response to the Arab Spring: New Package of Support for North Africa and Middle East,” September 27, 2011; and European Commission Press Release, “EU’s Response the Arab Spring: The State-of-Play After Two Years,” February 8, 2013.

From a diplomatic and organizational perspective, the EU has sought to improve its capacity to respond to the changes in the MENA region by taking steps to enhance dialogue and improve the provision of its financial assistance. In July 2011, the EU appointed Bernardino Leon to a newly-created position as the EU's Special Representative to the Southern Mediterranean. Leon's primary responsibility has been to coordinate the EU's response to countries in transition in the MENA region. Leon's remit includes not only Egypt, Tunisia, and Libya, which have undergone regime change, but also Jordan and Morocco, given their efforts to institute political and economic reforms. The EU has also developed a "task force" concept for countries in the MENA region, bringing together officials from the MENA countries with those from the EU and its member states, international financial institutions, the private sector, and civil society. These task forces seek to better identify a given country's political and financial needs and to coordinate offers of assistance from the international community. To date, EU task forces have been launched with Tunisia, Jordan, and Egypt.

In addition, the EU has established a European Endowment for Democracy (EED), similar to the long-established U.S. National Endowment for Democracy, to help support political actors striving for democratic change. The EED is to function as a private foundation in both the EU's southern and eastern neighborhoods. Proponents argue that its independence should allow the EED to respond to new developments quickly and with greater flexibility. After a slow start-up process due to prolonged debates about the structure of the foundation, the EED has reportedly raised about €16 million, including an initial allocation of €6 million from the European Commission in November 2012, plus €5 million from Poland, whose foreign minister originally proposed the idea in early 2011. Additional member state pledges are expected.<sup>11</sup>

Nevertheless, some analysts suggest that EU commitments to a "new approach" to the MENA region and the revised ENP have merely amounted to a re-branding of existing practices, and note that to a large extent, the EU has continued to rely on the technical components and bureaucratic process of the ENP. These critics argue that EU leaders do not possess the political will to impose true conditionality in their relationships in the MENA region, especially if that essentially results in a deterioration of relations with some countries. For example, they contend that despite what some view as backsliding in countries such as Egypt and Tunisia on political reforms, the EU has not withheld or reduced its foreign assistance to those countries. Other experts question the use of conditionality by the EU in the MENA region, viewing it as less valuable and possibly off-putting in countries where change and reform came about as a result of domestic, not external, pressure.<sup>12</sup>

Many experts also point out that the EU's capacity to shape the Southern Mediterranean's future is severely limited. Many observe that in contrast to the EU's ability to encourage political and economic reforms in Central and Eastern Europe after the end of the Cold War, the EU does not have the same incentives available today with respect to the MENA region. Perhaps most obvious is that EU membership is not an option for the MENA countries because they are not part of Europe. The prospect of EU (and NATO) membership for the former communist countries of Central and Eastern Europe—and the extensive political and economic reforms required of these countries in order to permit their accession to the EU (and/or NATO)—are viewed by many

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<sup>11</sup> European Commission Press Release, "The European Endowment for Democracy – Support for the Unsupported," November 12, 2012.

<sup>12</sup> Nathalie Tocci, "One Year On: A Balance Sheet of the EU's Response to the Arab Spring," The German Marshall Fund of the United States and Istituto Affari Internazionali, May 2012.

analysts as key factors in transforming most of these countries into stable democracies and more affluent societies.

In addition, the Eurozone crisis and the resulting political fall-out in many European governments continues to consume EU policymakers' time and attention, and has put severe pressure on European treasuries. As such, providing large-scale EU financial assistance for the MENA region is unlikely to be politically possible in the near term. Many EU governments have imposed or are considering austerity measures and European publics do not appear to support spending significantly more money abroad given their economic problems at home. Although the EU has allocated some additional financial support in response to the events of the "Arab Spring," many commentators view it as relatively marginal and analysts note that it is not of the same magnitude as that committed to Central and Eastern Europe after the revolutions of 1989, or to the countries of the Balkans following the break-up of the former Yugoslavia.<sup>13</sup> Critics assert that the additional incentives the EU has offered in the form of "money, markets, and mobility" are inadequate to meet the immense needs of the region.

Moreover, skeptics question the feasibility of certain EU incentives. For example, some experts doubt that any MENA countries will actually be able to conclude Deep and Comprehensive Free Trade Areas—intended to further liberalize trade in goods, services, and investment with the EU (see text box above on the "3Ms")—given the complex EU rules and demands embedded in them. In addition, analysts point out that several possible EU incentives can only be delivered if agreed to by the member states. However, a number of EU governments are unenthusiastic about certain measures—such as greater trade liberalization in the agricultural sector or visa liberalization in the mobility field—viewing them as too politically sensitive because they could impinge on national interests or conflict with key domestic sectors.<sup>14</sup>

## **EU Responses to Change in Selected MENA Countries<sup>15</sup>**

Although the MENA countries share a number of significant common challenges, each also has its own particular set of circumstances, and the relationship of individual countries with the EU varies. The EU therefore has a differentiated approach to each MENA country, with relations defined by Association Agreements (AAs) and ENP Action Plans. Association Agreements are bilateral in nature; they set out a broad framework for political, economic, social, and cultural cooperation between the EU and each partner country. AAs are considered treaties, and must be

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<sup>13</sup> One recent study asserts that in the wake of the transitions in the countries of Central and Eastern Europe and the Balkans, EU assistance added several percentage points to the GDP of each country. See Richard Youngs, "Funding Arab Reform?," The German Marshall Fund of the United States Policy Brief, August 2012.

<sup>14</sup> Richard Gillespie, "Europe and Its Arab Neighbors: New Wine in Old Skins," Carnegie Endowment for International Peace, June 15, 2011; Tocci, *Op. cit.*

<sup>15</sup> Much of the country-specific information in this section is drawn from the relevant country pages of the following EU websites: European External Action Service, [http://eeas.europa.eu/countries/index\\_en.htm](http://eeas.europa.eu/countries/index_en.htm); European Commission Development and Cooperation Directorate-General, [http://ec.europa.eu/europeaid/where/neighbourhood/country-cooperation/index\\_en.htm](http://ec.europa.eu/europeaid/where/neighbourhood/country-cooperation/index_en.htm); and European Commission Trade Directorate-General, <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries-and-regions/>; and from the following two EU documents: "Delivering on a New European Neighbourhood Policy," Joint Communication from the European Commission and the High Representative for Foreign Affairs and Security Policy, May 15, 2012; and "Partnership for Democracy and Shared Prosperity: Report on Activities in 2011 and Roadmap for Future Action," Joint Staff Working Document, May 15, 2012, both available at: [http://ec.europa.eu/world/enp/documents\\_en.htm](http://ec.europa.eu/world/enp/documents_en.htm). Also see: European Commission Press Release, "EU's Response to the Arab Spring: The State-of-Play After Two Years," February 8, 2013.

ratified by both the EU and the partner country; they usually include free trade agreements for industrial goods and serve as the basis for the gradual liberalization of trade between the EU and the partner country. An Association Agreement must be completed before a country can participate in the ENP.

Central to the ENP are bilateral Action Plans, which set out specific political and economic reforms and priorities in the short and medium-term. In contrast to AAs, Action Plans are political documents, and reflect agreement between the EU and each European Neighborhood Policy partner country on the objectives and priorities for future relations. The EU may also grant a partner country “advanced status” relations or a “privileged partnership” to reflect the EU’s satisfaction with political, economic, and social conditions and reform efforts in the partner country. An “advanced status” relationship or “privileged partnership” may allow for cooperation in a wider number of areas, increased EU aid, and privileged access to the EU market for the partner country’s industrial and agricultural goods.

Countries such as Tunisia, Egypt, Jordan, and Morocco have received EU economic support since joining the ENP through the European Neighborhood and Partnership Instrument (the EU financial instrument that provides the main source of funding for the ENP). In general, EU financial support referred to in this section for the period 2011-2013 does not represent entirely new funds allocated specifically in response to the “Arab Spring.” Rather, while EU support may now have been increased or re-directed in response to events, initial EU funding levels were budgeted in advance as multi-year allocations that continued previous support committed in national ENP Action Plans. Libya and Syria are considered eligible for the ENP, but as noted above, the ENP is not fully activated for either of these countries, and EU relations with Syria are largely suspended at present.

### **Key Actors in the EU’s European Neighborhood Policy (ENP)**

The European Neighborhood Policy is managed by the **European Commission**, one of the EU’s main institutions, which essentially acts as the EU’s executive branch. The Commission is composed of 27 Commissioners, one from each member state, but they are independent of national governments and seek to uphold the common interest of the EU as a whole. The **President of the European Commission, José Manuel Barroso**, is the highest authority in representing the Commission’s policies at the heads of state or government level.

Each of the other Commissioners holds a distinct portfolio (e.g., agriculture, energy, trade, education) and the Commission is divided into departments called Directorates-General (DG). Each DG covers a specific policy issue or set of policy issues and is headed by one of the Commissioners. The DGs are, in effect, the EU’s executive departments and agencies, and the Commissioners are comparable to U.S. department secretaries or agency heads.

Direct responsibility for implementing and managing the European Neighborhood Policy rests with the **Commissioner for Enlargement and ENP, Štefan Füle**. He serves as the voice of ENP at the ministerial level.

Among her many duties, the **High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton**, is a Vice President of the European Commission and is responsible for coordinating all external dimensions of the Commission’s activities. (In addition to the ENP, the central areas of Commission activity in external affairs include trade, humanitarian aid, development, and EU enlargement.) She therefore plays a role in the oversight, formulation, and management of the ENP, and represents all Commission external policies at the ministerial level.



**Table 2. Status of EU Relations with Selected MENA Countries**

	<b>Association Agreement (AA)</b>	<b>ENP Action Plan</b>	<b>Free Trade Agreement (FTA)/Advanced Status/Other</b>	<b>Allocated Aid for 2011-2013</b>	<b>Trade</b>
<b>Egypt</b>	Signed 2001; entered into force 2004.	Adopted 2007.	FTA for industrial goods and some agricultural/ fisheries products.	€449 million development aid, plus €253 million in new grants for 2012-13	About one-third of Egypt's trade is with the EU (€23.9 billion in 2012).
<b>Jordan</b>	Signed 1997; entered into force 2002.	Initially adopted 2005; updated Action Plan adopted 2012.	FTA for industrial goods and some agricultural/ fisheries products.  Advanced Status relations agreed in 2010.	€293 million development aid (increased from €223 million)	Trade between the EU and Jordan was about €3.8 billion in 2012.
<b>Libya</b>	None.	None.	Negotiations on a Framework Agreement including an FTA to be resumed after 2011 suspension.	€107 million development aid  €85 million humanitarian aid during 2011 conflict	More than half of Libya's trade is with the EU (about €39.1 billion in 2012). Over 90% of EU imports are petroleum and related products.
<b>Morocco</b>	Signed 1996; entered into force 2000.	Adopted 2005; negotiations on updated Action Plan in progress.	FTA for industrial goods and some agricultural/ fisheries products; deep and comprehensive FTA talks begun in 2013  Advanced Status relations agreed in 2008.	€660.5 million development aid (increased from €580.5 million)	More than half of Morocco's trade is with the EU (€26 billion in 2012).
<b>Syria</b>	Negotiated in 2004; revised draft agreed in 2008 but not in force; progress put on hold May 2011.	None.	EU has imposed sanctions and suspended all bilateral cooperation.	Budgeted €129 million – currently suspended  €200 million humanitarian aid	In 2011, about 20% of Syria's trade was with the EU (€6.1 billion). Trade contracted to €1.5 billion in 2012.
<b>Tunisia</b>	Signed 1995; entered into force 1998.	Adopted 2005.	FTA for industrial goods and some agricultural/ fisheries products.  Privileged Partnership agreed in November 2012.	€400 million development aid (increased from €240 million)	Over half of Tunisia's trade is with the EU (€20.6 billion in 2012).

**Sources:** European External Action Service [<http://www.eeas.eu>]; and the European Commission [<http://ec.europa.eu>]

## Tunisia and Egypt

EU relations with Tunisia and Egypt are framed by Association Agreements and ENP Action Plans established prior to the events of the “Arab Spring.” Following the overthrow of longtime leaders in Tunisia and Egypt, the EU has supported democratization and economic modernization efforts in both countries. Although some European leaders and publics worry about the rise of Islamist parties in Tunisia and Egypt, the EU and most member states maintain that they welcome any truly democratically-elected government that embraces inclusivity, respects the rule of law and human rights, and is responsible and accountable to the people it serves.

EU cooperation with **Tunisia** has been particularly close since the demise of the former regime of Ben Ali. For much of the last two years, the EU has viewed Tunisia as making tangible progress on political reforms and has touted its enhanced relations with Tunisia as a key example of its “more for more” approach. An EU observer mission helped monitor Tunisia’s October 2011 elections for a Constituent Assembly, which the EU praised as largely free and fair. Among other measures taken in support of the transition in Tunisia, the EU has:

- Increased its planned financial assistance to Tunisia for the period 2011-2013 from an initial €240 million to €400 million; this includes €20 million for the poorest areas of Tunisia in order to improve living conditions, provide access to microfinance, and create jobs;
- Established a joint EU-Tunisia Task Force to bring together officials from the EU, Tunisia, and international financial institutions to improve dialogue and the delivery of political and economic support;
- Launched a dialogue with Tunisia on migration, mobility, and security issues;
- Begun preparatory work with Tunisia on establishing a Deep and Comprehensive Free Trade Area; and
- Concluded a “privileged partnership” with Tunisia in November 2012, signifying a deepening of relations across a wide range of political and economic areas, and announced an agreement to launch negotiations on an air services accord to help boost Tunisia’s tourism sector.

In early 2013, however, EU officials became alarmed by rising political tensions in the country. In particular, the EU has expressed concern about the February 2013 killing of a prominent Tunisian opposition leader and the increasing number of violent acts committed by extremist groups.<sup>16</sup>

Some experts view the EU’s response to the changes in **Egypt** as more tentative. Following the end of the Mubarak regime, the EU was hopeful that Egypt’s transition from military to civilian rule would proceed relatively quickly, but EU leaders were dismayed by its slow pace during 2011 and much of 2012. The EU re-directed some previously allocated ENP funding (€150 million per year for 2011-2013) in response to the political changes, but did not immediately

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<sup>16</sup> Also see: European Commission Press Release, “EU Response to the Arab Spring: New Package of Support for North Africa and Middle East,” September 27, 2011; Danya Greenfield and Rosa Balfour, *Arab Awakening: Are the U.S. and EU Missing the Challenge?*, Atlantic Council, June 2012; European Neighbourhood Info Center, “EU and Tunisia Seal Privileged Partnership with Agreement on New Action Plan,” November 19, 2012; European Neighbourhood Info Center, “Ashton and Füle Strongly Condemn Killing of Tunisian Opposition Leader Choukri Belaid,” February 7, 2013.

allocate new funding. The EU provided technical assistance to Egyptian election officials for parliamentary and presidential elections in 2011-2012 and supported voter education through civil society organizations. In December 2011, the EU approved a negotiating directive for a Deep and Comprehensive Free Trade Agreement with Egypt, but preliminary work has yet to begin.<sup>17</sup> EU-Egypt frictions rose in early 2012 following Egypt's arrest of personnel affiliated with U.S., Egyptian, and European nongovernmental organizations engaged in democracy promotion.

Amid Egypt's ongoing economic problems and Egyptian President Morsi's moves to decrease the role of the military in government, the EU appears to have enhanced its support for Egypt. In November 2012, an EU-Egypt Task Force was established. The EU, together with the European Investment Bank and the European Bank for Reconstruction and Development, also pledged a combined additional financial package of roughly €5 billion in grants, loans, and concessional loans for the 2012-2013 period; a significant portion of this pledged funding, however, is conditional on Egypt concluding a deal on a loan agreement with the International Monetary Fund and on implementing substantive economic reforms.<sup>18</sup> At the same time, EU officials and many Members of the European Parliament remain concerned about Egypt's progress toward democracy, the Morsi government's respect for human rights (including freedom of expression), the independence of the judiciary, and rising societal and sectarian tensions.<sup>19</sup>

## **Morocco and Jordan**

Neither Morocco nor Jordan have experienced political upheaval on the scale of Tunisia, Egypt, or Libya, but both have responded to domestic pressures by initiating a process of gradual—though some would argue limited—political reform. The EU has been strongly supportive of the reform initiatives in both countries. Some observers assert that the pace and nature of change in Morocco and Jordan align with the EU's strengths and preferences, and the EU has, for the most part, been able to maintain its established approach to the two countries. Others criticize the EU for not being more forward-thinking in its relations with Morocco and Jordan, and still view EU efforts as shying away from vigorously encouraging more political reforms in the interest of preserving stable monarchies that are friendly to EU and European interests.

**Morocco** is the largest recipient of ENP funds, with €580.5 million initially budgeted for 2011-2013 to support five priority areas: the development of social policies; economic modernization; institution-building; good governance and human rights; and environmental protection. In 2008, Morocco became the first Southern Mediterranean country to be granted "advanced status" in its relations with the EU. In November 2011, the EU deployed a team of election experts to assess Morocco's parliamentary elections. Among recent measures aimed at bolstering and further encouraging Morocco's reform efforts, the EU has:

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<sup>17</sup> Also see the following EU press releases: "ENP Package, Country Progress Report 2011 – Egypt," May 15, 2012; EU Press Release, "ENP Package, Country Progress Report 2012 – Egypt," March 20, 2013.

<sup>18</sup> Of this €5 billion financial assistance package for 2012-2013, the EU will provide €253 million in the form of grants (including €90 million from the SPRING program), and upon agreement of an Egypt-IMF financial assistance package, the EU will provide an additional €50 million in grants and €450 million in concessional loans. The European Investment Bank and the European Bank for Reconstruction and Development are each expected to provide €2 billion for the period 2012-2013. See "EU-Egypt Task Force Co-chairs Conclusions," November 14, 2012.

<sup>19</sup> On March 14, 2013, the European Parliament adopted a non-binding resolution expressing a wide range of concerns about Egypt's political transition and economic situation. In particular, it called on the EU to withhold financial assistance if "no major progress is made regarding respect for human rights, and freedoms, democratic governance and the rule of law." European Parliament Resolution P7\_TA(2013)0095.

- Allocated an additional €80 million to Morocco for projects in the human rights, governance, and socio-economic fields;
- Launched a dialogue with Morocco on migration, mobility, and security issues;
- Approved a new accord that will expand Morocco's existing free trade agreement with the EU in goods to include preferential market access for agricultural and fisheries products; and
- Begun negotiations on a Deep and Comprehensive Free Trade Area.<sup>20</sup>

**Jordan** was upgraded to an “advanced status” partnership with the EU in 2010. For 2011, the EU increased its planned allocation of €71 million in assistance to Jordan to €111 million, bringing forward funds that were part of €223 million in aid initially budgeted for Jordan in 2011-2013 to support small- and medium-sized enterprises, innovation, and public financial management reform. In February 2012, the EU announced it would make an extra €70 million available (in two tranches) to support small businesses, vocational training, and good governance, and thus increasing total EU assistance to Jordan to almost €300 million for 2011-2013; EU officials stressed that the release of the second tranche would be linked to progress on democratic reforms. In January 2013, an EU election observer mission was deployed to help monitor Jordan's legislative elections, which initial EU assessments deemed to be in line with democratic standards. Over the last year, the EU has also:

- Established a joint EU-Jordanian Task Force;
- Started a dialogue with Jordan on migration, mobility, and security issues; and
- Begun preliminary work on a Deep and Comprehensive Free Trade Area.

The EU remains concerned, however, about Jordan's deteriorating economic situation, due in part to the unrest in Egypt and especially, Syria. The EU is considering a €200 million Jordanian request for macro-financial assistance (which would likely be provided as a loan). The EU has also provided €137 million in humanitarian and other financial assistance since the outbreak of the Syrian crisis to help Jordanian authorities deal with the large influx of Syrian refugees.<sup>21</sup>

## **Libya and Syria**

As noted previously, the EU has always considered both Libya and Syria as eligible for membership in the ENP, but the ENP mechanisms for these two countries have not been fully activated due to the lack of a prerequisite Association Agreement.

Regarding **Libya**, the EU began informal and limited cooperation with the former Qadhafi regime in 2004 (following the lifting of international sanctions that had been imposed for two decades) and provided small amounts of financial and technical assistance related to migration and health

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<sup>20</sup> Also see the following European Commission press releases: “EU-Morocco: Agricultural Agreement Sign of Credibility,” February 17, 2012; “EU-Morocco: Preparing for the Action Plan on Reforms,” April 23, 2012; “Increased EU Support for the Moroccan Government's Sectoral Reforms,” July 30, 2012; “EU and Morocco Start Negotiations for Closer Trade Ties,” April 22, 2013.

<sup>21</sup> Also see the following EU press releases: “EU-Jordanian Task Force Co-chairs Conclusions,” February 22, 2012; “ENP Package, Country Progress Report 2011 – Jordan,” May 15, 2012; “ENP Package, Country Progress Report 2012 – Jordan,” March 20, 2013; “Jordan: EU Provides New Support to Deal with Syrian Refugee Crisis,” June 3, 2013.

issues. With the Qadhafi regime apparently uninterested in joining the ENP, negotiations on a Framework Agreement—a less intense contractual arrangement than an Association Agreement—began in 2008 to formalize EU-Libya relations. These negotiations were suspended, however, in February 2011 following the outbreak of hostilities between rebels and forces loyal to Qadhafi.

As the United Nations began debating whether to authorize a military intervention against the Qadhafi regime, EU member states (21 of which also belong to NATO) were unable to form a consensus regarding the use of military force. France and the UK played a leading role in the 2011 NATO air operation in Libya; Germany, after abstaining from the U.N. Security Council vote that authorized force, was not among the operation's participants. During the conflict, the EU and its member states provided roughly €155 million in humanitarian assistance (of which €80.5 million was from the EU itself), and set up a liaison office in Benghazi in support of Libya's Transitional National Council (TNC).

In October 2011, following the fall of Qadhafi, the EU announced that it stood ready to resume negotiations on a Framework Agreement with Libya's new government at an appropriate time. In 2012, an EU monitoring mission observed Libya's July elections, and the EU established a training program on parliamentary and constitutional process for Libya's new National General Congress. The EU is preparing to deploy a civilian border management mission to Libya under its Common Security and Defense Policy (CSDP) in June 2013.

Prior to the revolution, the EU had budgeted €60 million in financial and technical support to Libya for the period 2011-2013, but this was suspended during the hostilities. Since the demise of the Qadhafi regime, the EU has been working with the TNC to conduct various need assessments and direct EU funding to areas such as health, migration, border management, the security sector, human rights, democratization, public administration, and the media. The EU put in place a package of short-term assistance measures at the end of 2011 worth €39 million, and has announced it will provide at least €68 million for 2012-2013.<sup>22</sup>

As for **Syria**, the escalation of the conflict into a civil war (in which an estimated 70,000 people have been killed) has become a matter of central concern for the EU, the United States, and the international community. The EU negotiated an Association Agreement with Syria in 2004, and the draft was revised in 2008, but progress on its formal approval was put on hold by the EU in 2011 in response to the Syrian regime's violent response to anti-government protestors. Since then, the EU has taken a leading international role in condemning the Asad regime's actions, and has progressively introduced an extensive set of sanctions aimed at pressuring the regime to agree to a ceasefire and negotiate a political solution (see Table 3).

The EU had budgeted €129 million in bilateral assistance to Syria for the period 2011-2013, but all bilateral cooperation has been suspended. Financing and loan disbursements from the European Investment Bank have also been suspended. In December 2012, the EU recognized the National Coalition for Syrian Revolutionary and Opposition Forces as the "legitimate representative" of the Syrian people. EU members France and Britain extended bilateral recognition to the group. To date, the EU and its member states have provided €626 million in

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<sup>22</sup> Also see European Commission Press Release, "EU's Response to the Arab Spring: The State-of-Play After Two years," February 8, 2013; EU Press Release, "ENP Package, Country Progress Report – Libya," March 20, 2013.

humanitarian aid for Syrian refugees and civilians remaining in Syria (€265 million from the EU's humanitarian assistance budget and over €361 million from the member states).<sup>23</sup>

European policymakers have debated arming the Syrian rebels and possible military intervention, but many have remained reluctant to pursue either option. In early 2013, the UK and France began seeking to lift the EU arms embargo on Syria in order to arm opposition forces; given a lack of consensus at the EU foreign ministers' meeting in late May, the arms embargo was allowed to expire despite strenuous objections from a number of member states.<sup>24</sup> As a result, arms exports to the opposition may be authorized on a national, case-by-case basis, with safeguards intended to prevent misuse, although member states also agreed to refrain from such deliveries pending a review of the situation in August 2013. European countries have thus far provided non-lethal equipment, humanitarian assistance, and some training. In April 2013, the EU eased a number of its sanctions in order to help the opposition and the Syrian population, allowing member states to authorize oil-related transactions and investments after consultation with the opposition National Coalition.

**Table 3. EU Sanctions Against Syria**

Category	Measures Adopted
Arms Embargo	<p>The first round of EU sanctions, adopted in May 2011, had imposed an embargo on the sale, supply, transfer, and export of arms and related material of all types. The embargo was later tightened to include equipment that could be used in monitoring communications, and equipment which might be used for internal repression.</p> <p>The EU amended the arms embargo in February 2013 to allow delivery of non-lethal military equipment for the protection of civilians or for the Syrian National Coalition for Opposition and Revolutionary Forces.</p> <p>The EU arms embargo expired on June 1, 2013, allowing member states to proceed according to their national policies with providing military equipment to the Syrian National Coalition for Opposition and Revolutionary Forces. Member states agreed to require adequate safeguards against misuse, and to refrain from supplying arms and related material until a review of the situation in August 2013.</p>
Oil and Energy Industry	<p>In September 2011, the EU imposed an embargo on Syrian oil and petroleum products and banned financing or insuring activities of the Syrian oil industry.</p> <p>It also prohibited loans and credits to the Syrian oil industry; acquisition or extension of participation in enterprises of Syrian oil industry; or creation of any joint venture with enterprises in Syria that are engaged in Syrian oil industry.</p> <p>In December 2011, the EU prohibited the sale or transfer of equipment or technology for the Syrian oil and natural gas industry.</p> <p>It also prohibited participation or financing for enterprises engaged in the construction of new power plants for the production of electricity in Syria.</p> <p>In April 2013, the EU changed terms of the oil embargo and restrictions on business with the Syrian oil and gas industry to allow transactions after member state authorities consult with the Syrian National Coalition for Opposition and Revolutionary Forces.</p>

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<sup>23</sup> European Commission ECHO Factsheet, "Syria Crisis," May 11, 2013.

<sup>24</sup> Council of the European Union, "Council Declaration on Syria," May 27, 2013.

Category	Measures Adopted
Financial and Economic	<p>EU sanctions have:</p> <p>Prohibited the delivery of Syrian denominated money to the Central Bank of Syria (September 2011);</p> <p>Prohibited the disbursement of European Investment Bank loan payments; prohibited continuation of EIB Technical Assistance Service Contracts (November 2011);</p> <p>Prohibited new commitments for grants, financial assistance, loans, or insurance for the Syrian government, including through international financial institutions (December 2011);</p> <p>Prohibited the sale, purchase, or brokering of Syrian bonds (December 2011) ;</p> <p>Prohibited opening new branches or subsidiaries of Syrian banks in member state territory, or entering into new business relationships with Syrian banks (December 2011);</p> <p>Prohibited transactions of gold, precious metals, and diamonds with the Syrian government and central bank (February 2012); and</p> <p>Prohibited the sale, transfer, or export of luxury goods (April 2012).</p> <p>The EU has also frozen the assets of the Central Bank of Syria, although legitimate trade may continue under strict conditions (February 2012); Member states have agreed to exercise restraint in entering into commitments for financial support (export credits, guarantees, insurance) for trade with Syria (December 2011).</p>
Transportation	<p>In February 2012, the EU banned cargo flights operated by Syrian carriers from EU airports.</p> <p>In July 2012, the EU instructed member states to inspect cargo of vessels and aircraft bound for Syria given reasonable grounds to suspect transport of arms or prohibited equipment.</p> <p>In October 2012, the EU banned all flights operated by Syrian Arab Airlines from EU airports.</p>
Visa Ban and Asset Freeze	<p>Since May 2011, the EU has steadily expanded its listing of individuals and entities (companies and government agencies) involved in violence and repression or closely associated with the policies of the Asad regime.</p> <p>As of April 2013, 54 entities were subject to an asset freeze and 179 individuals were subject to an EU entry visa ban and asset freeze.</p>

**Sources:** <http://eur-lex.europa.eu/> and The Council of the European Union, "The European Union and Syria Factsheet," April 22, 2013.

## **U.S. Policies in the MENA Region<sup>25</sup>**

In the wake of the “Arab Spring,” the U.S. government, like its European counterparts and the EU, has been examining long-standing U.S. policies in the Middle East and North Africa. This section provides a broad overview of U.S. policy in the region. It focuses largely on U.S. initiatives to encourage post-transition political and economic development in the MENA countries and highlights similarities and differences with European efforts to provide a basis for comparison when considering prospects for future U.S.-European cooperation. U.S. programs and policies described in this section should be considered illustrative, rather than exhaustive.

### **U.S. Interests and Perspectives**

For decades, U.S. policy in the Middle East and North Africa has largely focused on promoting stability and security. Although U.S. officials also sought to encourage political reforms, protect human rights, and foster economic growth in the region, many experts viewed these U.S. goals as largely secondary, and at times, sacrificed to preserve cooperation with autocratic allies. For example, the United States maintained a strategic partnership with Egypt’s former Mubarak regime as a means of ensuring Egyptian-Israeli peace and combating terrorism, despite the regime’s stifling of internal dissent. Some U.S. policymakers and analysts, along with many in Europe, also doubted that any Western attempts to promote democracy in the region would succeed, given the political history and lack of civil society in many MENA countries. Meanwhile, others in both the United States and Europe feared that the introduction of democratic reforms in these countries could lead to anti-Western factions, including Islamists, winning elections.

Over the last two years, however, the United States has declared its intention to put greater emphasis than in the past on supporting democratic transitions, economic development, and the aspirations of the people of the MENA region. In a speech in May 2011, President Barack Obama asserted that the United States “respects the right of all peaceful and law-abiding voices to be heard, even if we disagree with them. We look forward to working with all who embrace genuine and inclusive democracy;” he also set out a new framework for U.S. policy toward the MENA region “based on ensuring financial stability, promoting reform, and integrating competitive markets with each other and the global economy.”<sup>26</sup>

For many Europe-watchers, the degree to which President Obama highlighted working with the international community, particularly the EU, to help the transitions underway in the MENA region was particularly notable. Such measures outlined by the President in his May 2011 address included: U.S. support for expanding the mandate of the European Bank for Reconstruction and Development; the launch of a U.S. Trade and Investment Partnership for the Middle East, in possible cooperation with the EU; and U.S. efforts to work with international partners and multilateral financial institutions to provide economic assistance to the MENA region (for more information on these initiatives, see “Prospects for U.S.-EU Cooperation” below).

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<sup>25</sup> This section draws heavily from other CRS products, including CRS Report R42393, *Change in the Middle East: Implications for U.S. Policy*, coordinated by Christopher M. Blanchard. For additional CRS products on U.S. policy toward the MENA region, see “Related CRS Reports.”

<sup>26</sup> President Barack Obama, “Remarks by the President on the Middle East and North Africa,” May 19, 2011.



## **Political Development, Diplomatic Initiatives, and U.S. Foreign Assistance**

The United States has sought to respond to the transitions in the MENA region with a mix of diplomatic outreach, political engagement, and foreign aid. Initially by utilizing the State Department's existing Middle East Partnership Initiative (MEPI) and the U.S. Agency for International Development's Office of Transition Initiatives (USAID-OTI), U.S. officials and contract personnel worked directly with emerging political groups and civil society organizations in countries such as Tunisia and Libya. In Egypt, however, efforts in 2011 to expand U.S. democracy-support programs were strained by resistance from the former military transitional government, and severely dampened by police raids on U.S. and European non-governmental organizations engaged in democracy promotion in early 2012.

In September 2011, the State Department established an Office for Middle East Transitions, led by Special Coordinator Ambassador William Taylor. This office has responsibility for managing U.S. outreach and transition support for Egypt, Tunisia, and Libya. It also coordinates U.S. engagement with international partners, including European allies and the EU, aimed at promoting political change and economic growth in the MENA region. Jordan and Morocco, however, are not included in Ambassador Taylor's mandate because they have not experienced regime change. U.S. policy toward Jordan and Morocco seeks to balance continued support for the ruling monarchies in those countries with efforts to encourage political and economic reforms.

The Obama Administration has also reallocated portions of U.S. aid to support the transitions throughout the MENA region. For example, a Middle East Response Fund/Middle East and North Africa Incentive Fund (MERF/MENA-IF) was created from unobligated FY2011 and FY2012 Economic Support Fund (ESF) appropriations to support democratic and economic reforms.<sup>27</sup> According to the U.S. State Department, in response to the events of the "Arab Spring," over \$1.5 billion in total was identified in FY2011 and FY2012 from existing bilateral program accounts and other sources; this amount could presumably include humanitarian aid and security assistance, in addition to activities aimed at promoting democracy and economic opportunities.<sup>28</sup>

In its FY2013 budget request, the Obama Administration proposed \$770 million over five years for the MENA-IF in order to meet continuing needs in the region, provide greater flexibility for responding to new contingencies, and create a lasting framework to support reform efforts in the MENA countries. Of this request, \$700 million would have been new funding with the remainder intended for existing programs. However, Congress did not appropriate funding for MENA-IF in the FY2013 continuing resolutions covering State-Foreign Operations activities, in part because of broader disagreements over the size of the U.S. budget and how best to reduce the national debt. For FY2014, the Administration has requested \$580 million over five years for the MENA-IF, of which \$475 million would be new funding, \$75 million would be for the existing Middle East Partnership Initiative, and \$30 million would be for USAID's Office of Middle East Programs. The Administration does not specify how the MENA-IF funding would be allocated

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<sup>27</sup> In FY2011 and FY2012, a total of \$210 million was identified for the MERF/MENA-IF. U.S. Department of State, FY2013 Congressional Budget Justification, Volume 2, Foreign Operations, p. 53, available at: <http://www.state.gov/documents/organization/185014.pdf>.

<sup>28</sup> U.S. Department of State, FY2014 Executive Budget Summary, Function 150 and Other International Programs, p. 97, available at: <http://www.state.gov/documents/organization/207305.pdf>.

(or to what countries), but envisions that it could be used for a wide variety of interventions, including enterprise funds, loan guarantees, and humanitarian assistance.<sup>29</sup>

As for Syria, the United States has been providing humanitarian assistance to international organizations aiding Syrian civilians and non-lethal support to unarmed elements of the Syrian opposition.<sup>30</sup> In 2012, the Obama Administration notified Congress of its intent to establish a USAID Office of Transition Initiatives program for Syria at an initial cost of \$5 million in order to begin laying the foundation for U.S. support for Syria's political transition in the longer term. The Administration has also significantly expanded existing U.S. sanctions on Syria, freezing all U.S.-controlled assets of the Syrian government, prohibiting U.S. persons from engaging in any transaction involving the Syrian government, and banning U.S. imports of Syrian-origin petroleum products, among other measures.

## **Economic Development and Trade Initiatives**

The Obama Administration views improving the socio-economic conditions of many MENA countries as crucial to reducing inequalities, ensuring successful transitions, and creating a more affluent and peaceful region in the long term. Major Administration initiatives have focused on providing debt relief and loan guarantees (especially for Egypt and to a lesser extent, Tunisia), promoting private investment, and facilitating more trade with the Middle East and North Africa. The U.S. Overseas Private Investment Corporation (OPIC) has launched a \$2 billion initiative to support private investment across the MENA region, and Congress has approved the establishment of U.S. enterprise funds (similar to those set up in Central and Eastern Europe after the revolutions of 1989) for Egypt, Tunisia, and Jordan. These enterprise funds will seek to encourage and support the development of small- and medium-sized businesses.

As noted previously, a key proposal in President Obama's May 2011 speech called for launching a comprehensive Trade and Investment Partnership Initiative in the Middle East. This would seek both to facilitate more trade within the MENA region and to promote more trade and investment between the region and markets in the United States, the EU, and elsewhere. President Obama asserted, "Just as EU membership served as an incentive for reform in Europe, so should the vision of a modern and prosperous economy create a powerful force for reform in the Middle East and North Africa."<sup>31</sup>

Since then, the Administration has established a program called the Middle East and North Africa Trade and Investment Partnership (MENA TIP), to create a regional platform to foster greater trade and investment among the MENA countries and with international partners, as well as to encourage regulatory reform. Under this initiative, the United States has engaged primarily with

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<sup>29</sup> For more information, see CRS Report R42621, *State, Foreign Operations, and Related Programs: FY2013 Budget and Appropriations*, by Susan B. Epstein, Marian Leonardo Lawson, and Alex Tiersky; and CRS Report R43043, *The FY2014 State and Foreign Operations Budget Request*, by Susan B. Epstein, Marian Leonardo Lawson, and Alex Tiersky.

<sup>30</sup> While Syria's status as a U.S.-designated state sponsor of terrorism and related U.S. sanctions limit the availability and use of direct U.S. aid to Syria, the Obama Administration has availed itself (in consultation with Congress) of special authorities in U.S. law that permit the use of limited amounts of U.S. assistance funds to provide approximately \$250 million in non-lethal support to the Syrian opposition. To date, the United States has also provided nearly \$510 million in humanitarian assistance funding to help those affected by the conflict. See U.S. Department of State Fact Sheet, "U.S. Government Assistance to Syria," May 9, 2013.

<sup>31</sup> President Barack Obama, "Remarks by the President on the Middle East and North Africa," May 19, 2011.

Egypt, Jordan, Morocco, and Tunisia (holding an initial meeting on MENA TIP with these four countries in April 2012), and to a lesser extent, with Libya. Investment, trade facilitation, support for small- and medium-sized enterprises, and regulatory practices and transparency, have been identified as initial areas for discussion and cooperation. However, some analysts point out that there has been little concrete progress to date and no significant efforts yet toward involving other international actors, such as the EU, in this process.<sup>32</sup>

Various experts have also argued for an expansion of bilateral U.S. free trade agreements (FTAs) in the MENA region. The United States already has FTAs with Jordan and Morocco, and some analysts have urged the United States to negotiate similar ones with Egypt and Tunisia as a way to advance economic development and other reforms related to transparency, good governance, and regulatory standards. To date, the pursuit of new FTAs in the MENA region does not appear to be a current goal of the Obama Administration, given domestic political tensions and ongoing political uncertainty in some MENA countries.

However, the Administration has made some attempts to strengthen bilateral U.S. trade and investment ties with several MENA countries. For example, U.S. officials have been working to develop a country-specific action plan for Egypt aimed at increasing exports, supporting SMEs, and enhancing U.S. investment. The United States has also re-launched discussions under the U.S.-Tunisian Trade and Investment Framework Agreement (TIFA) to explore options for deepening bilateral and intra-regional trade and investment ties. And U.S. and Libyan officials have reportedly discussed possibilities for increasing market access, addressing intellectual property rights, and improving scientific cooperation. Such efforts could potentially lead to larger-scale trade and investment agreements in the future.<sup>33</sup>

## **Congressional Views**

For many Members of Congress, responding to the rapid pace of events and significant changes in the Middle East and North Africa since early 2011 has been challenging. Although many Members welcome the emerging aspirations of the people of the MENA region for political reform, economic equality, and self-determination, they are also concerned about how best to maintain the benefits of long-standing U.S. partnerships and to protect U.S. global security interests amid regional change. In particular, initial successes by Islamist parties in elections in countries such as Egypt and Tunisia have raised concerns among some Members given uncertainties about how such parties view Israel and whether they will respect social and political rights, particularly those pertaining to women and religious minorities.

Congress has supported some of the policy proposals outlined by President Obama in May 2011 for the MENA region. As noted above, Congress has authorized debt relief and the creation of U.S. enterprise funds for some MENA countries. Nevertheless, these initiatives have been controversial among Members who worry about new spending commitments given U.S. fiscal constraints, and among those concerned about the eventual shape and political orientations of

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<sup>32</sup> Remarks by Deputy U.S. Trade Representative Miriam Sapiro, "Trade and Investment Engagement with the Middle East and North Africa," September 15, 2011; U.S. Department of State Press Release, "U.S., Four Arab Nations on New Trade and Investment Partnership," April 12, 2012; Danya Greenfield and Rosa Balfour, *Arab Awakening: Are the U.S. and EU Missing the Challenge?*, Atlantic Council, June 2012.

<sup>33</sup> Greenfield and Balfour, *Op. cit.*; also see CRS Report R42153, *U.S. Trade and Investment in the Middle East and North Africa: Overview and Issues for Congress*, coordinated by Shayerah Ilias Akhtar.

emerging regimes in the MENA region. For example, Congress attached new conditions on U.S. foreign assistance to Egypt in FY2012, requiring the U.S. Secretary of State to first certify that Egypt had held free and fair elections, was protecting civil liberties, and was meeting its obligations under its 1979 peace treaty with Israel. Congressional efforts to restrict or condition U.S. aid and debt relief to Egypt remain ongoing.

Although U.S. foreign assistance to Libya has been more limited given Libya's vast resources, especially its petroleum reserves, Congress has supported a range of security and transition assistance programs in Libya. However, many Members continue to worry about security in the country, especially with regard to Qadhafi-era weapons and border security, and in light of the reported presence of Al Qaeda-related groups. Such security concerns have intensified since the September 2012 terrorist attack on the U.S. diplomatic mission in Benghazi. Identifying and bringing to justice those responsible for the Benghazi attack has become an important issue for many Members, with some calling for future U.S. assistance to Libya to be conditioned on full Libyan cooperation in the Benghazi investigations. Some Members have made similar calls regarding Tunisia, which recently released a suspect in the Benghazi attack from detention.

As for Syria, some Members of Congress have called for more active U.S. and/or NATO engagement in support of the rebels, arguing that U.S. hesitation to arm the opposition forces or intervene militarily has prolonged the conflict, worsened the humanitarian situation, and allowed Islamist elements to seize the initiative. At the same time, many Members of Congress also worry that more direct U.S. intervention could further exacerbate the conflict and result in regional spillover, destabilizing countries such as Turkey or Lebanon, threatening Israel's security, and heightening tensions further with Iran.

## **Prospects for U.S.-EU Cooperation**

The United States and its European partners share similar interests in ensuring that the changes underway in the Middle East and North Africa result in a more stable, secure, and prosperous region. Common U.S. and European concerns in the region include: countering terrorism, weapons proliferation, and transnational crime; curtailing Islamist extremism; ensuring a reliable flow of energy exports and commercial transit; and ensuring Israel's security and advancing peace negotiations with the Palestinians. Europe's geographic proximity to the MENA region also makes controlling migration a key priority for individual European countries and for the EU as a whole, while preserving military cooperation with MENA countries remains critical for the United States, especially given long-standing U.S. interests in Israel and the Persian Gulf.

Many analysts suggest that to date, U.S. and EU policies have been closely aligned on most issues regarding the changes underway in the MENA region. As noted previously, numerous experts also argue that greater U.S.-European cooperation may be essential to providing robust and effective Western support to the region. This section describes the current status of U.S.-European efforts to coordinate political and economic policies toward the MENA region, presents an array of potential areas and options for future consideration, and discusses possible challenges and pitfalls to closer U.S.-European cooperation.

## **Diplomatic Contacts and Ongoing Efforts**

Various sources indicate that U.S. and EU officials, from the cabinet level to the working level, have been in frequent and continuing contact with each other as events in the Middle East and North Africa have unfolded. In October 2011, then-U.S. Assistant Secretary of State for European and Eurasian Affairs Philip Gordon asserted that “Close transatlantic cooperation is the indispensable starting point in our efforts to respond effectively and efficiently to locally driven demand for real and lasting change across the Arab world.” He went on to note that, “while the transatlantic agenda...is vast and there are hundreds of topics on it, we probably spent more time on this particular challenge over the past six to nine months than on any other.”<sup>34</sup> The U.S. State Department’s Office for Middle East Transitions, led by Ambassador Taylor, and the office of the EU’s Special Representative to the Southern Mediterranean Bernardino Leon, have reportedly developed close ties and a good working relationship with each other.

Beyond such dialogue and diplomatic contact, U.S. and European policymakers point to two key initiatives on which they have cooperated closely in an effort to support the transformation of the MENA region as a whole: expanding the mandate of the European Bank for Reconstruction and Development, and establishing the Deauville Partnership. In addition, many observers note that U.S. and EU officials have been working together over the last two years in the International Monetary Fund to provide financial assistance to several MENA countries (including Egypt).

## **The European Bank for Reconstruction and Development (EBRD)**

The Obama Administration has strongly supported EU efforts to extend the area of operations of the EBRD beyond Europe and central Asia into the MENA region. The EBRD is an international financing institution established in 1991 to support the emergence of market economies in Central and Eastern Europe following the collapse of the former Soviet Union; it is owned by 64 member countries in both Europe and worldwide, the EU, and the European Investment Bank. The United States is a founding member of the EBRD and the largest contributor after the EU institutions and EU member states combined; the U.S. Treasury Secretary sits on the EBRD’s board of governors. The EBRD invests mainly in private sector enterprises, usually together with commercial partners, and helps mobilize foreign direct investment into the countries in which it operates.

In October 2011, EBRD shareholders (including the United States) backed the expansion of the bank’s activities into the MENA region. As this decision still requires the approval of national governments and/or legislatures to take full effect, the EBRD has opened “preliminary offices” in Egypt, Morocco, Tunisia, and Jordan to lay the groundwork for its expansion into these countries. Tunisia and Jordan joined the EBRD in December 2011 (Egypt and Morocco have been members of the EBRD since its inception). In May 2012, shareholders approved the creation of a special €1 billion fund to start the process of investments in Egypt, Morocco, Tunisia, and Jordan. The EBRD is expected to invest up to €2.5 billion a year in the MENA region by 2013.<sup>35</sup>

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<sup>34</sup> Philip Gordon, U.S. Assistant Secretary of State for Europe and Eurasia, “The Democratic Wave in the Arab World: Transatlantic Perspectives,” Remarks at the EU Washington Forum, October 27, 2011.

<sup>35</sup> European Union Press Release, “EU Outlines New Policy in Response to Arab Spring,” May 25, 2011; Geoff Paul, *Europe Moves to Reward “Arab Spring” with Big Increase in Development Aid—Helped by U.S.*, European Institute, October 2011; EBRD Press Release, “EBRD Shareholders Approve Fund To Start Investment in Emerging Arab Democracies,” May 19, 2012. For more information on the EBRD, see its website, available at: <http://www.ebrd.com>.

## **The Deauville Partnership**

The United States, the EU, and key EU member states have cooperated to forge the Deauville Partnership in the context of the Group of Eight (G8).<sup>36</sup> Launched in May 2011 under the French G8 presidency, the Deauville Partnership seeks to support strategies for sustainable and inclusive economic growth in the MENA region, encourage political reforms aimed at establishing accountable governments based on the rule of law, and create the conditions necessary for greater citizen participation in economic life. The Partnership brings together the members of the G8, international and regional financial institutions, several key Arab countries, and Turkey, to provide financial assistance to Tunisia, Egypt, Jordan, Morocco, and Libya (as well as Yemen).

By September 2011, G8 leaders announced that the Deauville Partners, including the multilateral and regional development banks, had pledged a total of \$38 billion (in loans, grants, budget support, and technical assistance) between 2011 and 2013 to support reform efforts in the MENA countries. The United States, which held the G8 presidency in 2012, developed a three-pillar structure for the Deauville Partnership to focus efforts on trade and integration, economic growth, and governance. The UK, which currently holds the G8 presidency, has identified a number of priorities within these areas for the Deauville Partnership for 2013, including the development of small and medium-sized enterprises and women's economic participation.

Partnership members have also been working to establish several assistance vehicles, including: a Transition Fund (with an initial capitalization target of \$250 million) to provide short-term, quick response technical expertise for MENA countries in implementing reforms; a Capital Market Access Initiative to help transitioning countries gain easier and cheaper access to international capital with reasonable financing terms; and an Asset Recovery Action Plan, to facilitate the return of frozen assets to MENA countries such as Libya. Nevertheless, various observers criticize the Deauville Partnership for being slow to produce tangible benefits for the MENA countries and note that some of the financial institutions and donor countries have not yet followed through on their funding commitments.<sup>37</sup>

## **The International Monetary Fund (IMF)**

U.S. and European officials have also worked in tandem in the context of the IMF to provide financial support to several MENA countries in transition. The United States and the EU countries combined are the largest IMF shareholders, and thus wield considerable influence within the IMF. Over the last two years, Jordan, Morocco, and Tunisia have all reached financing agreements with the IMF to help promote economic stability and the conditions conducive to political reform. Egypt's deteriorating economic conditions since the demise of the former Mubarak regime and acute cash flow problems are of particular concern, and U.S. and European officials have been devoting considerable efforts to help finalize an IMF loan agreement for Egypt.

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<sup>36</sup> The G8 consists of: Canada, France, Germany, Italy, Japan, Russia, the United Kingdom, the United States, and the European Union. The presidency of the G8 rotates annually among the member countries.

<sup>37</sup> See the "Declaration of the G8 on the Arab Spring," G8 Summit of Deauville, May 27, 2011; "G8 Statement of the Deauville Finance Ministers," September 10, 2011; Danya Greenfield and Rosa Balfour, *Arab Awakening: Are the U.S. and EU Missing the Challenge?*, Atlantic Council, June 2012; "Chair Summary of the Deauville Partnership with Arab Countries in Transition Meeting," April 20, 2013, available at: <https://www.gov.uk>.

Many U.S. and European policymakers alike contend that without IMF assistance, Egypt's fragile economic situation could jeopardize both its political transition and the stability of the region as a whole. Those of this view assert that a potential economic collapse in Egypt could have serious implications for U.S. and European interests in terms of access to the Suez Canal, Egypt's peace treaty with Israel, and Egyptian cooperation on counterterrorism. Although a "staff level" agreement was reached between Egyptian and IMF authorities in November 2012 for almost \$5 billion in IMF assistance, it has not yet been finalized because Egyptian officials continue to balk at IMF conditions that would require politically unpopular structural reforms (such as tax and fuel price increases), and which some Egyptians believe could ultimately worsen the country's debt. Despite such difficulties, U.S. and European leaders continue to press for an IMF-Egyptian loan agreement as soon as possible.<sup>38</sup>

### **Possible Future U.S.-EU Approaches<sup>39</sup>**

Despite the cooperative U.S.-EU efforts toward the MENA region described above, some commentators view such measures as relatively modest to date. Many observers continue to urge the United States and the EU to further coordinate their policies toward the region or explore options for joint action. Some argue that this is particularly necessary given the political and economic constraints facing both sides of the Atlantic. The United States and the EU could consider a number of possible cooperative approaches to further promote economic development, democratic governments, and civil society in the MENA region. These include:

- **Joint or Coordinated Trade and Investment Initiatives.** Some analysts assert that economic growth and job creation are crucial to achieving successful transitions in the MENA countries. While direct financial assistance (including through institutions such as the World Bank and the IMF) is a visible way to support development programs and ease cash flow problems, many experts argue that the key to long-term success lies more in stimulating and developing domestic economies, rather than in aid. A focus on trade is potentially one of the main organizing principles for these efforts, and some contend that the United States and the EU should pursue joint or coordinated trade and investment initiatives with the countries of the region, not only to benefit the MENA countries, but also to avoid negotiating competing trade arrangements with different regulatory requirements. Possible measures could include both sides' entering into new free trade agreements that open access to U.S. and EU markets; efforts that promote inter-regional trade and cooperative regional projects in areas such as energy and infrastructure; or technical assistance for regulatory and legal reforms that encourage greater foreign investment. As noted previously, the Obama Administration proposed working with the EU to launch a comprehensive

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<sup>38</sup> David Lipton, IMF First Deputy Managing Director, "Enabling Economic Transformation in the Middle East and North Africa," Speech before the London School of Economics, November 13, 2012; "Egypt Stalls on IMF Terms, No Deal Seen," Reuters, April 14, 2013. For more information, see CRS Report R43053, *Egypt and the IMF: Overview and Issues for Congress*, by Rebecca M. Nelson and Jeremy M. Sharp.

<sup>39</sup> The options discussed in this section are drawn from a variety of sources, including: Uri Dadush and Michele Dunne, "American and European Responses to the Arab Spring: What's the Big Idea?," *Washington Quarterly*, Fall 2011; Danya Greenfield, *A US-EU Action Plan for Supporting Democratization: Egypt, Libya, Tunisia*, Atlantic Council, November 2011; Greenfield and Balfour, *Op. cit.*; and discussions with U.S. and European officials.

Trade and Investment Partnership for the MENA region, but most observers suggest that it remains in the early stages.

- **Coordinated Debt Relief and Debt Swaps.** The United States and member countries of the EU could offer coordinated debt relief and debt swaps, allowing MENA countries in transition to use money for economically beneficial projects rather than repaying debt. Coordinating such efforts would hopefully help to reduce duplicative projects and help stretch such funds farther. The issue of debt relief is the responsibility of the individual EU member states, rather than the EU, and such coordination of debt relief initiatives would presumably take place in the Paris Club grouping of major creditor nations.<sup>40</sup>
- **Cooperation on Democracy Promotion and Civil Society.** The United States and the EU also have a shared interest in maintaining and expanding support for a range of projects and organizations that relate to democratization, the development of civil society, security sector reform, and the values of a free and open society. In these areas too, analysts assert that it is important for the United States and EU (along with other countries) to coordinate their political messages and policies to avoid duplication and working at cross purposes. Some contend this is especially important “on-the-ground,” and suggest that there should be regular meetings of U.S. and European embassy officials and development workers serving in the various MENA countries. Another possibility would be to arrange conferences bringing together U.S. and European non-governmental organizations with local civil society activists to encourage dialogue and partnership (along the lines of a forum organized by the EU in May 2012 that brought together Libyan and European NGOs). At the same time, experts have expressed concerns that associating a high degree of conditionality with democracy promotion policies could generate perceptions of Western interference or encourage regional partners to seek support elsewhere; on the other hand, the United States and the EU may not be able to influence intransigent decision-makers without insisting on coordinated aid conditionality.
- **Cooperation on Police, Judicial, and Rule of Law Training.** Both the United States and the EU have assisted a wide range of countries in political transition, from those of the former Yugoslavia to Iraq to East Timor, in developing their police and judicial services in line with the rule of law. Many observers point out that the EU in particular is well-suited to conducting such training, having developed the necessary institutional support structures and civilian capacities. Some analysts contend, however, that U.S. and EU civilian and rule of law missions in countries like Afghanistan have been duplicative or disadvantaged by a lack of coordination; as such, they assert that it might be more beneficial for the United States and the EU to cooperate closely in designing and establishing any potential rule of law or police training missions for the MENA region.
- **Enhancing the Roles of the U.S. Congress and the European Parliament.** Increased engagement by the U.S. Congress and the European Parliament with their counterparts in the MENA region could play a useful role in supporting democratic transitions and offering assistance on parliamentary procedure and

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<sup>40</sup> The Paris Club is an informal group of official creditors whose role is to find coordinated and sustainable solutions to the payment difficulties experienced by debtor countries. See: <http://www.clubdeparis.org/en/>.



process. Both Congress and the Parliament have prior experience in assisting legislatures in emerging democracies. In the past, the U.S. House Democracy Partnership, which grew out of House efforts to provide help to legislatures in Central and Eastern Europe in the 1990s, has worked with partner legislatures in numerous countries ranging from Haiti to Kenya to Iraq and Lebanon. Since the “Arab Spring,” the European Parliament has increased its contacts and cooperation with elected assemblies in European Neighbourhood Partnership countries; for example, Members of the European Parliament served in the EU observer mission that helped monitor Tunisia’s assembly elections in October 2011 and some Parliamentarians have been working to assist their Moroccan counterparts in contributing to the country’s reform process. Some observers also suggest that greater Congress-Parliament coordination might be beneficial; among other possible steps, the two sides could consider undertaking joint trips to the MENA countries or establishing a parliamentary forum with elected representatives from the MENA region.

- **U.S. Participation in EU Forums.** Some observers advocate that the United States should have a role in the recently-established EU task forces with Tunisia, Jordan, and Egypt, or similar ones that might be set up in the future with other MENA countries. This could potentially be a way to institutionalize U.S.-EU coordination toward individual countries in the MENA region and avoid unnecessary duplication of programs and projects. Skeptics of this option suggest that U.S. participation in EU task forces might be redundant given close working ties between U.S. and EU officials on MENA issues and existing forums such as the Deauville Partnership.

Other experts contend that the most effective and practical form of U.S.-EU cooperation toward the MENA region might be through a “division of labor” approach. This would allow each side to play to its strengths, build upon the varying U.S. and EU pre-existing relationships with different MENA countries, and thus stretch limited financial resources farther. The United States could, for example, devote the bulk of its political and economic assistance to Egypt, given its extensive and long-standing ties to that country, while the EU could focus on Tunisia, Jordan, and Morocco. Many view the EU as already somewhat more engaged than the United States in bolstering reform efforts in Jordan and Morocco. As discussed earlier, the EU has included these two countries in the remit of its Special Representative for the Southern Mediterranean, but the mandate of the U.S. State Department’s new Office for Middle East Transitions does not extend to Jordan and Morocco because the United States does not view these countries as undergoing the same sort of wholesale transition as other countries in the region. Critics of a “division of labor” approach argue that it would be impractical and that neither the United States nor the EU would be willing to cede complete influence over certain MENA countries to the other.

## **Challenges Ahead**

Some analysts contend that despite the ongoing U.S.-EU dialogue and the potential benefits of greater U.S.-EU coordination toward the Middle East and North Africa, more robust and sustained cooperation between the two sides of the Atlantic faces numerous challenges. First, many point out that U.S. and European leaders remain preoccupied with their own respective economic and budgetary issues. Given the domestic pressures in both the United States and Europe, some observers suggest that both U.S. and EU policymakers are focusing on relatively low-cost initiatives that could attract multilateral or private sector investment. “Big ideas,” such

as a Marshall Plan for the MENA region, are not currently on the table, nor is there, as noted previously, a transatlantic “perspective” available for the MENA countries in the form of NATO and/or EU membership.

Second, many commentators assert that the EU is still struggling to forge common foreign and security policies among member states that have different viewpoints and national interests. In the early months of the “Arab Spring,” for example, EU leaders were divided on whether to pressure former Egyptian President Mubarak to resign and on whether to intervene militarily in Libya. A degree of intra-EU tensions also may exist over the European Neighborhood Policy; while many member states in southern Europe have been advocating for the EU to do more to support the transitions underway in the Mediterranean, some Central and East European members worry that doing so could take EU attention and financial aid away from those countries on the EU’s eastern periphery. An EU unable to “speak with one voice” may be a less reliable partner for the United States in promoting political and economic reforms in the MENA region. In addition, some analysts contend that the Eurozone crisis, as well as the resulting political challenges facing both the EU as a whole and individual member states, may generate a more inward-looking EU, at least in the short term, and impede Europe’s ability to enhance its cooperation with the United States toward the MENA region.<sup>41</sup>

Third, observers suggest that potential policy differences between the United States and the EU could arise and complicate efforts to forge more cooperative or coordinated U.S.-European policies. For example, some experts posit that U.S. concerns about the effects of regional change on Israel’s security and counterterrorism efforts could make some U.S. officials more hesitant than their European counterparts about imposing strict conditionality (i.e., aid for reforms) on countries such as Egypt. A number of analysts contend that European reactions to the June 2013 conviction in Egypt of 43 employees of U.S. and German pro-democracy organizations were much stronger and harsher than that of the Obama Administration. At the same time, some Members of Congress warned that the court’s verdict would have “significant negative implications” for U.S.-Egyptian relations.<sup>42</sup> Thus, some experts point out that divisions among U.S. policymakers as they struggle to balance competing interests in the MENA region could also potentially hinder greater transatlantic cooperation.

Fourth, despite the emphasis in both the United States and the EU on increasing trade and investment opportunities as a way to promote economic development, some suggest that U.S. and EU commercial interests and businesses may be in competition in the MENA region. This could limit the political will on both the U.S. and EU sides to forge complementary trade and investment policies.

Fifth, some skeptics question whether greater U.S.-European cooperation in the MENA region is desirable. Some European analysts argue that the EU would be better off having a more independent policy from the United States, given the negative perception of the United States among some segments of Arab society as a result of U.S. policies toward Israel and the U.S.-led invasion of Iraq in 2003. Meanwhile, some U.S. commentators suggest that Europe should take the lead in the Middle East and North Africa because Europe’s proximity to and history with the

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<sup>41</sup> Evita Neeffs, “South and East Fight for the Money,” *De Standaard*, March 9, 2011; Stephen Castle, “Lady in Waiting,” *Foreign Policy*, March 31, 2011.

<sup>42</sup> “Egypt Convicts NGO Workers, Including 16 Americans,” Associated Press, June 4, 2013; Amy Hawthorne, “What the United States Should Have Said To Egypt About the NGO Trial,” Atlantic Council, June 6, 2013.

region gives European governments not only a more intimate understanding of the MENA countries, but also a more immediate stake in their positive transformation.

Finally, regardless of the extent of cooperation between the United States and EU, most experts agree that as external actors, the ability of the two partners to influence events in the MENA region will be limited and that ultimately, the governments and peoples of the region will be the main determinants of their own futures. Many analysts worry that the political and economic difficulties facing many MENA countries in transition, combined with deeply problematic issues involving Iran, the Israeli-Palestinian conflict, and Syria, could lead to a progressively worse regional situation in the years ahead. Whatever dynamics of U.S.-EU cooperation emerge, therefore, in the foreseeable future developments in the MENA region are likely to remain a significant foreign policy interest for policymakers on both sides.

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