

## US and EU: Lack of Strategic Vision, Frustrated Efforts Toward the Arab Transitions



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the agenda, necessitating drawdowns of embassy staff and making assistance implementation more challenging.

EU policy toward the transitioning countries likewise has suffered from a mismatch between stated commitments and the will to deliver on them. The EU's revised European Neighborhood Policy (ENP) from 2011 sought to emphasize the goal of democratic change by providing additional incentives to countries making progress on political and economic reform (the "more for more" principle). Disagreement over regional priorities among the member states prevented Brussels from maximizing its influence and prompted the EU to fall back on relying on the United States to set the tone on the major policy issues. Although there has been some tangible progress in negotiating sectoral agreements and specific initiatives, the ENP has not yet created a qualitatively different paradigm for Euro-Mediterranean relations. The underlying assumptions of the initial ENP policy—that the EU has leverage and attraction vis-à-vis its Arab neighbors and that a combination of trade liberalization, development aid, and closer political relations would be the recipe to keep the region stable—has not borne fruit.

Concerning US-EU cooperation, the past year witnessed more institutionalized communication than previously between the two bureaucracies on some tactical issues in the transition countries. Such efforts, however, did not reach the level of strategic coordination necessary to constitute a coherent, overarching, and sustainable long-term vision. The transatlantic reaction to developments in Egypt during the past year illustrates the limits and the possibilities of deeper transatlantic cooperation. The United States and the EU took a similar approach of engaging the Muslim Brotherhood-led government, mainly with economic incentives, and not pushing then-president Morsi too hard on democracy and human rights issues for most of his tenure. As the political crisis in Egypt intensified, the two powers decided

to pursue joint, high-level diplomatic efforts to push the Egyptian government on political matters. Transatlantic efforts under the auspices of the Deauville Partnership—a joint effort of G8 countries, international financial institutions, and other partners to aid the transition countries, plus Morocco and Jordan—have produced few tangible results. Since its founding in May 2011 the Partnership has made headway on some initiatives such as the creation of a Transition Fund to provide technical assistance for economic reforms. Yet the original animating idea of creating an international platform to ensure coordinated, timely, and robust assistance from Europe, the United States, and the Gulf countries has not come to fruition.

The increasingly difficult political and economic dynamics in each of these countries has been an important factor in the equation, as have the inability of transition governments to take full advantage of the assistance being offered and the mismatch, at times, between the countries' urgent needs and what donors were proposing. If there is no willing partner at the table, neither Washington nor Brussels has much ability to move any agenda forward. But the past year has shown that despite lofty rhetoric, providing major support to help democratic transitions succeed simply was not a front-burner issue in either capital.

This is a short-sighted approach, as Egypt, Libya, Tunisia, and Yemen are facing significant challenges in achieving inclusive, democratic, and ultimately stable governing systems. Failure will be catastrophic not only for the region but also for the long-term interests of the transatlantic partners. The best hope for encouraging stable Arab democracies is a reenergized, redesigned strategic approach to support that goal. The United States and EU cannot generate or ensure democratic transitions in the Arab transitioning countries; that is the task of their own leaders and citizens. But without sustained, effective support from the United States and Europe, these fragile transitions are far less likely to succeed.



The stated policy goal of helping Egypt, Libya, Tunisia, and Yemen achieve successful democratic transitions has receded in importance for the United States since June 2012, when the Atlantic Council published its initial report on US and EU support for the Arab awakening countries. Obama administration officials continue to assert that Arab democratization is a “strategic necessity”<sup>1</sup> to which the United States remains firmly dedicated. But in practice, US efforts to support democratic and economic progress in these four countries waned in the past year. The administration did not announce any major new economic or democracy assistance initiatives, labored to implement aid promised in 2011, and largely avoided forceful diplomacy on sensitive democracy and human rights issues. US officials regularly declared support for the people of these countries, yet much US effort was directed, as it had been prior to the uprisings, toward relations with government officials, especially on security matters.

Several factors explain the flagging US commitment, which stood in contrast to Obama’s soaring commitment in a landmark May 2011 speech to dedicate “all of the diplomatic, economic, and strategic tools at our disposal” to transition countries.<sup>2</sup> Conditions inside the countries were far more turbulent and challenging than many policymakers had envisioned during the heady early

months after the uprisings. As the transitions in their second years hit serious roadblocks or veered far off course—as in the case of Egypt following the military’s July 2013 ouster of Morsi, the country’s first freely elected president—the US government struggled to figure out how to exert influence over often chaotic situations. It also was hard for the United States to gain traction on economic and political reform agendas with overwhelmed, inexperienced new partner governments. And increasingly the war in Syria consumed US attention.

*“For the United States, supporting democratic transitions is not a matter of idealism. It is a strategic necessity. And we will not return to the false choice between freedom and stability. And we will not pull back our support for emerging democracies when the going gets rough. That would be a costly strategic mistake that would, I believe, undermine both our interests and our values.”*

Then-US secretary of state Hillary Clinton, speech at the Center for Strategic and International Studies, Washington, DC, October 2012

Deteriorating security conditions, painfully manifested by the violent attacks on US diplomatic facilities in Libya and Tunisia as well as threatening demonstrations in Egypt and Yemen, necessitated

1 Hillary Clinton, “Democratic Transitions in the Maghreb,” remarks at Center for Strategic and International Studies, October 12, 2012, <http://www.state.gov/secretary/rm/2012/10/199102.htm>.

2 Barack Obama, “Remarks by the President on the Middle East and North Africa,” speech delivered at the State Department, May 19, 2011, <http://www.whitehouse.gov/the-press-office/2011/05/19/remarks-president-middle-east-and-north-africa>.

sharp reductions in the official US presence in these countries over the past year. Following the attacks, concerns about security and stability often became elevated above transition support in the daily agenda of bilateral relations. The fact that citizens in all the transition countries (and therefore their newly accountable governments) were themselves often conflicted about the US role—rejecting perceived interference in their domestic affairs, yet resenting the United States for not helping more at a time of immense need—only added to US reluctance toward a bold push in the region.

Back in Washington, Congress' deep cuts in the foreign aid budget and skepticism about assistance for the transition countries in particular, severely constrained what support the administration could offer. What the United States could provide seemed especially meager in comparison to the estimated \$28 billion provided or pledged to the transition countries since 2011 by the wealthy Gulf states. The White House, focused on domestic issues and seeking to avoid new entanglements in the Middle East, was uneager to push for an expensive approach with Congress. Securing support even for modest aid packages has required sustained efforts.

US ambivalence about responding to the transitions is evident in the administration's public rhetoric over the past year. On the one hand, in speeches and other public remarks, officials strongly defended the US commitment to democratic transformation and economic prosperity in the region, especially in the face of harsh partisan criticism of Obama's Middle East strategy following the 2012 embassy attacks. Officials declared that support for Arab democratization not only reflected US values but also served US interests by producing "more capable partners and more durable security over the long term."<sup>3</sup> They repeatedly asserted a

willingness to work with freely elected leaders, regardless of their politics, as long as they upheld international agreements and the core principles of democracy. Such principles, according to the administration, included "respect for the rule of law; peaceful and inclusive political processes; protecting the fundamental rights of all citizens; strong democratic institutions; and vibrant civil societies."<sup>4</sup>

At the same time, caveats about the limits of US influence were evident in public rhetoric. As Obama said in his 2013 State of the Union address, "We cannot presume to dictate the course of change in countries like Egypt."<sup>5</sup> Officials were frank that traditional security and strategic interests remained of critical importance and at times would take priority over democracy promotion. In an October 2012 speech, for instance, then-US secretary of state Hillary Clinton acknowledged that "there will be times when not all of our interests and values align." Indeed, it is difficult to point to an episode in which democratic values trumped security interests in US decision-making toward these countries. Officials praised the positive changes that had occurred (frequently pointing to elections), referred in aspirational terms to the progress that was still needed, and occasionally offered gentle criticism when setbacks in democratic development occurred. But these remarks failed to specify what exactly Washington was prepared to do to push democratic change when the transitions hit obstacles, beyond the vague promise that the United States would stand with those demanding democracy.<sup>6</sup> Nor, notably, did US rhetoric ever specify whether undemocratic actions by new governments would affect relations with the United States.

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3 Hillary Clinton, "Democratic Transitions in the Maghreb," remarks at the Center for Strategic and International Studies, October 12, 2012, <http://www.state.gov/secretary/rm/2012/10/199102.htm>.

4 William Burns, "America and a Changing Middle East," remarks at Princeton University, May 4, 2013, <http://www.state.gov/s/d/2013/209008.htm>.

5 Barack Obama, "Obama's 2013 State of the Union Address," February 12, 2013, <http://www.nytimes.com/2013/02/13/us/politics/obamas-2013-state-of-the-union-address.html>.

6 See *ibid* and Hillary Clinton, "Remarks at G-8 Deauville Partnership with Arab Countries in Transition Foreign Ministers Meeting," New York City, September 28, 2012, <http://www.state.gov/secretary/rm/2012/09/198406.htm>.



On a bureaucratic level, the restructuring of the State Department's Office of Middle East Transitions (MET) is another sign of the administration's diminished commitment to the transition countries. Established in September 2011, MET had the mandate to design, coordinate, and ensure delivery of targeted aid and other transition support for Egypt, Libya, and Tunisia. Its special coordinator for Middle East Transitions, reporting to the deputy secretary of state, was designated as an ambassadorial-level point person on Arab transition issues. As of the fall of 2013, MET's personnel will be folded into a larger office in the Near Eastern Affairs Bureau assigned to handle foreign assistance for all Arab countries (democratizing or otherwise). Budget numbers also tell the story of changing priorities. The administration provided more than \$570 million in Fiscal Year (FY) 2012 economic aid to Jordan, not a country undergoing democratic transition or part of MET's original mandate. This was more than US transition aid to Egypt, Libya, Tunisia, and Yemen combined for the same period.

### **Reemerging Authoritarianism: Egypt**

The administration's strategy following the June 2012 inauguration of the Muslim Brotherhood's Morsi as president of Egypt was oriented toward building good relations with Morsi and encouraging his government to undertake economic reforms to stabilize the economy. However, this strategy was ultimately misguided and ineffective. The administration believed that its forthright dealings with an elected Islamist leader would powerfully demonstrate the US commitment to Egyptian democracy, and that by taking a positive approach at the outset, it could influence Morsi to meet his campaign promises to uphold human rights and govern inclusively and to cooperate with the United States on regional security priorities such as peace with Israel. Even though Morsi had been elected by just a few percentage points over his opponent, the administration saw the Muslim Brotherhood as the dominant political movement in Egypt for the foreseeable future and considered secular forces as politically irrelevant.

*"Throughout Egypt's post-revolution series of elections, the United States took the position that we would work with whoever won elections that met international standards, and this is what we have done."*

Then-US ambassador to Egypt Anne Patterson, speech at the Ibn Khaldun Center, Cairo, June 18, 2013

The United States made economic issues the focus of its engagement for several reasons. It was increasingly worried about Egypt's tenuous fiscal situation and hoped that offering direct budget support would help relieve budget pressures. The administration linked this aid to Egypt's reaching an agreement with the International Monetary Fund (IMF) in order to provide an added incentive for economic reform. The administration also saw economic issues as the only obvious area of commonality with the Brotherhood, whose leadership had expressed enthusiasm for economic reforms and private sector growth. Finally, the United States wanted to use economic assistance, as it has done for decades, as an incentive for Egypt to cooperate on American foreign policy and counterterrorism goals.

The US approach began to falter as Morsi backed away from his promise of inclusive governance and failed to negotiate seriously with the IMF. But the United States took no serious actions in response to the government's increasing human rights abuses and intolerant policies. In November 2012, Morsi's undemocratic tendencies became acutely clear when he issued a decree temporarily granting himself unlimited executive powers and immunity from court decisions, a decision that provoked massive violent demonstrations. This was a turning point, when even many Egyptians who had voted for Morsi turned against him. Washington's reaction, however, was notably weak, avoiding direct criticism or mentioning Morsi by name, saying only that the decree "raise[s] concerns for many Egyptians and for the international community."<sup>7</sup> Just days before, US officials had praised the Egyptian president for

helping to broker a cease-fire between Hamas and Israel in Gaza, and soon after Morsi's controversial decree, Obama met senior Brotherhood advisers at the White House. This signaled that Egypt's performance on security and foreign policy issues remained the paramount US consideration.

The US response to numerous democratic setbacks in the months that followed—the forcing through of a polarizing constitution, police brutality during antigovernment protests, draft laws on demonstrations and NGOs that would have severely restricted freedoms, and even the sentencing to prison of US citizens working for American NGOs—was muted. The United States did not hold back promised economic aid to signal its concern over democratic backsliding in any of these cases. Even by the spring of 2013, with Morsi's refusal to meet opposition demands or pursue an economic program that would improve living conditions, the administration was slow to recognize the extent of growing hostility to the Brotherhood across Egyptian society and within the military.

When opposition groups gained strength and then finally joined forces with the army and police to mount mass demonstrations against Morsi in June 2013, the administration urged the military not to undertake a coup. But once it was done, the United States quickly acquiesced to the new situation and tried to preserve bilateral relations under the new army-backed government, declining to declare the military's takeover a coup or to apply US law that requires suspending aid in such an event.<sup>8</sup> Despite disturbing signs of a resurgent military-police state and US concerns about a crackdown on the Brotherhood, the administration sought to avoid cutting off the aid relationship. The story continues to unfold, but the net result is that the United States has been discredited across the political spectrum in Egypt. The Muslim Brotherhood believes the United States has sold out its democratic principles in the name of security, the anti-Morsi demonstrators see the military as its savior and reject US overtures,

and the military admonishes the United States for turning its back on the Egyptian people.

### **Security Takes Center Stage: Tunisia and Libya**

Prior to the September 2012 attacks on US diplomatic facilities in Libya and Tunisia, the United States was already concerned about the rise of violent extremists, instability, and deteriorating security conditions in both countries. But after the attacks, security issues came to dominate the US agenda. This new focus came even as needed steps toward democratization—creating new constitutions, forging national consensus among polarized groups, building effective democratic institutions—stalled and the transitions looked increasingly fragile. US encouragement for democratic development in the past year more often took the form of supportive rhetoric than intensified diplomatic engagement or significant aid increases for democratic or economic reforms.

*"We are using every tool we can to help our partners fight extremism and meet their security challenges...we're partnering with the security officials of these new governments who are moving away from the repressive approaches that helped fuel radicalization in the past."*

Then-US secretary of state Clinton, Washington, DC, October 2012

The shift in approach was perhaps most noticeable in Tunisia, which had in the first year and a half of its transition received significant high-level US attention to support democratic progress, with mention in Obama's 2012 State of the Union address, frequent official visits, and the provision of more than \$300 million in assistance directed mainly toward economic recovery (a ten-fold increase in the amount of US bilateral assistance for Tunisia prior to the January 2011 revolution). After the Tunisian authorities failed to protect ransacking

7 Victoria Nuland, "The United States' Reaction to Egypt's November 22 Decisions," press statement by State Department spokesperson, November 23, 2012, <http://www.state.gov/r/pa/prs/ps/2012/11/200983.htm>.

8 "Provisions Relevant to the Situation in Egypt in the FY12 State Department and Foreign Operations Law," July 3, 2013, [http://www.leahy.senate.gov/press/provisions-relevant-to-the-situation-in-egypt-in-the-fy12-state-department-and-foreign-operations-appropriations-law\\_--](http://www.leahy.senate.gov/press/provisions-relevant-to-the-situation-in-egypt-in-the-fy12-state-department-and-foreign-operations-appropriations-law_--).

of the US embassy, the United States pulled back its presence in the country.<sup>9</sup> With a skeleton staff on the ground to oversee transition support, the embassy was forced to scale back many assistance programs.

Other factors contributed to the reduced US attention to Tunisia's democratic and economic development. For some officials, Tunisia did not rank as a priority when compared to the far more strategically urgent problems of Egypt or Syria, and it was difficult to justify even more aid for Tunisia in an increasingly constrained budget environment. As one official noted, "We have helped Tunisia a lot already, they are a middle-income country, *and* they failed to protect our embassy". US attention to Tunisia declined, with only six senior-level officials visiting Tunis since June 2012, compared with sixteen such visits in the first sixteen months following the revolution, including by the secretary of state. A speech by Under Secretary for Political Affairs Wendy Sherman during her June 2013 visit suggested the changing lens through which the United States was coming to view Tunisia. Sherman described the US vision for Tunisia as a "secure and stable partner on the world stage—a country playing a vital role in meeting regional and global challenges." This description differed notably from earlier US rhetoric that had emphasized Tunisia's role as the standard-bearer of Arab democracy.

In Libya, the fatal attack in Benghazi led the United States to reduce its role even further. The US presence in post-revolution Libya had been quite modest, with the United States preferring to work on transition support largely under the multilateral umbrella of the UN Mission. The attack reduced an already small presence at the embassy in Tripoli, and tight restrictions on staff mobility made engagement with the Libyan government and other actors in the country extremely difficult and prompted a freeze on many assistance programs outside of the security sector. For months afterwards, as Libya struggled to form a

government after its historic July 2012 elections, the main goals of US policy in Libya simply were to manage the political fallout in Washington from the attacks and to reduce US security vulnerability. The two high-level visits that took place in the months after the attacks—by Assistant to the President for Homeland Security and Counterterrorism John Brennan to Libya in October 2012, and then Prime Minister Ali Zidan to Washington in March 2013—revolved heavily around Libya's fragile security and the need for international cooperation to address this challenge.<sup>10</sup> In this environment, the prospect of focusing on economic or political development issues was simply unrealistic. To date, US policy remains primarily focused on the security environment, protecting the limited US presence in country, and addressing serious border security issues.

### **Balancing all Sides: Yemen**

Yemen is often forgotten in the list of Arab awakening countries undergoing a democratic transition, but it too witnessed popular uprisings in the spring of 2011 and boasts the only instance of a negotiated transfer of power from a sitting head of state (then-president Ali Abdullah Saleh) to a national unity government and transitional president. Yet, US commitment to democratic reform in Yemen has not always been consistent or apparent. During the early days of Yemen's uprising that began in January 2011, the United States did not express support of the largely youth-led protests in Sanaa, Taiz, and other major cities calling for the overthrow of an autocratic and corrupt regime. After the Egyptian and Tunisian revolutions, the absence of White House statements in support of pro-democracy activists in Yemen was particularly notable. After weeks of peaceful demonstrators calling for change, Obama said in a February 2011 statement: "We strongly urge the opposition parties to avoid provocative actions and respond constructively to Saleh's initiative to resolve differences through

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<sup>9</sup> On September 17, 2012, a few days after the attacks the US Embassy issued a blunt statement, complaining that "...the measures taken by Tunisian authorities on September 14th were inadequate to protect the US Embassy," <http://tunisia.usembassy.gov/statement-from-the-u.s.-embassy-in-tunisia.html>.

<sup>10</sup> Conversation with US official, Washington, DC, June 2013.

dialogue and negotiation,” indicating a preference for a continuation of Saleh’s regime rather than widespread popular demands for Saleh’s departure.<sup>11</sup>

Despite the Obama administration’s rhetoric supporting democratic transition in the Arab world in the spring of 2011, statements made by US Ambassador to Yemen Gerald Feierstein led Yemenis to believe this support did not extend to Yemen. The ambassador stated in February 2011 that “we believe that the focus of the political effort now should be on the negotiations, and not on demonstrations in the street”,<sup>12</sup> and in a March 2011 press conference he said “that the idea of *‘isqat al-nitham’* [fall of the regime] is not really the answer to the problems.”<sup>13</sup>

US concerns about security cooperation with the government of Yemen explain the initial hesitant response to Yemen’s uprising. Administration officials feared that if Saleh left, the United States would lose a vital counterterrorism partner in the fight against al-Qaeda and that his removal would usher in a potential power vacuum. US concerns were not baseless: the upper echelons of both the Yemeni government and military were staffed by Saleh relatives and loyalists, so his departure could conceivably dismantle a broad network of security contacts that US officials had been building relationships with for decades.

Only when the tide had clearly turned against Saleh—prompted by the brutal massacre of peaceful protesters on March 18, 2011 and subsequent defection of high-ranking military commander General Ali Mohsin and his First Armored Division—did the US finally throw its

weight behind “a peaceful transition of power in Yemen...that is responsive to the aspirations of the Yemeni people” in April 2011.<sup>14</sup> The shift in US policy toward Yemen during this period echoed a similar response to the demonstrations against former Egyptian president Hosni Mubarak. In both cases, the United States was willing to sacrifice its ties with a longtime ally (and close security partner) only when events on the ground rendered US support for such leaders in the face of public opposition utterly untenable.

Once the United States made the decision to support a political transition in Yemen, it actively engaged with Saudi Arabia and other Gulf states to push Saleh to accept a transition plan advanced by the Gulf Cooperation Council (GCC). The GCC-advanced plan supported a rotation of elites in power but not a fundamental restructuring of political power or access to decision-making to those beyond a narrow elite. The United States played a significant role in efforts to enact the GCC agreement; many Yemenis heavily critique this involvement, yet in the same breath, many acknowledge it was essential to the success of the deal and avoidance of civil war. Since then, United States has actively provided diplomatic support for President Abdrabo Mansour Hadi and financial support for the National Dialogue that started in March 2013. At the same time, the United States has intensified its security and counterterrorism cooperation with Hadi and relevant security units, and this has at times undermined the administration’s claims that it is prioritizing Yemen’s democratic development.

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11 US Embassy in Yemen, “President Obama Encourages Political Reconciliation,” press release, February 5, 2011, <http://yemen.usembassy.gov/opr.html>.

12 US Embassy in Yemen, “Press Conference with Ambassador Feierstein,” transcript of press conference, February 12, 2011, <http://yemen.usembassy.gov/pcf.html>.

13 US Embassy in Yemen, “Ambassador Feierstein’s interview with Saba,” press release, March 7, 2011, <http://yemen.usembassy.gov/fis.html>.

14 White House Office of the Press Secretary, “Statement by the Press Secretary on Developments in Yemen,” April 23, 2011, <http://www.whitehouse.gov/the-press-office/2011/04/23/statement-press-secretary-developments-yemen>.



*“President Hadi faces significant economic challenges. And during these discussions, we reaffirmed our commitment to work with others in the international community to support Yemen during this transition period as it makes the kinds of economic reforms that can produce jobs and growth and prosperity for the Yemeni people....*

*I thank President Hadi and his government for the strong cooperation that they’ve offered when it comes to counterterrorism...President Hadi recognizes that these threats are not only transnational in nature, but also cause severe hardship and prevent the kind of prosperity for the people of Yemen themselves.”*

US President Barack Obama, press conference with Yemeni President Abdrabo Mansour Hadi, August 2013

This competing narrative is evidenced by the array of visits by senior US officials in the past two years. US Agency for International Development (USAID) Administrator Rajiv Shah traveled to Yemen and pledged additional support for the devastated province of Abyan in June 2012 and Treasury Deputy Assistant Secretary for the Middle East Andrew Baukol visited in May 2013. Yet the visits that received the most attention in US and Yemeni media were those of former deputy national security advisor and current CIA Director John Brennan who visited Yemen several times—in July 2011, February 2012, and May 2012—to solidify US-Yemeni counterterrorism programs. Despite attempts to convince Yemenis that US policy advances a comprehensive, development-focused approach and supports a strong democratic system in Yemen, the continued US-led drone strike campaign and focus on security cooperation undermines this message. Most Yemenis do not believe the United States is concerned about real democratic reform in the country; rather, they see the United States as primarily focused on ensuring

US security interests and fighting al-Qaeda in the Arabian Peninsula, regardless of the impact on the population and its political processes.

### **Skepticism in Congress**

Congress’ lack of enthusiasm for (and at times outright opposition to) assistance for the transition countries significantly constrained the US response during 2012-13. Congress declined to fund the administration’s major transition response initiative and held up aid for Egypt and Libya for many months. Congressional aversion had multiple sources. Tea Party and other conservative Republicans were deeply hostile to foreign aid and foreign entanglements of any kind. Other members of Congress were not so much actively hostile as indifferent to the Arab world’s future and the American role in shaping it.

Many senators and representatives were deeply anxious about whether the changes unfolding in the transition countries, especially the rise to power of Islamist movements, would threaten US security interests. Congressional committees with oversight on these issues wanted to put the brakes on the administration’s engagement with newly elected governments by conditioning or holding back on assistance until new leaders could demonstrate that they were pursuing policies acceptable to the United States. As Representative Kay Granger (R-TX), chair of the House of Representatives appropriations subcommittee handling foreign aid, declared in a September 2012 press release regarding aid to Egypt, “We need to know exactly who we are working with before we provide assistance to a government that has not yet demonstrated they are a partner of the United States.”<sup>15</sup> For their part, administration officials expressed frustration with Congress. As one State Department official lamented, “They say we don’t have a strategy or vision for the region, but they have none, either.”<sup>16</sup>

15 Kay Granger, “Weekly Enewsletter: Holding Egypt and Libya Accountable,” September 14, 2012, <http://kaygranger.house.gov/weekly-enewsletter-holding-egypt-and-libya-accountable>.

16 Conversation with US official, Washington, DC, June 2013.





## US Assistance

*“No democratic transition can succeed without a sense of confidence in a better and more inclusive economic future. Unless the Arab Awakening is accompanied by an economic awakening, it will collapse. The hard truth is that most Arab societies have ducked serious economic reform for far too long; where economic liberalization has occurred, its benefits have often been limited to a privileged few...*

*...There is much more that we and other outsiders can do to support long-term economic reform. Even more than conventional assistance, we can use the promise of market access and open trading arrangements to encourage reform and create jobs. We can use initiatives like the new Enterprise Funds in Egypt and Tunisia to support small and medium-sized enterprises. And we can invest even more actively in helping to renovate educational systems and promoting scholarships and exchanges, so that the next generation is better-equipped to compete and succeed.”*

Deputy Secretary of State William J. Burns, remarks at Princeton University, May 6, 2013

Since 2011, US officials consistently have described two overarching priorities for US support for the transitioning countries. The first focuses on economic recovery, development, and job creation (specifically, through inclusive, private-sector growth and trade), and the second is democratic reform. In 2012, the United States introduced a

third priority, security sector reform. In an October 2012 speech, Clinton described US support for these priorities as “the hallmark of America’s involvement in the region,” while acknowledging that “talk” about aid had to be followed by “actual investments.”<sup>17</sup> Despite Clinton’s promise of aid delivery, however, the record of US assistance investments in the past year was modest.

### Flagship Initiatives

The administration continued its efforts, to date unsuccessful, to obtain congressional authorization for its flagship assistance response to change underway in the region, the **Middle East and North Africa Incentive Fund (MENA-IF)**. The MENA-IF, for which the administration originally requested \$770 million in its FY2013 budget, seeks to provide a significant new source of funds to support political and economic reforms across the region. The fund, to be managed by the State Department, would supplement existing bilateral aid programs with more flexible, rapidly deployed funds to support reform and to respond to major contingencies such as helping to fund a post-Assad Syrian government. Since the FY2013 budget was never passed, MENA-IF was never put to a vote. However, when the appropriations committees were putting together their bills in the fall of 2012, the House bill included nothing for MENA-IF, whereas the Senate included \$1 billion (above the administration’s request) in its version, indicating the general inclination of the two bodies of Congress toward the proposal.

17 Hillary Clinton, “Democratic Transitions in the Maghreb,” remarks at Center for Strategic and International Studies, October 12, 2012, <http://www.state.gov/secretary/rm/2012/10/199102.htm>.

When MENA-IF was resuscitated in the White House FY2014 budget request, it was a scaled-back version with a \$580 million budget.<sup>18</sup> At the time of this writing, Congress has not yet passed its FY2014 foreign operations bill, but signals indicate that Congress is unlikely to approve and fund the creation of MENA-IF this time, either. Critics on Capitol Hill indicate that a compelling case for MENA-IF was not made by the State Department or the White House. This is a significant defeat for the administration—which initially expended considerable effort developing and pushing the fund—but it appears that the political will is lacking to make it a front-burner issue in the midst of many other congressional priorities. The amount of funds proposed, especially when spread across the Middle East and in comparison to billions on offer from the Gulf countries, hardly seems sizeable enough to motivate governments to undertake the difficult, far-reaching reforms the MENA-IF had envisioned supporting.

*“...We’re focused on working with small and medium-sized enterprises which create jobs and alternatives to radicalism, bringing women and young people into the formal economy, providing capital and training for entrepreneurs, helping emerging democracies update their economic regulations, their investment laws, their trade policies so their private sectors can actually flourish.”*

Then-US secretary of state Hillary Clinton,  
Washington, DC, October 2012

“After considerable bureaucratic delays, progress has been made this year with the **Egyptian-American Enterprise Fund** and the **Tunisian-American Enterprise Fund**, announced in Obama’s May 2011 speech. The funds are intended to help Tunisians and Egyptians launch and expand small and medium enterprises (SMEs) in key economic sectors that could be engines of job creation, as well as to foster investment ties

between each country and the United States. After time-consuming processes to select a chairman and board members, negotiate grant agreements, and sustain congressional support, the Egyptian fund was officially inaugurated in March 2013 and the Tunisian fund in July 2013—about two years after the initial announcement about the funds. To date, neither fund is yet dispersing loans or investments. Some skeptics have remarked that the level of resources envisioned over a five-year period (\$300 million for the Egyptian fund, \$100 million for the Tunisian one) is minimal compared to the financing needs of both SME sectors, but Congress is unlikely to increase these amounts; instead, the fund chairmen are trying to leverage support from other governments and investment funds.

To promote trade and investment, the United States made a splashy announcement in May 2011 that it would launch a region-wide trade initiative known as the **MENA-Trade and Investment Partnership (MENA-TIP)**. The initiative’s value-added was not clear from the outset, and it has delivered few concrete benefits thus far. The main thrust of MENA-TIP is to get partner countries to adopt three nonbinding protocols that would indicate their openness to foreign investment and bring them up to international norms and standards for trade.<sup>19</sup> The only notable achievements have occurred with Jordan and Morocco, not the transition countries that are the focus of this report. MENA-TIP correctly pinpoints the expansion of trade among Arab countries and internationally as critical to economic growth and job creation in the region. Indeed, opening up these closed economies to greater trade could bring economic benefits far greater than foreign assistance could ever achieve. But the substance of the initiative has been paltry and unappealing to the transition countries, especially when measured against the scope of the problem it seeks to address. In part this is because these interim governments do not see the benefits of adopting the protocols, especially when free trade agreements with the United States are not on

18 Both bills included funding for the Middle East Partnership Initiative and USAID’s Office of Middle East Programs; given this, the requested amount would have left relatively little funding for new initiatives or additional incentives as outlined.

19 This includes two sets of non-binding principles—Joint Principles for International Investment and Joint Principles for Information and Communication Technology Services—as well as a Trade Facilitation Protocol, introduced in April 2012.

offer as an incentive for meaningful trade reforms. Additionally, interim governments currently lack the capacity, bandwidth, and interest to negotiate such agreements.

Outside of economic assistance, one of the notable changes in US assistance priorities in 2012-13 was the heightened attention to **security sector reform and border security**. In some cases, plans for more funding were already in process. For example, the administration had requested a nearly eight-fold increase in International Narcotics Control and Law Enforcement (INCLE) funds for Egypt and Tunisia in FY2013 over FY2012. The 2012 embassy attacks, as well as worsening problems with border control and nonviolent crowd management by unreformed security forces, provided an urgent impetus for these activities. In the case of Tunisia and Libya, the severity of the embassy attacks and the governments' receptivity to US aid for security reform and border assistance led the administration to identify significant additional funds for new programs.

### **Aid, Trade, and Democracy Support: Accomplishments and Obstacles**

**Egypt:** US efforts to provide economic aid and other types of support for Egypt's transition barely advanced in 2012 and 2013. Meanwhile, military assistance at \$1.3 billion annually kept flowing until the July 2013 military coup. The Obama administration had postponed action on the \$1 billion debt swap pledged in 2011 until a civilian government was in place. In 2012, the administration, concerned about Egypt's worsening budgetary situation, revamped the plan for the debt swap to use part of the funds instead for a \$450 million cash transfer that would offer Egypt more immediate fiscal relief. To encourage Morsi to undertake critical economic reforms, the United States linked the cash transfer to Egypt's progress toward an IMF agreement. To provide assistance directly to the Egyptian people, the administration also decided to direct a portion of the remaining \$550 million toward a scholarship program. The administration was poised to launch this initiative in June 2013, but it now is on hold.

Efforts to push forward with the cash transfer and a broader economic engagement agenda under Morsi started off energetically with successive high-level US visits in the summer and fall of 2012. The US Chamber of Commerce (a nongovernmental agency) organized a one hundred-member business delegation to Egypt in September 2012 with senior US and Egyptian government participation. Unfortunately, just as the mission was concluding, a mob attacked the US embassy in Cairo, prompting many investors to feel skittish, and effectively undermining the positive impressions from the trip. Momentum slowed further as Morsi failed to make progress with the IMF and an agreement has yet to be reached. As his tenure continued, mounting domestic opposition to his exclusionary agenda and bureaucratic gridlock, compounded by deep congressional skepticism about aid to an Islamist government, combined to derail much of the aid agenda. By the time Morsi was removed from office, the United States had managed to deliver only the first tranche of the cash transfer, just \$190 million of its \$1 billion pledge.

*"The United States has a wide range of capabilities to bring to bear: our capacity to mobilize economic support from the international financial and economic community...our desire to provide significant amounts of direct financial and development support; and our efforts to strengthen Egypt's trade and investment ties with the United States and the rest of the world in order to create new job opportunities for the people of Egypt...."*

Then-US under secretary of state Robert Hormats, Cairo, August 2012

Beyond the cash transfer, the United States achieved modest progress on some of the smaller-scale aid pledges made some two years earlier, such as the Egyptian American Enterprise fund. The Overseas Private Investment Corporation overcame Egyptian bureaucratic resistance and opened its loan guarantee facility in Cairo, which will leverage up to \$700 million in financing for Egyptian banks to lend to SMEs. During the past year, the

administration also pursued other economic initiatives focused on trade and SME growth that did not depend on funds from the constrained and congressionally sensitive bilateral assistance budget. While these were innovative ideas, they did not address Egypt's immediate economic needs and faced many political obstacles.

*"It is important, even urgent, that the Egyptian economy gets stronger and that people have jobs and have opportunity and that the energy of this country can be focused on a more prosperous future."*

US Secretary of State John Kerry, Cairo, March 2013

In the trade realm, the United States announced it was "redesignating" production facilities in the six Qualifying Industrial Zones—Cairo, Alexandria, Suez, Central Delta, Beni Sueif, and Minya—to allow more companies to export goods duty-free to the United States that contain inputs from Israel. The United States also tried to move forward MENA-TIP discussions with Egypt, but the two countries were not able to reach final agreement on any of the trade and investment texts. The US Trade and Development Agency (USTDA) sought to continue its Egypt: Forward initiative, launched in 2011, which offers sector-specific workshops for Egyptians to help build new business relationships and explore potential sources of finance. Unfortunately, most workshops had to be postponed due to Egypt's political unrest.

One of the most notable changes in 2012-13 was the sharp decline in democracy aid in Egypt, especially for civil society programs. The United States preferred to let its democracy promotion agenda lapse rather than provoke further controversy after the uproar caused by the \$65 million in democracy assistance it provided right after the revolution. With the Egyptian government's June 2013 criminal conviction of employees from US groups receiving these funds, and pushing forward a restrictive NGO law, the United States sought to avoid any new clashes with the Egyptian government. Since June 2012, the United States programmed \$17.3 million for democracy activities, far less than in

any recent years, and most of this was for electoral support that would not raise the ire of the Egyptian government. Smaller amounts were allocated for civic and political participation programs and initiatives to combat violence against women.

Throughout Morsi's presidency, the United States kept up a steady drumbeat of public diplomacy about its commitment to help Egypt's economy and people, but with Egyptian skepticism toward US intentions and disappointment with the relatively small amounts offered, the aid made almost no impression. Following Morsi's ouster, the Obama administration strained to avoid applying the provision of US law that requires suspending aid following a military coup in order to preserve flexibility with the new Egyptian government, although in practice much aid has been halted. Intensifying anti-American sentiment and political chaos have rendered a new aid push extremely unlikely in the near term. The rush by Kuwait, Saudi Arabia, and the United Arab Emirates to offer the new government \$12 billion just days after the coup, with no reform conditions attached, underscored the difficult position of the United States.

**Tunisia:** The September 2012 attack on the US embassy in Tunis reshaped the US assistance strategy by prioritizing aid for security sector reform over economic growth and democratic development. The attack dramatically heightened a US concern that the Islamist-dominated government's inability (or unwillingness) to confront violent Islamist groups gaining strength in the country, its difficulty in reforming the Ben Ali-era police and justice systems, and its struggle to protect Tunisia's borders from weapons and fighters flowing from Libya and the Sahel threatened the country's stability. The State Department's drawdown of all nonessential embassy personnel following the attacks caused the suspension or delay of many assistance programs outside the security sector. Finally, US frustrations over the Tunisian government's failure to halt the embassy attack and to bring the perpetrators to justice has dampened enthusiasm for providing significant fresh economic aid.



*“In order for Tunisia’s democracy to flourish and the economy to grow, Tunisia’s security forces must be properly trained and equipped to provide protection and security throughout the country.”*

US Ambassador to Tunisia Jake Walles, December 2012

US engagement in security sector reform has been ramped up considerably. In 2011, the State Department’s International Narcotics and Law Enforcement Bureau (INL) began \$4 million in programs with the Ministries of Interior and Justice addressing police reform and court modernization, but Tunisian authorities had been slow to approve implementation of these politically sensitive programs. Soon after the embassy attack, the United States and Tunisia quickly signed a memorandum of understanding for a substantial \$22.5 million to expand programming on police reform and launch a corrections reform program with the Ministries of Interior and Justice. The United States also provided two dozen vehicles for the Ministry of Interior to conduct border control and antiterrorism patrols. Since March 2013, a full-time staff person from INL is stationed in Tunis providing technical assistance. A high-level delegation from Tunisia’s National Police and National Guard also visited the United States to learn about the US experience with community policing.

In the first eighteen months of its transition, the United States provided Tunisia substantial direct economic assistance—including a \$100 million cash transfer and \$30 million to subsidize a \$485 million loan guarantee—to help the interim government address its budget gap. The Obama administration viewed economic recovery from the shocks of the uprising as critical to keep the fledgling democratic process on track, and Clinton was eager to showcase Tunisia as the birthplace of the Arab spring. Now, the administration is not offering additional budget support. Instead, the US

strategy has been to advocate that Tunisia address its financing needs through the IMF and other international lending institutions.

In June 2013, Tunisia reached agreement with the IMF on a \$1.78 billion loan. Although the program will not close Tunisia’s financing gap on its own, it does commit the government to implement a number of important fiscal and economic governance reforms. Congress authorized a second loan guarantee for Tunisia in its FY2013 appropriations bill and the Tunisian government is eager for the support, but the administration has not identified funds for the guarantee and now seems reluctant to pursue such an initiative.<sup>20</sup>

The economic aid emphasis in the past year has instead been on projects oriented toward job training and addressing the skills mismatch among youth, and two notable projects were launched in the past year. In an effort to increase technical skills and education that would lead to employability, the United States launched an Information and Communications Technology (ICT) Sector Development project (announced in 2011) that would provide ICT entrepreneurship support and training with a heavy focus on job placement. In August 2012 the United States also launched the \$10 million Thomas Jefferson Scholarship Program that aims to bring 200 Tunisian students to the United States for a one-year study program in technical and vocational fields to build the workforce capacity of youth from underserved populations across the country, and the first sixty students begin this fall.

Due to its economic profile, Tunisia has the lucky distinction of being the only transitioning country that is eligible for a Millennium Challenge Corporation (MCC) threshold program. The MCC team completed its assessment report in late 2012, which identified the two primary constraints to economic growth: a lack of effective institutions to ensure public sector accountability and the rule of law, and the high fiscal and regulatory costs of

<sup>20</sup> Statement from the US Embassy in Tunis, July 12, 2013, <http://tunisia.usembassy.gov/statement-from-the-u.s.-embassy.html>.



employing workers that limits the demand for labor. The MCC has designed a \$20 million program based on this report, but the types of reforms the MCC program will promote are certain to face significant push-back from labor unions and will require a long-term commitment and political will among Tunisian leadership, along with strong US diplomatic engagement. While the focus on institutional economic reform is essential, it will take time, and the MCC program is unlikely to impact economic growth in the near-term or do much to convince Tunisians that their economic situation is improving. As of this writing, the future of the MCC program is uncertain.

In light of an economic slowdown in Europe, Tunisia has perhaps the most to gain and the most potential for expanding trade and investment ties with the United States. The primary vehicle for trade discussions with Tunisia is the Trade and Investment Framework Agreement (TIFA), but there has been no progress with formal trade negotiations, in part because the Tunisian government is not able to take decisive action on any key points. While it initially expressed interest in an FTA, the Tunisian government has yet to make trade or investment facilitation discussions a real priority given the political environment. The fallout from the embassy attacks has been felt in this arena; a high-level TIFA meeting between American and Tunisian officials was scheduled for September 2012, then postponed to April 2013, then June 2013, but never took place and has not yet been rescheduled.

One new initiative to promote trade under the auspices of TIFA is the launch of a new Tunisia SME Project in June 2013 that will provide technical assistance to SMEs based on the US small business model, with an eye toward establishing external trade opportunities in the region and internationally. The initiative seeks to improve the country's prospects for sustainable growth by using online platforms and partnerships to create greater opportunities for trade between American and Tunisian small businesses. This is a relatively small project, however, and the United States has

not leveraged significant resources to assist with its trade integration. The business community in the United States and Tunisia is trying to play its role as well, and where government agencies have been slow to act, the private sector has attempted to fill the gap. US-based and Tunisian business associations are initiating trade and investment forums, including a major undertaking with the Tunisia Investment Forum in June 2013.

The shift in the administration's thinking can also be seen in the amount and type of democracy assistance in this second year since the revolution. In 2011, the US provided more than \$34 million in democracy aid, to strengthen civil society organizations, political parties, and Tunisian government institutions. But from FY2012 funds, the amount has dropped to \$8.5 million and the aid is focused on elections and political process work, including support for three organizations conducting election observations (Carter Center, National Democratic Institute, International Republican Institute) and IFES to work with the Election Commission. Officials have indicated that the administration is more inclined to focus on elections and governmental reforms, and far less comfortable with programs to support independent media and civil society strengthening. The amount for democracy-support programs this year is also lower than the initial tranche, in part because those resources have not been depleted, and in part it is also a reflection of the US government's clear reprioritization of security assistance, followed by economic assistance, and lastly democracy and governance. In addition, the lack of management and staff capacity at the US embassy in Tunis had a significant ability on what programs the United States is able to support and implement.

It is also worth noting that the FY2014 bilateral request is \$30 million, underscoring that the administration is not pushing for greater assistance to help Tunisia in a delicate moment of its transition. As one US official explained, "In a resource-constrained environment, and without a major crisis in the country, there is considerable fatigue about providing even more aid for Tunisia."<sup>21</sup>

**Libya:** Given its vast oil wealth, the administration's decision not to get deeply involved in reconstruction and congressional resistance to Libya aid, led to little expectation that the United States would provide significant assistance for Libya's transition. The administration recognizes, however, that the oil industry cannot provide opportunities for all its citizens and that the country needs time to develop its human resources, decimated under the former regime. Therefore, the United States sought to provide small amounts of technical assistance to new institutions. The worsening security situation, political turmoil, and Libyan authorities' difficulty in prioritizing needs have complicated that modest goal.

The Benghazi attacks led to a heightened US and European focus to help the fledgling Libyan government strengthen its security capacity. The United States, Italy, France, the EU, and other donors have made concerted efforts to provide military training and equipment, counterterrorism aid, and other direct security assistance. For border security and counterterrorism assistance, approximately \$20 million has been programmed or is in the pipeline. Security sector reform, equally crucial, has received far fewer US resources—approximately \$4 million since 2011—in part because the limited US staff in Tripoli constrains the ability to implement programs. The United States is working with the Ministry of Justice to provide strategic planning assistance, capacity building for criminal investigations, and police training, as well as supporting a prison reform project and training for lawyers and civil society organizations on rule of law issues. Planning for effective security sector reform programs will be essential as the country works to integrate militias into the new security apparatus and build new institutions based on the rule of law and professionalism.

*"...the United States pledged more assistance for security reform in Libya with particular emphasis on border security, rule of law, building a professional security force and institutions...we will look for other ways to work together as we go forward in order to make Libya safer and to live up to its full potential."*

US Secretary of State John Kerry, remarks with Libyan Prime Minister, March 2013

The United States intended to provide technical assistance to Libyan ministries to promote fiscal transparency and good governance, including embedding a full-time adviser at the Central Bank. After the Benghazi attack and subsequent drawdown of US personnel from the country, however, this plan was put on hold indefinitely. The United States has made small-scale efforts to stimulate the economy, including through business skills training for women and youth, revitalizing higher education through the US-Libya Higher Education Task Force, and supporting entrepreneurship by adding Libya to the 2012 African Diaspora Marketplace (ADM) initiative.

Given the precarious security environment, there have been only nominal US government-led initiatives to expand trade and investment relationships over the past year. The US-Libya TIFA needs to be updated, but no action has been taken. Instead, the focus has been on facilitating business relationships and fostering trade ties between the US and Libyan business communities. USTDA organized a Libya Cyber Security Reverse Trade Mission in May 2013, and the Department of Commerce sponsored a trade mission to Libya for a delegation of twenty-five American companies. The most dynamic activity, however, comes from US and Libyan private sector-led initiatives, which often include high-level US government officials. For example, in June 2013 the American Chamber of Commerce in Libya and the US-Libya Business Association cooperated with other associations to organize the Libya Projects 2013 conference in Tripoli.

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21 Conversation with US official, Washington, DC, June 2013.

Despite the clear security constraints on programming, the United States has managed to launch a relatively robust portfolio of democracy assistance programs—nearly \$35 million—with a focus on political party development, elections preparation, constitutional development, civil society strengthening, transitional justice, and effective local governance. Unlike Egypt, the US embassy in Tripoli and its team of implementers have encountered a more open door in Libya and have found willing partners among civil society organizations and activists who are eager for US assistance and partnership. Despite a long congressional hold on funding, the administration was able to provide much-needed electoral support in advance of the July 2012 General National Assembly elections. Other initiatives were delayed due to the deteriorating security and ensuing political impasse, but constitution-drafting and subsequent elections in the coming year will provide a good opportunity for the United States to contribute to inclusive processes.

**Yemen:** Yemen’s economic situation is far graver than that of other countries addressed here, but since the United States did not initially include Yemen in the group of Arab countries transitioning to democracy, it did not benefit from the initial tranches of direct financial assistance pledged to Egypt and Tunisia in the spring of 2011. However, the Friends of Yemen—a group of international donors that formed in 2006 to rescue Yemen from humanitarian and economic disaster—was resuscitated in the wake of its political transition. A series of Friends of Yemen donor conferences elicited a total of \$8.1 billion in pledges. For its part, the United States pledged \$346 million, but the bulk of this amount reflects programs already underway or planned, security assistance, and increased humanitarian assistance. The amount of new money dedicated to support the political transition and address grievances related to the uprising—namely job creation and economic development—was actually quite low relative to the total pledge.

Yemen’s humanitarian situation, already dire before fighting erupted in 2011, deteriorated even further with the tension between competing military factions during the popular uprising and the US-supported campaign against al-Qaeda in Abyan and other provinces that disrupted the lives of hundreds of thousands of Yemenis who became internally displaced. In view of these realities, the United States funneled most of its assistance for humanitarian support through American and UN-led organizations, which reached \$221 million since 2011. Allocations for humanitarian assistance are made on a global basis according to need; it would be difficult to argue that this funding was oriented toward assuring a successful democratic transition. Rather, it was an urgent and much-needed response to a humanitarian catastrophe with nearly ten million Yemenis food insecure and more than fifty percent of the population malnourished. The United States will continue contributing to such needs; the administration requested \$63 million in its FY2013 budget to address humanitarian needs exacerbated by conflict coincident with the transition.

*“Although you have weathered historic political transitions in the past, today you stand ready to form your own government, write your own constitution, and freely elect your own president. Be assured that the American people, deeply valuing our long and enduring friendship with Yemen, support you. As President Obama said: ‘Have no doubt that we stand firmly behind you in these efforts.’ We pledge to continue to stand with all of you in the months and years ahead as you work towards building a secure, democratic, and prosperous new Yemen.”*

US Ambassador to Yemen Gerald Feierstein, May 22, 2013

Stabilizing Yemen’s economy is the first priority, but there is also recognition that economic growth and development is essential for the success of its transition. Donor assistance through the Friends of Yemen process has started some significant investment projects, particularly from Qatar and Saudi Arabia, but trade and investment promotion from the United States has been

virtually nonexistent. The United States has not provided Yemen any cash transfers or direct budget support. Instead, to deal with immediate financing shortfalls, the United States has largely relied upon and supported international financial institutions assisting Yemen (primarily an IMF Rapid Credit Facility Program for \$93 million in 2012) as well as at least \$2 billion in fuel and Central Bank deposits from Saudi Arabia. In terms of support for economic development, the United States has provided \$20 million for economic growth programs related to entrepreneurship support, skills development and job placement, microenterprise, and vocational training programs since 2011. Given the enormous needs and the necessity of job creation for any hope of success in Yemen, this is an area where the United States should be devoting considerably more resources. Furthermore, this is an area where US expertise and support would be welcomed and where the large Gulf donors are unlikely to spend the time to build effective programs.

As part of the GCC-supported transition plan, the primary supporters in the international community have each taken the lead in a specific area of the transition. While the European Union took the lead on broad restructuring of internal security forces and the United States has the lead on military restructuring efforts, the State Department is engaged in other aspects of security sector reform that are complementary to EU efforts, particularly related to the justice sector and rule of law issues.

The State Department increased security sector assistance for programs to nearly \$17.8 million in 2012-13 to support reform within Yemen's Ministry of Interior and another program to support public order management, criminal prosecutions, and justice sector reform.

In Yemen, unlike the other countries under discussion, the United States has played an active role in shaping its transition process, providing diplomatic and political support for the country's president and government, and ensuring that the process maintains momentum. The United States has invested significant energy and resources in the success of the National Dialogue, a UN-supported process taking place over six months with 565 delegates representing all Yemen's major stakeholders to develop consensus on the status of the south, the Houthi rebellion in the north, and the state structure, among other issues. As noted earlier, the heavy-handed role of the US ambassador is sometimes critiqued, but there is no debate that US financial assistance has been instrumental in getting the dialogue off the ground and moving forward. USAID is providing at least \$10 million in operational assistance to the dialogue offices, working groups, and to support civic outreach. In anticipation of a constitutional referendum and upcoming elections, the United States is actively supporting election management and preparation, updating Yemen's voter registry, voter education, and civic outreach.

<b>US Assistance To Arab Transition Countries</b>							
<small>Note: Funding amounts refer to foreign assistance provided from June 2012 to July 2013 and appropriated in Fiscal Years (FY) 2011, 2012, or 2013.</small>							
<b>Flagship Regional Initiatives</b>				<b>Status</b>			
Progress for <b>Enterprise Funds</b> in Egypt and Tunisia				<ul style="list-style-type: none"> <li>• Egyptian-American Enterprise Fund was officially launched in March 2013 (with \$60m appropriated in 2012).</li> <li>• Tunisian-American Enterprise Fund was officially launched in June 2013 (with \$40m appropriated in 2012).</li> </ul>			
<b>Incentive Fund</b> proposed in president's FY2014 budget request				<ul style="list-style-type: none"> <li>• No funding has been appropriated for the Incentive Fund. The White House requested \$580m for MENA-IF for FY2014, but Congress appears unlikely to fund. The White House first requested \$770m for the MENA-IF for FY2013, but Congress did not approve the funding.</li> </ul>			
<b>MENA Trade and Investment Partnership (MENA-TIP)</b> created to build on existing bilateral agreements and promote regional trade				<ul style="list-style-type: none"> <li>• First meeting was held in April 2012 but no concrete action has been taken. Country-specific action plans are being developed (Tunisia approved; Egypt, Jordan, Morocco under discussion; Libya not yet started).</li> </ul>			
<b>Economic Assistance, Development, and Reform</b>							
<b>Egypt</b>		<b>Tunisia</b>		<b>Libya</b>		<b>Yemen</b>	
<b>Initiative</b>	<b>Status</b>	<b>Initiative</b>	<b>Status</b>	<b>Initiative</b>	<b>Status</b>	<b>Initiative</b>	<b>Status</b>
<b>Stabilize the economy</b>	<ul style="list-style-type: none"> <li>• First tranche of \$190m cash transfer re-released in March 2013; remaining \$260m on hold until Congress releases and Egypt reaches IMF agreement.</li> <li>• US supports IMF deal for Egypt but continued negotiations unlikely until new government formed.</li> </ul>	<b>Stabilize and reform the economy</b>	<ul style="list-style-type: none"> <li>• No additional budget support provided since \$100m cash transfer in May 2012.</li> <li>• US supported IMF program for Tunisia; IMF approved \$1.78b Stand-By Arrangement (SBA) in June 2013.</li> <li>• MCC assessment completed and program design re-released in December 2012 for \$20m Threshold Program.</li> </ul>	<b>Stabilize and reform the economy</b>	<ul style="list-style-type: none"> <li>• US has unfrozen \$30b in Libyan assets in 2012; approximately \$3b remains blocked.</li> </ul>	<b>Stabilize the economy</b>	<ul style="list-style-type: none"> <li>• No direct economic support. Yemen received a \$93m emergency loan through IMF's Rapid Credit Facility program in April 2012; currently discussing IMF medium-term program.</li> </ul>
<b>Establish Egyptian-American Enterprise Fund</b>	<ul style="list-style-type: none"> <li>• Fund officially launched in March 2013 with \$60m initial capitalization (plans for full capitalization of \$300m over five years).</li> <li>• Chairman and board selected and finalized but investments have not started.</li> </ul>	<b>Establish Tunisian-American Enterprise Fund</b>	<ul style="list-style-type: none"> <li>• Fund officially launched in July 2013 with \$40m initial capitalization.</li> <li>• Chairman and board selected and finalized but investments have not started.</li> </ul>	<b>Humanitarian assistance</b>	<ul style="list-style-type: none"> <li>• \$8.8m provided in FY2012 for humanitarian assistance.</li> </ul>	<b>Humanitarian assistance</b>	<ul style="list-style-type: none"> <li>• US provided \$221m for humanitarian aid since 2011 to help address the needs of the most vulnerable populations.</li> </ul>
<b>Debt relief</b>	<ul style="list-style-type: none"> <li>• US revamped original plan for \$1 billion debt swap and decided to redirect \$450m of these pledged funds for cash transfer for Egypt to cover payments on USG debt.</li> </ul>	<b>Loan guarantees</b>	<ul style="list-style-type: none"> <li>• Loan guarantee authority for Tunisia granted by Congress in FY2013 bill, but administration has not yet offered loan guarantee to Tunisian government.</li> </ul>				



## US Assistance To Arab Transition Countries

Note: Funding amounts refer to foreign assistance provided from June 2012 to July 2013 and appropriated in Fiscal Years (FY) 2011, 2012, or 2013.

### Economic Assistance, Development, and Reform

Egypt		Tunisia		Libya		Yemen	
Initiative	Status	Initiative	Status	Initiative	Status	Initiative	Status
<b>Debt relief</b>	<ul style="list-style-type: none"> <li>\$550m remaining from debt swap pledge may be used for higher education initiative for scholarships in business and technical fields; program has not yet been officially announced.</li> </ul>						
<b>Provide OPIC financing</b>	<ul style="list-style-type: none"> <li>US pledged \$1b in OPIC financing for public-private infrastructure projects in 2011; this was held up and pledge is now being redefined. OPIC has made \$425m in commitments to date, including:                             <ul style="list-style-type: none"> <li>\$250m for Loan Guarantee Facility;</li> <li>\$125m for Citadel to help finance Egyptian companies;</li> <li>\$50m (est.) for Citibank insurance contract;</li> <li>\$250m Loan Guarantee Facility (above) to support SMEs finally launched in 2013 after GOE<sup>1</sup> agreed to register implementing organization in Egypt; two Egyptian banks have signed on to the facility.</li> </ul> </li> </ul>	<b>Provide OPIC financing</b>	<ul style="list-style-type: none"> <li>\$50m OPIC Franchise and SME Loan Guaranty facility for Tunisia finalized; will help provide credit to franchisees and SMEs.</li> <li>\$52.5m for Maghreb Private Equity Fund, a regional fund that will provide equity capital to 15-20 SMEs in Tunisia, Morocco, Algeria, and Egypt, but no loans have been made yet.</li> </ul>	<b>Provide OPIC financing</b>	Libya is not eligible for OPIC financing.	<b>Provide OPIC financing</b>	<ul style="list-style-type: none"> <li>Yemen is eligible for OPIC financing but no current projects underway or in the pipeline.</li> </ul>
<b>Support job creation, SME development, and entrepreneurship</b>	<ul style="list-style-type: none"> <li>Some OPIC financing will support SME lending in Egypt, including part of \$150m OPIC private equity deal with Abraaj Capital, signed September 2012.</li> </ul>	<b>Support job creation, SME development, and entrepreneurship</b>	<ul style="list-style-type: none"> <li>Tunisia SME Project launched June 2013 will provide technical assistance to SMEs and boost trade to US businesses.</li> <li>Multi-year ICT<sup>2</sup> Competitiveness Project now operational, with \$8m funding to link employers and jobseekers in the ICT sector.</li> </ul>	<b>Support job creation, SME development, and entrepreneurship</b>	<ul style="list-style-type: none"> <li>US added Libya to the 2012 African Diaspora Marketplace (ADM) initiative to support entrepreneurship.</li> <li>\$500k to support Libya Women's Economic Empowerment project focusing on SMEs development and women's economic empowerment.</li> </ul>	<b>Support job creation, SME development, and entrepreneurship</b>	<ul style="list-style-type: none"> <li>US has committed \$20m for economic growth programs since 2011 focusing primarily on job-creation and capacity-building of local communities through infrastructure rehabilitation and agriculture development, with a special focus on conflict-affected communities in the south.</li> </ul>

<b>US Assistance To Arab Transition Countries</b>							
Note: Funding amounts refer to foreign assistance provided from June 2012 to July 2013 and appropriated in Fiscal Years (FY) 2011, 2012, or 2013.							
<b>Economic Assistance, Development, and Reform</b>							
<b>Egypt</b>		<b>Tunisia</b>		<b>Libya</b>		<b>Yemen</b>	
<b>Initiative</b>	<b>Status</b>	<b>Initiative</b>	<b>Status</b>	<b>Initiative</b>	<b>Status</b>	<b>Initiative</b>	<b>Status</b>
<b>Support job creation, SME development, and entrepreneurship</b>	<ul style="list-style-type: none"> <li>Several small-scale programs to support job-creation, entrepreneurship support, and SME growth funded mainly by USAID and MEPI.</li> </ul>	<b>Support job creation, SME development, and entrepreneurship</b>	<ul style="list-style-type: none"> <li>\$8.3m for programs to assist women and youth entrepreneurs, provide job training and employability skills, start-up business resources.</li> <li>\$1.8m for financial institutions to increase access to credit for small businesses.</li> <li>\$2.9m for Entrepreneurship Development Program in Tunisia and Morocco.</li> </ul>				
<b>Education and vocational training</b>	<ul style="list-style-type: none"> <li>With funds allocated for the original debt swap program, in 2013 the US planned a new scholarship program focused on technical training and women. The program has not been officially announced and plans are on hold due to turmoil in Egypt.</li> </ul>	<b>Education and vocational training</b>	<ul style="list-style-type: none"> <li>Expansion of five new linkages between US and Tunisian universities, journalist training.</li> <li>\$10m for Thomas Jefferson Scholarship for approx. 200 Tunisian students to study for one year at American universities and community colleges to enhance workplace skills; 60 students will begin in fall 2013.</li> </ul>	<b>Education and vocational training</b>	<ul style="list-style-type: none"> <li>US-Libya Higher Education Task Force sent a delegation to Libya in September 2012 to foster cooperation between US and Libyan higher education institutions and launched International Academic Partnership Program.</li> <li>Expansion of Fulbright Program for 2012-13 academic year, with 14 Libyan students in the US (double the size of previous cohort).</li> </ul>	<b>Education and vocational training</b>	<ul style="list-style-type: none"> <li>US supports educational and professional development programs for Yemenis in the US.</li> </ul>
<b>Trade and Investment</b>							
<b>Egypt</b>		<b>Tunisia</b>		<b>Libya</b>		<b>Yemen</b>	
<b>Initiative</b>	<b>Status</b>	<b>Initiative</b>	<b>Status</b>	<b>Initiative</b>	<b>Status</b>	<b>Initiative</b>	<b>Status</b>
<b>Expand bilateral trade and investment</b>	<ul style="list-style-type: none"> <li>Trade and Investment Partnership Action Plan for Egypt is under development but no concrete outcomes.</li> </ul>	<b>Expand bilateral trade and investment</b>	<ul style="list-style-type: none"> <li>US-Tunisia TIFA framework led to new SME program but no progress with formal trade discussions.</li> </ul>	<b>Expand bilateral trade and investment</b>	<ul style="list-style-type: none"> <li>US-Libya TIFA needs to be updated but no action taken.</li> </ul>	<b>Support for WTO accession</b>	<ul style="list-style-type: none"> <li>US currently assisting Yemen in helping to fulfill steel and agricultural requirements for WTO<sup>iii</sup> accession.</li> </ul>

### US Assistance To Arab Transition Countries

Note: Funding amounts refer to foreign assistance provided from June 2012 to July 2013 and appropriated in Fiscal Years (FY) 2011, 2012, or 2013.

#### Trade and Investment

Egypt		Tunisia		Libya		Yemen	
Initiative	Status	Initiative	Status	Initiative	Status	Initiative	Status
<b>Expand bilateral trade and investment</b>	<ul style="list-style-type: none"> <li>US not offering discussions on FTA<sup>v</sup> at present.</li> <li>USTDA gave two grants of nearly \$1 m to expand Egypt's ICT infrastructure.</li> <li>US announced in March 2013 expansion of Qualifying Industrial Zones (QIZ) program through redesignation of certain zones as eligible for QIZ status, allowing duty-free access for certain goods to US.</li> </ul>	<b>Expand bilateral trade and investment</b>	<ul style="list-style-type: none"> <li>Tunisians expressed interest in FTA but not on the agenda and no action taken.</li> <li>Last official TIFA talks were March 2012; Tunisian mission to US scheduled for April 2013, but was postponed and has not yet been re-scheduled.</li> </ul>	<b>Expand bilateral trade and investment</b>	<ul style="list-style-type: none"> <li>US supports Libya's WTO accession but considerable groundwork still necessary.</li> <li>US providing technical assistance to Libyans to negotiate trade agreements.</li> </ul>	<b>Support for WTO accession</b>	<ul style="list-style-type: none"> <li>Yemen expected to join the WTO soon after final negotiations.</li> </ul>
<b>Engage the private sector to promote trade and investment</b>	<ul style="list-style-type: none"> <li>US Chamber of Commerce (not a government agency) sent a trade mission in September 2012, leading more than 100 participants from 50 companies to Cairo, with high-level USG participation.</li> <li>USTDA program "Egypt: Forward" had scheduled workshops for fall 2012 but postponed them; also scheduled technical workshops in Cairo for spring 2013 but had to postpone those as well.</li> <li>USTDA organized a reverse trade mission to help Egyptian port officials modernize their processes in April 2013.</li> <li>Official trade mission to Egypt planned for April 2013 was postponed.</li> </ul>	<b>Engage the private sector to promote trade and investment</b>	<ul style="list-style-type: none"> <li>Tunisia Partnership Forum supports networking between US and Tunisian businesses.</li> </ul>	<b>Engage the private sector to promote trade and investment</b>	<ul style="list-style-type: none"> <li>US is facilitating meetings to foster trade between Libyan government and US-based businesses for services and equipment for reconstruction.</li> <li>USTDA organized a Libya Cyber Security Reverse Trade Mission in May 2013.</li> <li>Department of Commerce sponsored a trade mission to Libya for a delegation of 25 US companies.</li> <li>Am-Cham Libya and US-Libya Business Association organized Libya Projects 2013 conference in Tripoli in June 2013.</li> </ul>	<b>Engage the private sector to promote trade and investment</b>	<ul style="list-style-type: none"> <li>US Chamber of Commerce brought Yemeni business delegation to US to foster trade relationships and explore business opportunities in alternative energy and water.</li> <li>US facilitated Yemen's participation in a coffee trade show to help rehabilitate Yemen's historic coffee industry.</li> </ul>

<b>US Assistance To Arab Transition Countries</b>							
Note: Funding amounts refer to foreign assistance provided from June 2012 to July 2013 and appropriated in Fiscal Years (FY) 2011, 2012, or 2013.							
<b>Trade and Investment</b>							
<b>Egypt</b>		<b>Tunisia</b>		<b>Libya</b>		<b>Yemen</b>	
<b>Initiative</b>	<b>Status</b>	<b>Initiative</b>	<b>Status</b>	<b>Initiative</b>	<b>Status</b>	<b>Initiative</b>	<b>Status</b>
<b>Public Private Partnerships</b>	<ul style="list-style-type: none"> <li>ExxonMobil, in partnership with the Egypt chapter of Partners for New Beginning (a State Department-funded initiative), funded efforts to enhance science, technology, engineering, and math education in Egypt.</li> <li>Cisco announced a \$10m venture capital investment in Egypt to create a sustainable model of job-creation.</li> <li>Coca-Cola partnered with the Egypt Food Bank to assist 14 villages and 10,000 people develop sustainable livelihoods and access to clean water.</li> </ul>		<ul style="list-style-type: none"> <li>US and Microsoft Corporation are providing business and software skills training to 20 new Tunisian startup companies in 2012 and 2013.</li> <li>US is partnering with Hewlett-Packard and UNIDO to provide entrepreneurship training and SME capacity building assistance in four Tunisian governorates.</li> </ul>				
<b>Political Participation, Civil Society, and Governance</b>							
<b>Egypt</b>		<b>Tunisia</b>		<b>Libya</b>		<b>Yemen</b>	
<b>Initiative</b>	<b>Status</b>	<b>Initiative</b>	<b>Status</b>	<b>Initiative</b>	<b>Status</b>	<b>Initiative</b>	<b>Status</b>
<b>Democracy support for political parties, civil society, and elections</b>	<ul style="list-style-type: none"> <li>\$17.3m provided since June 2012, including for international election monitoring (for planned 2012 parliamentary elections never held), civic and political participation, and combating violence against women.</li> </ul>	<b>Democracy support for political parties, civil society, and elections</b>	<ul style="list-style-type: none"> <li>\$11m since June 2012 for State Department and USAID<sup>ix</sup> programs to support elections and political process work, election observation, and technical assistance to the Election Commission.</li> </ul>	<b>Democracy support for political parties, civil society, and elections</b>	<ul style="list-style-type: none"> <li>\$14m in grants for media training party capacity building working with youth and women's groups to advocate for parts to new constitution lawyers training and a new project to work on civil society law.</li> <li>\$20.6m since June 2012 for programs for civil society support, elections support, transitional justice, women's rights, constitutional process, and good governance programs.</li> </ul>	<b>Democracy support for political parties, civil society, and elections</b>	<p>US provided nearly \$39m to support Yemen's political transition process since 2011, including:</p> <ul style="list-style-type: none"> <li>National Dialogue support for operational assistance to the dialogue offices, working groups, and to support civic outreach.</li> <li>Support for election management voter education, updating the voter registry, and inclusion of women.</li> <li>Support for the new Executive Bureau established to expedite project implementation and ensure accountability of donor funds.</li> </ul>

### US Assistance To Arab Transition Countries

Note: Funding amounts refer to foreign assistance provided from June 2012 to July 2013 and appropriated in Fiscal Years (FY) 2011, 2012, or 2013.

#### Political Participation, Civil Society, and Governance

Egypt		Tunisia		Libya		Yemen	
Initiative	Status	Initiative	Status	Initiative	Status	Initiative	Status
<b>Governance and technical assistance to government agencies</b>	No new programs.	<b>Governance and technical assistance to government agencies</b>	<ul style="list-style-type: none"> <li>US Treasury began arrangement for technical assistance to Ministry of Finance and Central Bank on banking reform, but put on hold after embassy attacks in September 2012 and no set plans for resumption.</li> </ul>	<b>Governance and technical assistance to government agencies</b>	<ul style="list-style-type: none"> <li>US Treasury planned technical assistance to Libyan ministries to promote financial transparency and good governance, but put on hold after embassy attacks and no plans for its resumption.</li> <li>DOD sent technical assistance team to assist Ministry of Defense.</li> </ul>	<b>Governance and technical assistance to government agencies</b>	<ul style="list-style-type: none"> <li>US provides technical assistance to Ministry of Planning and International Cooperation and governor's offices.</li> </ul>

#### Security Sector Assistance

Egypt		Tunisia		Libya		Yemen	
Initiative	Status	Initiative	Status	Initiative	Status	Initiative	Status
<b>Security sector assistance</b>	<ul style="list-style-type: none"> <li>\$1m community policing program within MOI to develop accountable and professional police force.</li> <li>\$3.1m for training and equipment for border security and other security-related assistance.</li> </ul>	<b>Security sector assistance</b>	<ul style="list-style-type: none"> <li>\$22.5m committed for police reform and corrections reform program with the Ministries of Interior and Justice, including technical assistance from full-time USG staff person in Tunis.</li> <li>\$10.5m for training and equipment for border security, and other security-related assistance.</li> </ul>	<b>Security sector assistance</b>	<ul style="list-style-type: none"> <li>\$2m for criminal justice, investigative training, prison reform, and technical assistance to Libyan Department of Justice.</li> <li>\$2.1m for border security (EXBS) and counterterrorism support (ATA) in FY2012.</li> <li>\$18.5m for border security from Global Security Contingency Fund in FY2012.</li> <li>\$2.35m for justice and security dialogues and assistance on reintegration of militias.</li> </ul>	<b>Security sector assistance</b>	<ul style="list-style-type: none"> <li>\$17.8m to support reform within Yemen's Ministry of Interior, development of civilian police, criminal prosecutions, and justice sector reform.</li> <li>\$9.8m for border security (EXBS) counterterrorism support (ATA), and demining (CWD) in FY 2012 and FY 2013.</li> </ul>

i Government of Egypt  
 ii Information and Communications Technology  
 iii World Trade Organization





In the months following the 2011 Arab uprisings, the EU developed a new policy approach toward the region based on greater emphasis on democratic change and offering improved incentives to support the transition of these countries. The rationale of the revised May 2011 European Neighbourhood Policy (ENP) was to anchor them more closely to their Northern Mediterranean partners by improving the quality of economic and financial assistance and expanding the range of fields for cross-Mediterranean engagement.

*“Two years on from the revision of the ENP, implementation is the main task and challenge for the EU and its partners. Since 2011, progress in implementing the reforms agreed on by the EU and its partners has been uneven. However, it must not lead to disengagement. On the contrary, the EU must step up its engagement in the process including over the long term.”*

Joint Communication of the European Commission and the High Representative on the European Neighborhood Policy, March 2013

This response seemed apt to address the fluidity of the political context, where the only certainty was that further change, instability, and violence would continue as new political actors would emerge within the broad region stretching across North Africa and the Middle East, and reaching out to the Gulf. Focusing on differentiation between individual countries and identifying tailor-made approaches adaptable to each situation while redefining the overall principles of engagement appeared to be

most appropriate way to revise the EU’s approach toward the region.

The hollowness of this approach is clear despite renewed rhetoric describing opportunities to build “deep democracies” in the region. There are some individual initiatives that are laudable, and there has been some tangible progress in negotiating sectoral agreements and identifying common projects. However, the ENP continues to have significant fault lines. First, it suffers from a mismatch between stated commitments and the ability to deliver on them, though many of the problems in delivery of economic assistance lie in the weaknesses of the partner governments. Secondly, the ENP review did not address the problems at the heart of EU policy toward the region: the EU does not have a strategic vision because the priorities of the member states vary. Some, such as France and the United Kingdom, have a stronger focus on security; others, such as Spain and Italy, focus on mobility and migration; and still others, such as Sweden, the Netherlands, and Poland, are more committed to democratic transition.

The revised ENP did not lead the way toward a qualitatively different paradigm for Euro-Mediterranean relations. The underlying assumptions of the initial ENP policy—launched well before the Arab uprisings—have not been challenged. The ENP remains based on the assumption that the EU has leverage and attraction vis-à-vis its Arab neighbors and that a combination of trade liberalization, development aid, closer political relations, and a stronger emphasis on

political reform toward greater democracy and good governance would be the recipe for regional stability. Yet it is questionable whether or not the EU can in fact offer incentives that are compelling enough to have any influence on the Arab uprising countries—both the countries undergoing direct political transition (Tunisia, Egypt, Libya) and those introducing more cautious, gradual political reform (Morocco and Jordan).

The lack of a common interpretation of the priorities in the region makes the EU unable to maximize its influence and leads it to fall back on its traditional position of relying on the United States to set the tone on the big policy options. The absence of US leadership has shown how empty EU policy has been, but also demonstrates that there is room for the EU to play a bigger role if it were able to forge a broader policy framework that is fully embraced by the EU institutions and member states. Instead of articulating a coherent approach, the EU has been consumed with a range of security risks and threats in its southern neighborhood. The individual approaches in dealing with serious security challenges may be appropriate, but they are circumscribed and not indicative of a new political approach to the region—with a core focus on democratic support—which was the stated objective of the revised ENP.

### **EU Support for Pluralist Political Space**

Since the Arab awakening, one notable change is how EU and member states deal with Islamist political forces. The EU now fully accepts and engages with Islamist parties participating in politics and leading government. But as space for political pluralism began shrinking in 2012-13—with mainstream Islamist parties revealing a winner-takes-all understanding of democracy, the breakdown of government-opposition relations in Egypt over the constitutional process, the political polarization in Tunisia, and the growing importance of the Salafist movements across the region—European commitment to this policy shift showed signs of shallowness. European channels for dialogue with the emerging political groupings remained limited and uninfluential. As the Egyptian crisis unfolded,

the EU tried to engage with all political forces. At the same time, many European capitals were privately relieved of the restoration of the ancien régime.

*“The EU has strengthened political and financial support for its partners embarking on political reforms. The analysis of developments and of the results of reforms in partner countries shows that the ENP works when the willingness to reform is there and society plays an active part in the process. Values, models of governance or reforms cannot be imposed from the outside. They can only take root when the political leaders and citizens buy in to the reform objectives commonly agreed between the EU and its partners. The EU must continue to reach out to and work with supporters of reform and partnership with the EU.”*

Communication from the High Representative of the EU for Foreign Affairs and Security Policy February 20, 2013

The case of Egypt is illustrative of the difficulties in responding to the complex and changing political dynamics. During 2012, the European Union conducted quiet diplomacy, behind closed doors, sending messages to the government and the Muslim Brotherhood about the perils of its politics of marginalizing and antagonizing the opposition. In light of the July 2013 events, it was clear that the leadership of the Muslim Brotherhood had been oblivious to EU recommendations and soft criticism. Less clear is whether a different type of engagement, such as more public condemnation, would have made a difference in influencing events in the country; as in the United States, there is a clear sense that EU political leverage is minimal.

In the wake of the coup, old differences between the member states on attitudes toward the Islamist parties reemerged. While EU High Representative for Foreign Affairs and Security Policy Catherine Ashton issued statements condemning violence and urging an inclusive national dialogue, member states debated how to interpret the events taking place in Cairo. In the end, the statement issued by the High Representative on July 14 on behalf of all member states made the necessary points

about returning to the democratic process and calls for the release of political prisoners, but refrained from mentioning Morsi and his arrest: “The military must accept and respect the constitutional authority of the civilian power as a basic principle of democratic governance. It is of utmost importance that Egypt returns rapidly to a legitimate government and democratic structures responding to the democratic and socio-economic aspirations of the Egyptian people....”<sup>22</sup>

The divisions among EU member states can also be clearly seen in this statement and the reaction to events in Egypt. The statement did not address the lack of an agreement on whether to condemn the army for carrying out a coup d'état, which Britain and Germany advocated, or whether to take a softer position toward the army, which was seen by many members as a valuable interlocutor until the Arab spring took place. In short, the debate in Brussels over developments in Egypt revealed old habits and highlighted the differences within the EU over strategy and tactics in engaging with important countries in the Southern Mediterranean.

Ashton's late July 2013 visit to Egypt changed the picture. She asked to meet representatives of the Muslim Brotherhood-affiliated Freedom and Justice Party and, unlike the US envoy, she was received by them, as well as by the new acting president, prime minister, and representatives of other relevant political forces. She asked not only for an inclusive dialogue with all political parties but also specifically for the release of Morsi and his associates, earning sufficient trust from the Brotherhood's Freedom and Justice Party to be asked to facilitate such dialogue. Although her effort was unsuccessful, this marks a

change in strategy and may signal a more political role for the EU in the region, building upon trust among the Brotherhood that the United States lacks.

In other parts of the Arab world, indeed, this dialogue and engagement with local actors played a significant role in supporting the transition. In Yemen, for instance, the engagement of the head of the EU Delegation in the transition process, including elections and the formation of a unity government, is regarded by EU officials as playing a positive role in keeping the transition on track. In this case, the EU successfully used aid to support the political aims of its diplomacy. Even though the assistance levels were not monumental, tailoring the approach to the situation on the ground and linking assistance with political objectives helped amplify the impact.

The EU's increased investment of energy toward the region has not yet corresponded to a beefing up of the EU's political influence in these countries writ large, nor has it produced a more incisive and strategic approach shared by the EU and its member states. Indeed, the EU has also been consumed with a range of security risks and threats in the Middle East and North Africa (MENA) region and its southern neighborhood, with the violent conflict in Mali at the top of the list, which have negative impacts on the transitioning countries. Again, the individual approaches in dealing with serious security challenges may be appropriate in the short term, but they are circumscribed. And they are not indicative of a new and longer-term political approach to the region in which democracy plays a central role, which was the stated objective of the revised ENP.

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<sup>22</sup> European Union, “Declaration by the High Representative Catherine Ashton, on behalf of the European Union, on the situation in Egypt,” Brussels, July 14, 2013, [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/138072.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/138072.pdf).



### Markets, Money, and Mobility

Despite its own economic crisis, the EU made commitments and pledges for additional support to countries undergoing political and economic reform, whether through uprisings (Tunisia, Egypt, Libya) or through reforms engineered from the monarchies (Morocco and Jordan). The SPRING Programme, launched in 2011, was created specifically to provide support to encourage political reform, and by the end of 2012, €100 million was pledged for Tunisia, €90 million to Egypt, €80 million to Morocco, and €70 million to Jordan (see table). The Multiannual Financial Framework for 2014-20, the EU's overall budget, cuts overall EU spending compared to the previous seven-year period. The amount earmarked for the ENP is €13.7 billion, more than twenty percent of the total budget for EU external relations. This amount, however, includes funding for Eastern Europe as well as the Southern Mediterranean countries; at the time of writing it is not possible to give an indication on the breakdown of the amount between these two regions since the necessary regulation on the European Neighbourhood Instrument has not yet been adopted.

The EU pursued its flagship Deep and Comprehensive Free Trade Agreements (DCFTA) with several MENA countries after the 2011 uprisings on the basis of the ENP paradigm. However, progress is slow even with advanced countries such as Morocco and Tunisia, which have a greater interest in trade integration with the EU given their export market-dependence in Europe.

Few changes with other MENA countries took place over the past two years. The DCFTA with Morocco is the most developed, with negotiations starting in April 2013, while the EU has engaged in scoping exercises with Tunisia and Jordan in 2012, and initial exploratory talks were held with Egypt in November 2012.

*“EU support to stimulate sustainable economic growth is therefore crucial to the promotion of democratic institutions, provided that the countries of the region contribute to the promotion of a friendly environment for investment, jobs and growth. It should be underlined that economics has a deep connection with politics. An economic collapse would imply a political failure of the transitions. Therefore, EU support is more urgent than ever to help transitions move in the right direction.”*

Memorandum from European Commission, Brussels, February 8, 2013

The EU endeavoured to support economic growth in the transitioning countries through SME development, infrastructure development, and job training/entrepreneurship with a number of initiatives. The EU established a new Enterprise Europe Network for Tunisia, Egypt, and Morocco, and in the past year signed a memorandum of understanding with Tunisia and Morocco and an agreement with Egypt is anticipated for 2013. Country-specific projects for SME assistance include a €68 million program to support economic recovery and a €20 million program to support



service modernization in Tunisia, as well as a fund of €22 million for support of agricultural SMEs in Egypt. The EU placed specific emphasis on job creation and training in Tunisia through a joint initiative between European Training Foundation and the Tunisian government and a pledge of €60 million in 2012 for job creation. The EU also tried a decentralized approach to economic support by focusing outside Tunis through pilot regional development programs. In 2013, the EU cofounded a €33 million program for support to Tunisia's disadvantaged regions throughout the country with the Agence Française de Développement (AFD) and the European Investment Bank (EIB).

EU bureaucracy and partner country intransigence slowed the disbursement of these commitments in some cases. In the case of Egypt, the EU (like the United States) tied its economic assistance to the Egyptian government's agreement to an IMF loan that would be contingent on accepting a set of reforms.<sup>23</sup> Cairo's unwillingness to accept the IMF's conditions meant that the EU pledges have not been disbursed. Instead, massive financial support from Qatar, Saudi Arabia, and the United Arab Emirates (UAE) filled the gap.

Since Yemen falls outside the European Neighbourhood scope, support for Yemen's democratic transition comes through different instruments, such as the Development Cooperation Instrument and the Instrument for Stability. This assistance, aimed specifically at institution-building and governance rather than direct economic support, includes active support for Yemen's national unity government and National Dialogue process. While the funding is modest, amounting to around €60 million in 2012 excluding humanitarian aid, it targeted key political objectives, such as reforming the election committee, training members of parliament and political party officials, women's rights, and reform of the judiciary. The EU allocated an additional €18 million toward support of the national unity government in August 2012, and with its pledge of

€170 million in total assistance at the September 2012 donor conference in Riyadh, the EU is committing to becoming one of the most important donors to Yemen. The EU's assistance strategy matched and supported the diplomatic efforts made to support the national dialogue in the country, and the anticipated 2014 elections in Yemen will likely be an important test for EU policies.

Increased mobility and better access to Europe for citizens from the MENA region constituted the final leg of the revamped ENP approach. The mobility partnerships, launched in 2011 as a post-Arab awakening incentive for the South Mediterranean countries, can hardly be defined as a game changer for the region. Morocco signed the sole agreement with EU in June 2013. However, signing the agreement is just the first step in an involved negotiating process that could ultimately result in a visa facilitation regime for specific categories of people (students, researchers, and business representatives). The EU is in dialogue with Tunisia and Jordan about reaching an agreement, while Egypt, the fourth country offered this benefit, has not shown interest thus far. The reasons for slow progress are mostly to be found in the member states, divided about the importance of simplifying the visa regime and concerned about potential inflows of migrants from the South Mediterranean.

One new initiative worth noting is the establishment of EU country-focused task forces, which have proven to be an effective way to mobilize additional support through mixed packages of grants and loans, as well as stimulating investments from the private sector. For example, when the EU-Egypt Task Force met in November 2012, the occasion mobilized different sections of the EU's policy making machinery and more than five hundred actors from the public and private sector converged on Cairo, including the European Commission, the European Bank for Reconstruction and Development (EBRD), the EIB, the European External Action Service (EEAS), the European

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23 Farah Halime, "Egypt, the IMF and European Economic Assistance," European Council on Foreign Relations, April 2013, [http://www.ecfr.eu/publications/summary/egypt\\_the\\_imf\\_and\\_european\\_economic\\_assistance204](http://www.ecfr.eu/publications/summary/egypt_the_imf_and_european_economic_assistance204).

Parliament, and the member states. In advance of the Task Force meeting, the Commissioner for Industry and Entrepreneurship Antonio Tajani led a delegation of more than one hundred businesses to Cairo. Overall, this combined effort led to a commitment of a package of €5 billion in grants and loans for 2012-13.<sup>24</sup> The EU-Egypt Task Force is arguably the most successful in terms of bringing together different political and economic actors and of commitment of financial, economic, and aid assistance.

Other country-specific task forces witnessed little progress in the past year. The EU-Tunisia Task Force met only once in September 2011, during which the European Commission signed a grant of €100 million for a recovery program and the European Investment Bank confirmed its commitment to a €130 million project to support SMEs, and an EU-Jordan Task Force met in February 2012. This approach reflects EU efforts not just to increase economic and financial assistance, but to act as a multiplier of assistance by leveraging other actors to contribute. Given the EU's fiscal limitations and lack of cohesion among member states, the efforts of the task forces are worth investing in as a viable way to leverage assistance within both the public and private sectors.

### **Democracy Support and Civil Society**

Along with its diplomatic outreach, the EU developed policies and tools to support democracy-building and human rights on the ground through bottom-up support and civil society empowerment. The European Instrument for Democracy and Human Rights (EIDHR) has been used to train and support local election observers, including the media, political parties, and civil society groups throughout the region, and the EIDHR works in Yemen, where projects have included support to devise legislation regarding the role media and internet, capacity-building of youth groups from the protest movements, and to strengthen the accountability of parliament. The EU sent

election observation missions to Tunisia for the Constituent Assembly elections in October 2011 and has provided technical support to elections in Egypt, Libya, and Yemen (see table). EIDHR's added value is its ability to support nonpolitical actors, civil society organizations, and NGOs that are not recognised by their governments or are not legally registered.

A new Civil Society Facility, first created in September 2011 with an allocation of €26 million, focuses on strengthening civil society's networking capacity and improving its ability to promote national reform and increase public accountability. For a second phase in 2012, the CSF received nearly double that amount with €45.3 million for 2012-13. In an effort to address rule of law issues, the EU partnered with the Council of Europe on an initiative called Strengthening Democratic Reform in the Southern Mediterranean and allocated €4.8 million to improve court performance, reform the judicial system, and fight against corruption in Morocco and Tunisia over the next three years. In Brussels, the general assessment of the CSF is positive: the facility has facilitated direct engagement and dialogue between EU institutions and local civil society organisations, which are also consulted during key phases of EU policy planning. Along with activities carried out by the EU Delegations in partner countries, these initiatives indicate a learning curve in the EU approach toward supporting democratic change by acknowledging and embracing that local civil society plays a key role in this process. The EU also contributed €7 million to the Joint Program with UN Women, which aims to encourage women's active engagement in decision-making, economic empowerment, and regional knowledge of women's rights.

The establishment of the European Endowment for Democracy (EED) in 2013 could potentially mark a new development in European democracy assistance, whose mandate is to support political actors and civil society organizations working

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<sup>24</sup> "EU-Egypt Task Force Fact Sheet," A 515/12, Council of the EU, Brussels, November 14, 2012, [http://www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/EN/foraff/133513.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/133513.pdf).



to strengthen democracy in the EU's east and southern neighboring countries. Initially inspired by the United States' National Endowment for Democracy, a nongovernmental organization created with congressional support in 1983, the EED emerged from a Polish initiative drawing upon Poland's own experience of democratization. The creation of the EED has been a complicated and long-negotiated process between the EU institutions; the Endowment will now start grant-making activities to support democratic practices and values and to create a context in which political parties and political pluralism can flourish.

*"The long path of transition lies ahead. There will undoubtedly be disappointments along the way; there will be wrong turns, hurdles and setbacks. But I firmly believe that despite the difficulties, this journey is heading in the right direction. And there is no going back. Whatever the future brings, the Arab Spring will remain a turning point. The movement is irreversible. Once the voices of the people have been set free—an unforgettable experience for all those who were never heard before—these voices cannot be silenced.*

*It is each country's responsibility to chart its own course and to do justice to the aspirations of its people. The European Union is committed to staying by their side every step along the way. We are in it for the long run. I want to reaffirm: we still believe in the message of the Arab Spring."*

Address by EU Council President Van Rompuy, UN General Assembly, September 27, 2012

While the EU has a solid track record in funding civil society initiatives and supporting democracy and human rights related projects, its political engagement with a diverse range of political actors working in the region is only just starting. While

too early to assess, the creation of the EED could potentially enhance the EU's network of contacts with a broader range of actors beyond "the usual suspects" who have so far received the bulk of EU funds. As a grant-making institute, it may have more flexibility than EU tools to respond rapidly to changing situations, to support small groups, including ones carrying out direct political work since the EU does not fund political parties.

There are some bright spots worth noting in how the EU has evolved; the EU Delegations are building their network capacity and outreach toward civil society with a view to better understand local contexts and engage with a greater variety of human rights and democracy activists and defenders. The new Strategy and Action Plan for Promoting Human Rights, approved by the EU in June 2012,<sup>25</sup> empowered EU Delegations to carry out human rights diplomacy directly with third countries, and to promote human rights through a broader variety of activities such as observing trials and protecting human rights defenders. The EU Delegation in Cairo has been praised for its efforts to support NGO activists and is believed to have been instrumental in the release in May 2013 of Ahmed Maher, founder and leader of the 6 April movement, for instance.<sup>26</sup> Changes introduced to the EIDHR regulation better enable delegations to use these funds for country-specific calls for proposals that better reflect local situations. All the delegations now have a Human Rights Focal Point (some have two, one dealing with aid projects, the other with political issues). These officials are more heavily involved in holding meetings and hosting dialogues with local interlocutors and by offering technical advice.

These are positive steps, but projects on the ground still need to be better connected with the overarching EU policy, especially if the EU wants to claim it contributes to shaping an environment conducive to political pluralism in North Africa and the Middle East. For these activities to have real impact on the democratic environment, the

25 "EU Strategic Framework and Action Plan on Human Rights and Democracy," 11855/12, Council of the European Union, Luxembourg, June 25, 2012.

26 Conversation with an activist of the 6 April movement, May 2013.

EU needs to produce deeper political commitment at higher levels. Most importantly, the challenge will be for the EU to use its diplomatic leverage to influence the legal environment in which nongovernmental actors and civil society organizations work, which is currently very restrictive and has deteriorated in some countries. EU leaders have cultivated relations with recently elected political representatives, but the depth and impact of dialogue between the EU and government and opposition representatives remains to be seen.

The European Parliament deepened diplomatic relations with their counterparts in the Middle East and North Africa region and met a broader range of actors in their visits to the region through its committees and individual members of parliament. In response to the Arab awakening, the European Parliament established a new Directorate for Democracy Support in 2011 (including an Office for Promotion of Parliamentary Democracy, Election Observation Unit, Human Rights Actions Unit, and Pre-Accession Actions Unit). Through this new directorate, the EP organized study visits in 2012 and 2013 for members of parliament, political party leaders, women MPs, and parliamentary staff coming from North Africa, the Middle East, and the Gulf. The aim of these initiatives is not just to socialize politicians and parliamentary staff across the two shores, but also to support training and understanding of parliamentary systems, rules and procedures to enable new members of parliament from the Arab transitioning countries to effectively utilize newly democratic institutions.

### **Bilateral European Assistance**

On one hand, the increased level of pledged assistance seems to indicate a recognition of the region's growing importance. However, these numbers do not give an accurate picture of the extent to which Europe is engaging the transitioning countries. The important European donors pursue their aid programs independently of the EU's priorities and plans—which further undermines the EU's influence—but very few of the

major countries have increased bilateral support to the transitioning countries. Some new democracy support programs outside EU mechanisms have emerged, such as the British Arab Partnership Fund, or Spain's new MASAR program, launched at the end of 2012, focusing on strengthening institutions and empowering civil society actors. Yet among the major European nations, only France has increased its overall aid to the five North African countries since the uprisings, according to Official Development Assistance (ODA) figures.

As the member countries in the EU are grappling with what their role should be in the region and how much they are willing to commit, other actors are not hesitant to get in the game. Regional players such as Turkey, Qatar, and the UAE are increasing their influence through formal and informal mechanisms, even though they contribute minor proportions to the ODA flows to the region.<sup>27</sup> These emerging actors are increasingly seen as competitors to the EU, weakening Europe's overall political influence, offering alternative models of economic development, and opening new avenues for trade and economic differentiation.

### **The Emergence of Security Risks**

Prior to 2011, the EU and its member states already provided economic and financial assistance to the North African countries to patrol their southern borders, manage mobility flows stemming from sub-Saharan Africa, and engage in counterterrorism efforts. However, the changes unleashed across the region altered the security scenario. Two years after the wave of Arab uprisings, the multi-dimensional impact on the EU's security environment has become painfully clear. The economic impact of the uprisings prompted new waves of migration from North Africa to European shores, the war in Libya destabilized the Sahel region and paved the way for al-Qaeda and jihadist infiltration of Mali prompting a French-led invasion, and the lack of border control has made the region a haven for trafficking in illicit arms and other goods. Three years of bloodshed in Syria,

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<sup>27</sup> Kristina Kausch, "The End of the (Southern) Neighbourhood," Papers IEMed, no. 18, Barcelona, 2013. The data used makes a comparison between 2010 and 2011 ODA. See <http://www.iemed.org/publicacions-en/historic-de-publicacions/papersiemed-euromesco/18.-the-end-of-the-southern-neighbourhood>.

instability in Lebanon, and a violent power struggle in Egypt only serve to heighten the sense of being surrounded by an abyss of insecurity for Europe's southern neighbors as well as the EU member states.

Over the past months, the EU has become increasingly cognizant of the security challenges in an arc of instability that stretches from the Atlantic coast to the Indian Ocean and the Gulf and has responded accordingly. The EU and its member states directly engaged in military operations in Libya and Mali, and approved a series of Common Security and Defense Policy (CSDP) missions in 2012 and 2013 in Africa to address ongoing instability. These missions are relatively low-cost, involving small numbers of security and judicial experts, and have circumscribed mandates. They are indicative, however, of the broader security concerns that have increased since the upheavals in the region. In May 2013 the EU launched a two-year civilian CSDP mission called the EU Integrated Border Management Assistance Mission at a cost of €30 million to assist the Libyan government on border management. At present, the EU is not providing security assistance in Tunisia, and the EU Action Plan for Tunisia does not mention anything beyond exchanging information and training schemes.

The EU's primary foreign policy institution, the EEAS, is trying to address the need to respond to real security challenges with its stated policy goals by initiating a new strategy, which has been termed a "comprehensive approach." The blueprint of such approach is not yet public, but the EEAS illustrated how this would function with its policy response toward Syria. In this case of Syria, the mandate is to utilize a variety of policy tools, connect decision-making platforms, and ensure that the intervention is coherent and effective. In practice, however, putting these whole-of-government approaches is much harder for political and institutional reasons due to a chronic deficit of cooperation between

the components of the EU's foreign policy system, including the member states. Again, Syria provides an instructive example regarding the limitations of this approach. In the past year, the EU supported the Geneva process diplomatically, but internal divisions over changing the sanctions regime and whether to supply arms to some of the parties in conflict cracked its unity. This lack of cohesion emerges with other security challenges across the region.

### **Assessing the EU Response**

The limits to the EU's approach toward supporting democratic change in North Africa and the Middle East became apparent over the past year. These limitations are a result of technical and bureaucratic complications on the EU side in terms of assistance delivery, the sense of incompatibility between intended EU policies and the actual situation in each of the transitioning countries, diminished EU influence, and persistent diverse visions among the member states on the real priorities to be addressed (i.e., the security versus democracy dilemma).

Most EU aid is programmed by identifying common objectives with the recipient countries; in some cases negotiating these objectives and conditions of aid has not been easy. This is due to several reasons: insufficient administrative capacity of a civil service in the transitioning countries, the changing political context in the countries concerned, and insufficient progress in areas of specific concern to the EU that deteriorated since the Arab awakening, such as women's rights.<sup>28</sup> Even in Tunisia, which is more dependent on relations with the EU, progress on disbursements and on negotiating the various incentives has been slow. The policy decisions of the partner countries clearly indicate that attaching conditions to a set of modest benefits does not represent a strong incentive to accelerate the pace of relations with the EU.

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<sup>28</sup> See, for instance, European Court of Auditors, "EU Cooperation with Egypt in the field of governance," Special Report No. 4, Luxembourg, 2013, <http://eca.europa.eu/portal/pls/portal/docs/1/22944800.pdf>.

Beyond the EU's broad-based approach, some targeted initiatives can have an impact on the ground, especially when carried out by engaged EU representatives in the field. Better managed and increased civil society aid helped train and empower civil society groups to monitor elections. However, even these initiatives are often hamstrung

by an inadequate degree of political engagement at the highest levels and by continued differences between member states when the core dilemmas about security in the region emerge. These modest achievements will be challenged again in the near future as the security versus democracy paradigm comes back to the fore of policymaking.

<b>EU Assistance To Arab Transition Countries</b>	
<b>Economic Assistance, Development, and Reform</b>	
<b>Initiative</b>	<b>Status</b>
Refocus bilateral programs of the <b>European Neighborhood and Partnership Instrument (ENPI)</b>	<ul style="list-style-type: none"> <li>• ENPI budget for 2013 increased to €2.4b (for south and east neighbourhood partners)</li> <li>• EU committed €250m to Egypt, €207m to Morocco, €130m to Tunisia, €110m to Jordan, and €25m to Libya.</li> <li>• EU pledged additional financial support for Egypt of €303m in grants and €450m in loans during EU-Egypt Task Force meetings in 2012.</li> </ul>
Provide transitioning Arab countries with additional funding through <b>SPRING Program</b>	<ul style="list-style-type: none"> <li>• €540m allocated for 2011-13 and additional €150m proposed for 2013</li> <li>• €100m to Tunisia, €90m to Egypt, €80m to Morocco, and €70m to Jordan by end of 2012</li> </ul>
Assistance to transitioning Arab countries beyond the European Neighbourhood Policy	<ul style="list-style-type: none"> <li>• EU pledged €170m for transition priorities set by Yemeni government in September 2012.</li> <li>• Yemen received €100m from EU in 2012 (of which €40m is humanitarian assistance).</li> <li>• EU allocated €18m for transition support and €33m for humanitarian aid for 2013.</li> </ul>
Expand <b>European Investment Bank (EIB)</b> lending and engagement in MENA region	<ul style="list-style-type: none"> <li>• EIB lending ceiling increased by €1b and signed €1.7b in loans for MENA in 2012</li> <li>• EIB announced up to €2b in potential loans to Egypt for 2012-13 but contingent on IMF agreement.</li> <li>• EIB committed €20m for private equity Capital North Africa Venture Fund II (CNAV II) to support SMEs in the region.</li> </ul>
Member states should replenish funding for <b>Neighborhood Investment Facility (NIF)</b>	<ul style="list-style-type: none"> <li>• NIF allocated €335m for MENA 2011-12.</li> <li>• Egypt received €163m as part of EU, EIB, and EBRD package in November 2012.</li> <li>• €200m allocated to leverage investments from EU development banks in March 2013.</li> </ul>
Provide short-term macroeconomic assistance through EU <b>Macro-Financial Assistance (MFA)</b>	<ul style="list-style-type: none"> <li>• EC offered up to €500m to Egypt in macro-financial support—€50m in grants and €450m in loans—but contingent upon IMF deal.</li> </ul>
<b>Promote job creation and training</b>	<ul style="list-style-type: none"> <li>• EU allocated €50m to Egypt and €6.5m to Libya for Technical and Vocational Education and Training (TVET).</li> <li>• EU allocated €70m for Emergency Employment Investment Project in Egypt</li> <li>• EU allocated €20m to improve Tunisian service sector.</li> <li>• European Training Foundation held meeting of Arab education and labor ministers in September 2012 and launched €2m regional MENA project on employability.</li> </ul>
<b>Build on pilot regional development programs</b> to address economic disparities between regions	<ul style="list-style-type: none"> <li>• EU allocated €12m for improving access to basic healthcare in disadvantaged regions in Tunisia in 2012.</li> <li>• EU, Agence Française de Développement, and EIB cofunded €33m program supporting Tunisia's disadvantaged neighborhoods in 2013.</li> </ul>
<b>Private sector development</b>	<ul style="list-style-type: none"> <li>• EU allocated €12m for private sector development in MENA in December 2012.</li> <li>• EU-Tunisia Council for Entrepreneurship was launched in 2012.</li> </ul>
<b>Trade and Investment</b>	
<b>Initiative</b>	<b>Status</b>
<b>Negotiate Deep and Comprehensive Free Trade Areas (DCFTAs)</b>	<ul style="list-style-type: none"> <li>• Second round of EU-Morocco negotiations for DCFTA took place in June 2013</li> <li>• Initial dialogue with Egypt on DCFTA took place in June 2013.</li> <li>• Scoping exercise for DCFTA with Tunisia and Jordan ongoing</li> <li>• Negotiations for a trade framework agreement with Libya currently suspended</li> </ul>
<b>Accelerate EU trade liberalization agreements</b>	<ul style="list-style-type: none"> <li>• EU-Morocco agreement on liberalization of agricultural trade entered into force October 2012</li> <li>• Negotiations with Tunisia on agriculture and fisheries not yet complete</li> <li>• Negotiations on liberalization of trade in services ongoing with Morocco; no progress with Egypt or Tunisia</li> </ul>
<b>Agreements on Conformity Assessment and Acceptance of Industrial Products (ACAA)</b>	<ul style="list-style-type: none"> <li>• ACAA for industrial products with Tunisia signed in March 2012, negotiations to be launched in 2013</li> </ul>

EU Assistance To Arab Transition Countries	
<b>Trade and Investment</b>	
Initiative	Status
Encourage investment	<ul style="list-style-type: none"> <li>• EU-Egypt Task Force met in November 2012, with high-level attention to foreign investment.</li> <li>• EU launched Investment Security in the Mediterranean Support Programme (€1.5m) to advise governments on reducing legal risk</li> <li>• EC-led Mission for Growth to Morocco and Tunisia in November 2012 to foster business, trade, and investment relations.</li> </ul>
<b>Migration and Mobility</b>	
Initiative	Status
Launch <b>Mobility Partnership</b> with partner countries	<ul style="list-style-type: none"> <li>• EU and Morocco sign migration and mobility partnership in June 2013.</li> <li>• EU and Jordan held preparatory discussions in December 2012.</li> <li>• EU and Tunisia held initial discussions on mobility agreement in December 2012.</li> <li>• Egypt has so far declined to start such discussions.</li> </ul>
<b>Political Reform, Civil Society, and Governance</b>	
Initiative	Status
New <b>Civil Society Facility</b>	<ul style="list-style-type: none"> <li>• €14m allocated for first phase of CSF in 2012</li> <li>• €22m allocated for second phase of CSF in 2013</li> </ul>
Support other <b>civil society projects</b>	<ul style="list-style-type: none"> <li>• EU contributed €23m to civil society and other nonstate actors in Egypt by July 2013.</li> <li>• EU and member states contributed €16m for civil society support through Anna Lindh Foundation for 2012-14.</li> <li>• €3m for new Citizens for Dialogue program for 2012-14</li> <li>• €17m to enhance independence of media in the region and €9m for media training programs in Jordan allocated in December 2012</li> </ul>
Establish <b>European Endowment for Democracy</b>	<ul style="list-style-type: none"> <li>• Established in October 2012, anticipated to be operational in 2013</li> <li>• EED initial budget of €16m (€6m grant from EC and €10m from member states)</li> </ul>
Expand <b>European Initiative for Democracy and Human Rights</b>	<ul style="list-style-type: none"> <li>• EU allocated €169m in 2013; €1.2b for period 2014-20. Programs active in Tunisia, Libya, Yemen, and Egypt.</li> </ul>
Support <b>capacity building</b> to strengthen government institutions	<ul style="list-style-type: none"> <li>• €121m for public finance management (€46.6m for sector budget support)</li> <li>• €5m to support application of rule of law by security sector in Jordan</li> <li>• €15m for Tunisia for institutional twinning programs for administrative reform</li> <li>• Support for Improvement in Governance and Management (SIGMA) assisting Algeria, Egypt, Jordan, Tunisia, and Morocco; €15m allocated for 2008-13 for all ENP countries</li> </ul>
Provide <b>electoral assistance</b>	<ul style="list-style-type: none"> <li>• EU deployed Electoral Observation Mission in Tunisia, Jordan and Algeria, and offered various forms of technical assistance for elections in Libya, Morocco, Yemen and Egypt in 2012</li> <li>• EU-UNDP assisting the drafting process of electoral laws in Tunisia.</li> </ul>
Support <b>rule of law</b> initiatives	<ul style="list-style-type: none"> <li>• €4.8m for “Strengthening Democratic Reform in the Southern Mediterranean” implemented in Morocco and Tunisia initially, will be expanded throughout region over next three years.</li> <li>• €1.8m program in Tunisia in partnership with UNICEF focused on juvenile justice</li> </ul>
Increase participation in <b>youth education programs</b>	<ul style="list-style-type: none"> <li>• €74.2m allocated for Erasmus Mundus scholarships and €58.5m for Tempus scholarships (for all ENP countries) in 2013.</li> <li>• European Commission provided \$13.3m for additional 559 scholarships for South and Eastern Mediterranean (total of 1084)</li> <li>• First cycle of Fatima Al Fihri exchange program between North African and European universities starts in May 2013</li> <li>• €10m for EU-Tunisia project for Tunisian students to study at European universities</li> </ul>





## The Deauville Partnership

*“We want to send a clear message to all those in the region who are working each day in governments, in civil society, in the private sector, to build responsive institutions, to strengthen faltering economies, to deliver freedom for all people, to respect human rights: we stand with you and we will stand with you as long as it takes.”*

Then-US secretary of state Clinton, remarks at G8 Deauville Partnership with Arab Countries in Transition Foreign Ministers Meeting, September 2012

In an effort to mobilize the resources of the international community toward supporting reform efforts in response to the Arab Spring, the United States, European allies, Turkey, and select Gulf states formed the Deauville Partnership at the May 2011 G8 Summit to support Egypt, Libya, Tunisia, Jordan, Morocco—plus Yemen, which was added in 2013. Founded on the pillars of democratic transition and sustainable economic growth, the initial French announcement of the partnership set high expectations for the amount of resources to be mobilized and the number of initiatives to be pushed forward. Two years later, the idea behind the Deauville Partnership remains laudable, but the progress made falls short of its early ambitions. While it has made headway in a few specific initiatives, the fundamental idea of creating a robust platform for assistance from Europe, the United States, and the Gulf has simply not come to fruition.

The United States assumed leadership of the Deauville Partnership when it rotated to the G8

presidency in 2012, and spent the initial part of the year trying to lower expectations and find some shared priorities among the partners. With the inclusion of the Gulf countries as partners and differing definitions of what constitutes a transitioning country, the United States created three tracks of activity for the partnership—trade and integration, economic growth, and governance. Given the difficulty of gaining consensus and US desire to keep the scope of projects and spending small, even administration officials acknowledge that the proposed initiatives were relatively soft and watered-down. Moreover, regional governments shaped the agenda of the Deauville Partnership initiatives under US leadership, which led to weak conditionality on aid packages and a neglect of tough issues.

With almost no financial resources to devote to Deauville, the administration’s approach focused on using very small dollar amounts to leverage other contributions and to convince partners to commit to specific initiatives. The most notable accomplishment to date—and the area of greatest US effort and involvement—is the successful establishment of a Transition Fund in October 2012. Designed to be rapid, flexible, and responsive, the fund provides grants for country-driven projects that will advance a reform agenda. The fund aimed for \$250 million as an initial capitalization, and though this target has not been met, a significant \$165 million has been pledged with large contributions from the United States, UN, Saudi Arabia, the UK, and Canada. The fund is operational, under the auspices of the World Bank, and the

Steering Committee has thus far approved \$50 million in projects. It should be noted, however, that the two countries that have received the most aid are Jordan, receiving \$11.5 million, and Morocco, receiving \$17.08 million. While the Deauville Partnership included the two countries due to Gulf and French pressure, most US policymakers would not say they are undergoing fundamental political change. Jordan and Morocco's political stability and willingness to cooperate and present specific plans to the partnership made them prime candidates for receiving Transition Fund money, but does not necessarily advance the overall agenda of supporting representative, democratic governance.

The United States made progress through the partnership with the successful expansion of the mandate of the EBRD to Southern Mediterranean countries and setting a goal of \$2.5 billion in annual investments by 2015. While investments did not reach this amount, the EBRD's involvement in Tunisia, Egypt, Morocco, and Jordan and its partnerships with the African Development Bank and the Islamic Development Bank suggest some progress. Investment activities began in September 2012 in Egypt, Jordan, Morocco, and Tunisia, and as of April 2013, the EBRD invested \$346 million in projects in those countries through a ring-fenced Special Fund. Again, it should be noted that the monarchies received a significant bulk of EBRD funding. The next step is for these countries to become fully fledged members of the Bank to enable full access to the EBRD's investing resources, yet there are still some shareholders that have not agreed to ratify the EBRD extension.

The Deauville Partnership also helped launch the MENA SME facility, a joint initiative between the IFC, EIB, AFD, and the European Commission through the Neighborhood Investment Facility (NIF) to provide funds for SMEs with an initial capital of about \$381 million. The United States also prioritized access to capital and loan guarantees in order to assist the transitioning countries in their economic recovery and eventual growth. Conceived to facilitate access to capital for partnership countries, the Capital Market Access Initiative made progress on several fronts. The United States guaranteed a \$485 million Tunisian

sovereign bond in July 2012 and successfully used the Deauville platform to convince Japan to issue a sovereign bond for Tunisia as well.

The Political Reform and Governance pillar saw less progress due to difficulty of garnering agreement within the Deauville Partnership on politically minded initiatives. The weakness of projects under this pillar is reflected in the lack of concrete action to support political reform in transition countries through the partnership. Initiatives to support civil society and combat corruption produced conferences but no major action. Implementation of promises to provide technical assistance to transition countries under the Action Plan on Asset Recovery set in May 2012 is for the large part "ongoing," according to the latest assessment. The publication of country guides on asset recovery remains the only aspect of the Action Plan whose implementation is complete.

Other Deauville initiatives are caught in a bureaucratic limbo of discussions, eligibility requirements, and assessments. In particular, many initiatives building upon existing regional networks or programs made only incremental progress toward distributing funds or implementing projects. The MENA-OECD Open Government Partnership was endorsed only by Jordan, and there have been no updates with the Arab Anti-Corruption and Integrity Network. Two investment-focused OECD declarations garnered fewer than four signatures each, while a cross-border trade facilitation and investment program's sole accomplishment was a preliminary assessment of Mashreq nations at a cost of \$12.5 billion.

In 2013, the United Kingdom assumed leadership of the Partnership when the presidency of the G8 rotated from the United States, and it appears London is continuing with the American approach, while adding some additional small initiatives. The UK has increased a focus on women's entrepreneurship with an announcement of the initial contribution of \$4 million to the Arab Women in Business Challenge Fund, asset recovery and SME support, as well as promotion of foreign investment at a conference planned for September.<sup>29</sup> A key challenge for the UK will be

raising the remaining \$85 million for the Transition Fund, which has not received pledges from Germany or Italy due to demands for stronger aid conditionality. Ultimately, the Partnership under UK leadership will most likely focus on developing and finding funding for projects that are already in place, as there is little interest in spearheading new initiatives.

The relative absence of Gulf states in the Deauville Partnership activity and decision-making, a theme apparent at the outset of the Partnership and continued since then, leaves the potentially valuable participation and resources of the GCC untapped. Officials cite the lack of an official aid arm and the prevalence of top-down decision-

making as reasons for the absence of creative contributions from the GCC. Initiatives such as the Capital Market Access program are perhaps not as appealing to GCC countries, which are accustomed to focusing on infrastructure development. This issue is reflected in the larger tendency of Partnership initiatives to prescribe measures to be taken by Arab countries instead of using Deauville Partnership resources to build institutions, provide technical assistance, or pursue sustainable development projects. Increased Gulf leadership in Deauville initiatives besides the Arab Fund for Economic and Social Development may help ameliorate this problem by leveraging GCC nations' standing and financial resources within the region.

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<sup>29</sup> UK Department for International Development, "Greening: Now is the time for Arab world to invest in women," press release, June 25, 2013, <https://www.gov.uk/government/news/greening-now-is-the-time-for-arab-world-to-invest-in-women>.

<b>Deauville Partnership</b>	
<b>Economic Assistance and Reform</b>	
<b>Initiative</b>	<b>Status</b>
<b>Transition Fund</b>	<ul style="list-style-type: none"> <li>Flagship Transition Fund launched in September 2012 to support short-term assistance with goal of \$250m for initial capitalization.</li> <li>Approximately \$175m pledged to date, and \$101m in projects approved by the fund by July 2013.</li> <li>\$50m pledged by US, \$25m by Saudi, \$50m UN, \$2.7Canada, \$12m France, \$25m UK, \$12m Japan.</li> </ul> <p>Grants Provided by Country:</p> <ul style="list-style-type: none"> <li>Morocco - \$25.7m</li> <li>Jordan - \$23m</li> <li>Egypt - \$19.8m</li> <li>Tunisia - \$20.3m</li> <li>Yemen - \$9.6m</li> <li>Libya - \$2.6m</li> </ul>
<b>Capital Markets Access Initiative</b>	<ul style="list-style-type: none"> <li>US-driven initiative to facilitate lower cost access to capital; local capital market needs assessments completed for Morocco, Jordan, Tunisia and currently underway for Egypt</li> <li>US provided \$30m loan guarantee for Jordan and \$30m loan guarantee granted for Tunisia in 2012.</li> <li>Japan provided \$275 million bond guarantee for Tunisian Central Bank in 2013.</li> </ul>
<b>Technical Assistance in Financial Management</b>	<ul style="list-style-type: none"> <li>US announced a new program to provide public financial management-related technical assistance through Financial Service Volunteer Corps (FSVC), but not slated to start until 2014</li> <li>OECD establishing new initiative, Tax Inspectors Without Borders, to provide tax and audit assistance; completed a feasibility report June 2013</li> </ul>
<b>Arab Fund for Economic and Social Development (AFESD)</b>	<ul style="list-style-type: none"> <li>In 2013, AFESD gave \$568m in loans to Sudan, Morocco, Mauritania, Jordan, Yemen, Egypt and total of \$4.2m in grants to Jordan, Tunisia, Sudan</li> <li>In 2012, AFESD gave \$1.3 billion in loans and \$16.7m in national grants: (\$200m in loans to Tunisia, \$299m in loans to Egypt, \$63m in loans to Yemen, no loans to Libya)</li> </ul>
<b>European Bank for Reconstruction and Development</b>	<ul style="list-style-type: none"> <li>Mandate expanded to Morocco, Tunisia, Jordan, and Egypt and allocated €1b in May 2012 to begin operations in those countries.</li> <li>EBRD pledged \$2.5b annually in investments by 2015 in Southern and Eastern Mediterranean countries</li> <li>\$346m invested in projects in Egypt, Jordan, Morocco, Tunisia by April 2013</li> <li>Egypt: EBRD announced up to €2 b in loans, provided technical support for 50 SME projects, and signed host country agreement towards resident office</li> <li>Tunisia: EBRD opened first permanent resident office</li> <li>Morocco: EBRD provided \$18.4m in financing, \$20m for development of Moroccan private equity sector, and €20m loan for SME support.</li> <li>Jordan: EBRD promised \$300m annual grant; disbursed \$100m to finance power plant, \$30m for trade finance facility in Jordan, \$18.6m in MSME funding, and signed host country agreement with Jordan for resident office.</li> </ul>
<b>Arab Financing Facility for Infrastructure (AFFI)</b>	<ul style="list-style-type: none"> <li>Partnership between WB, IFC, IsDB; intent to raise \$1b</li> <li>Seeks to expand capacity on Public-Private Partnerships (PPPs)</li> <li>Held two policy forums: Amman (2011) and Marrakech (2012)</li> <li>Established Arab Infrastructure Investment Vehicle (AIIV), with \$50m each from IDB and IFC, plus a public sector lending window, managed by IsDB.</li> </ul>
<b>Coordination of International Financial Institutions</b>	<ul style="list-style-type: none"> <li>UK pledged to fund 3-year project with AfDB for private sector development coordination in Deauville countries</li> </ul>
<b>Support women's economic empowerment</b>	<ul style="list-style-type: none"> <li>UK hosted conference to promote role of women in Arab economies in June 2013</li> <li>UK announced E4m Arab Women in Business Challenge fund</li> </ul>
<b>MENA SME Facility</b>	<ul style="list-style-type: none"> <li>New joint initiative launched by the IFC, the EIB, AFD, and NIF to expand access to finance for small businesses; mobilizing \$350-400 million in investments through risk sharing arrangements with local banks.</li> <li>IFC and EIB each invested \$150m, AFD invested \$50m and NIF invested €24m.</li> <li>Managed by the IFC with focus on Morocco, Tunisia, Egypt, Lebanon, and Jordan</li> </ul>

<b>Deauville Partnership</b>	
<b>Trade and Investment</b>	
<b>Initiative</b>	<b>Status</b>
<b>OECD Good Governance Declarations</b>	<ul style="list-style-type: none"> <li>• Morocco and Tunisia signed OECD Declaration on Propriety, Integrity, and Transparency in May 2012, but no further developments.</li> <li>• Morocco, Tunisia and Egypt have committed to OECD Declaration on International Investment and Multilateral Enterprises.</li> </ul>
<b>Cross Border Trade Facilitation and Infrastructure Program</b>	<ul style="list-style-type: none"> <li>• Assessment completed of Mashreq countries completed in 2011 but no further results.</li> <li>• Initiative expanded to AFESD, AfDB, EIB, ATFD, French Development Agency</li> </ul>
<b>Investment Promotion</b>	<ul style="list-style-type: none"> <li>• UK organizing Deauville Partnership Investment Conference in September 2013 in partnership with EBRD and IsDb to network and discuss reforms necessary to increase investment and trade in the transition countries.</li> </ul>
<b>Political Reform and Governance</b>	
<b>Initiative</b>	<b>Status</b>
<b>Open Government Partnership (OGP)</b>	<ul style="list-style-type: none"> <li>• G8 announced that Tunisia, Egypt, and Libya planned to initiate eligibility process in May 2012 and develop action plan to close gaps, but none have reached membership yet.</li> <li>• Jordan is the only member in the MENA region.</li> </ul>
<b>Asset Recovery</b>	<ul style="list-style-type: none"> <li>• UK pledges to set up office specifically for asset recovery in April 2013</li> <li>• US contributed \$1m grant for Stolen Asset Recovery Initiative</li> <li>• UK and Egypt hosted special session of Arab Forum on Asset Recovery in June 2013 reaffirms commitment to trace and recover money stolen by former regimes</li> <li>• UK held Special Session III of Arab Forum on Asset Recovery in September 2013 on role of civil society.</li> </ul>





The United States and EU share a stated goal of helping the transitioning countries build accountable, democratic systems that deliver economic benefits to citizens. Yet both actors are struggling to respond to the increasingly difficult conditions in these countries and have failed to put forth a clear long-term vision and strategy to achieve it—either individually or in a coordinated fashion. While US-EU interests in the region are broadly aligned, as prominent European MENA expert Richard Youngs notes, “the US and EU are operating in parallel, rather than together.” There is widespread agreement that the United States and the EU should collaborate more closely and proactively to encourage these transitions to succeed. But the policy motivation in Washington and Brussels and the ability of the two bureaucracies to do so remains limited and whatever joint efforts do occur happen mainly in crisis situations. Egypt provides the clearest example where the EU and the United States coordinated strong diplomatic messages at moments of critical urgency, yet the response also showed the limits of those efforts.

Over the past year, US and EU officials made progress in institutionalizing tactical communication on specific country situations, but such efforts did not reach the level of strategic coordination that would be necessary to forge a coherent approach to helping the transitioning countries over time. The 2011 creation of the positions of Special Representative for the Southern Mediterranean at the EU and Special Coordinator for Middle East Transitions at the US State Department

opened a formal channel to help coordinate efforts both within their respective institutions, as well as with other donors and international partners. EU Special Representative Bernardino Leon, US Special Coordinator Ambassador William Taylor, and their counterparts from Italy, France, Germany, Spain, and Turkey met every two to three months over the past year and regularized the process of information-sharing. However, the officials in coordinating meetings are not necessarily the ones making decisions about assistance programs or policy. Therefore discussions focused primarily on coordinating specific aid initiatives and sharing assessments of the evolving political and security situations of each country. With the Office of Middle East Transitions being folded into the Near East Affairs Bureau at the State Department, it is difficult to imagine that sustained, high-level coordination with European partners on the transitioning countries will be an ongoing priority.

Multiple sources indicate that there is more substantive communication among diplomatic missions at the country level than between Washington and Brussels. But even this rarely reaches deep strategic coordination about how to best leverage limited resources, to press for substantive political and economic reform, or to advance a common agenda. The strategic discussions that do take place between Americans and Europeans mostly focus on crisis management and security issues. Libya provides the most successful example of US-European cooperation, as the United States, Italy, and the UK in the past year worked to tightly coordinate their border and

other security assistance programs. The major international conferences on Libya's security held in Paris and London in 2013 have provided a forum to focus and elevate such cooperation. It is worth noting that individual member states, not the EU as an institution, take leadership and engage with the United States most directly.

Yet, even in Libya, there are significant gaps and limitations. The UN Support Mission in Libya (UNSMIL) assumed a natural coordination role with its on-the-ground presence. But even well-intentioned plans for collaboration among donors went awry. One representative of an international organization noted that the UN committed to conducting in-depth assessments in various sectors in Libya, upon which various donors would base their programs, but delays and bureaucratic frustrations prompted implementing organizations to move forward without the UN input, each making their own decisions along the way. In Yemen, there has been some success in policy coordination as the United States, the EU Delegation, Germany, France, Britain, Russia, and others have worked together to implement the GCC-brokered transition plan and have divided up key aid portfolios, with the Americans taking the lead on military restructuring, the EU on security sector reform, the French on constitutional development, etc. The top diplomats meet regularly in Sana'a to ensure coordination, but tension over the US counterterrorism campaign sometimes complicates achieving a unified position.

The US and EU reactions to developments in Egypt over the past year illustrate both the limits and the possibilities of deeper transatlantic cooperation. As Morsi took office, both shared a concern about Egypt's deteriorating economy and a desire to use economic engagement to build ties to the new Islamist government. Both made their respective budget support packages contingent on Egypt's agreement to an IMF program. The United States and EU hoped that this joint approach would create a large foreign aid incentive for Egypt to commit to difficult economic reforms under the IMF's auspices. The United States and the EU also shared an assessment of the Muslim Brotherhood as the strongest (and only viable) political actor

in post-Mubarak Egypt, and thus the priority for engagement and good relations. During most of Morsi's tenure, much of the US-EU cooperation on Egyptian internal politics was passive, reflecting a shared reluctance to alienate the Brotherhood by pushing hard on democracy and human rights issues. Both Washington and Brussels took a long time to grasp the depth and breadth of discontent among Egyptians with Morsi's increasingly authoritarian style and the negative implications for Egypt's transition.

As the political situation deteriorated, and crisis situations emerged that required the diplomatic weight and engagement of both, the United States and the EU were able to pursue a closely coordinated, joint approach to press the Egyptian government on certain democracy issues. In the spring of 2013, Washington and Brussels waged a significant joint effort to oppose the Morsi government's plan to enact a repressive new NGO law. Through coordinated private diplomacy and public statements, involving UN human rights officials as well, the United States and the EU tried to convince Morsi and Brotherhood-affiliated legislators to align the legislation with international standards. And in June 2013, when the Egyptian judiciary sentenced workers of American and German democracy NGOs to prison, the United States and the EU, as well as several European member states, mounted a coordinated response to protest the verdict in Cairo and at the UN Human Rights Council in Geneva. Following the military's July ouster of Morsi, top diplomats from the United States and the EU, together with the foreign ministers of Qatar and the United Arab Emirates, spent nearly a week in Cairo working intensively in unison to broker a peaceful solution to the stand-off between the Egyptian military and the Muslim Brotherhood over the dispersal of the Brotherhood's Cairo sit-ins. While none of these attempts achieved success—and perhaps demonstrate the limits of external pressure in Egypt—they represent notable instances of transatlantic coordination toward definitive, short-term goals.

Moving forward, the United States and the EU could do a great deal more to coordinate in similar ways,

before reaching crisis episodes, in order to forestall the kind of clampdown on civil society, human rights abuses, and political exclusion currently underway in Egypt. The area of aid conditionality is one area where greater US-EU-European coordination could make a significant difference. Both the United States and EU stated in some form or another that certain minimum benchmarks would need to be met for money to flow to Egypt's post-revolution government (represented by congressional conditions on US aid and the EU's "less-for-less" principle), yet both the United

States and the EU have caved when push comes to shove on withholding aid due to backsliding on democratic norms. Developing a joint posture on how to address resurgent autocratic tendencies or restrictions on basic freedoms would be a powerful message. Given limited influence of both Americans and Europeans in the region at present, coordinating diplomatic initiatives and aid decisions would be the best vehicle for sending a clear message of US and European valuing of democratic principles and norms.



## Conclusions and Recommendations

Given the constraints posed by the security environments and tumultuous domestic politics in these countries, the transatlantic community should identify more strategically where opportunities to make progress—even incrementally—do exist and invest heavily in those arenas. The expectations for what can be achieved need to be modified, but should not be abandoned entirely. The United States and Europe still have a critical long-term interest in helping to advance sustainable democratic transitions in the Arab world, and the failure to do so will not be limited within the borders of those countries currently grappling with political turmoil and change.

Rather than demonstrating that US-EU cooperation has no influence, the past year has shown that, even in a region buffeted by many crosscutting influences, the United States and the EU have something valuable and indeed unique to offer the transition countries. Washington and Brussels need to galvanize their collective diplomatic voice and utilize joint resources to advance the shared vision for governments in the region based on democratic values, peaceful transfer of power, freedom of expression, respect for pluralism, minorities and women’s rights, and prosperity based on development and trade. The United States and EU should reassert their commitment to inclusive, participatory, democratic institutions by redefining why this policy is essential to advance the long-term strategic interests for both transatlantic partners. Rhetoric has been in abundance since the transitions began, but is not enough.

- The White House and EU leadership should **develop a sustainable diplomatic and assistance strategy, backed by clear high-level support that focuses on democratic norms and universal human rights**. Without political will to make the success of these transitions a priority, the United States and the EU will be hamstrung to put lofty rhetoric and laudable initiatives on paper into reality. In the face of resurgent authoritarian trends and democratic setbacks in the region, the United States, the EU, and European member states need to develop new ways to champion democratic principles.
- The United States and European partners should **engage heavily in the security sector in Libya, Tunisia, and Yemen, but should allocate increased resources for security sector reform**—focusing on supporting efforts to change the way security forces and police engage with their populations—rather than only providing equipment and training for forces engaged in border security and counterterrorism. Effective approaches to security sector reform should include not just training and capacity-building for state institutions, but also support for civil society actors and other nongovernment groups that will help to develop norms and systems for reform and accountability.

- The EU and the United States should **ensure that democracy assistance is a significant and visible part of their assistance packages for these countries, even in restrictive environments such as Egypt.** The United States and the EU must develop a far more effective and sustainable strategy for democracy aid and resist the pressures to scale back or abandon such aid. This means avoiding flooding the democracy and civil society sector with abundant resources one year, only to pull back aid the next. It means avoiding placing too much focus on one-off election events—particularly funding duplicative costly international election observation missions—and giving more attention to the critical, longer-term work of building indigenous institutions, promoting human rights, and spreading democratic values.
- The United States and Europe should **develop an aid and diplomatic strategy to fund civil society groups that strongly asserts US and EU commitment to vibrant civil societies** and does not unwittingly expose these groups to repression from their own governments. The transatlantic partners should make deeper civil society outreach and engagement with a broad range of actors the cornerstone of its assistance approach. The EU has been through a learning curve and is pursuing more, better and closer engagement and direct dialogue with a range of actors across political spectrum. This approach has raised the EU's profile and its credibility, and even if it did not reap immediate benefits in the case of Egypt, EU institutions and member states should continue to pursue this path and aid should target the growth of civil society organizations beyond urban, educated elites.
- The United States and the EU should **engage directly at a high-level, bilateral basis with key Gulf countries to integrate an economic reform agenda into Gulf financing.** Saudi Arabia, Kuwait, Qatar, and the United Arab Emirates are contributing and investing heavily in the region—often in the form of deposits into central banks or grants for budgetary support—but they do not address underlying structural economic problems. Project financing, which would lead to much-needed job creation has so far been slow to materialize. Working directly with Gulf countries to better utilize this assistance to support an economic reform agenda would help the transitioning countries move beyond crisis management and into the stage of economic recovery and long-term sustained growth.
- The EU and the United States should **pursue and deepen trade agreements promote private sector investment, and provide economic reform assistance where possible.** The United States and Europe have important benefits to offer that include technical assistance, training and capacity building, and other sustainable partnerships. These contributions should not be discounted or overlooked. Even if Gulf actors are competing for influence and managing to shape domestic politics, the EU and United States should not underestimate their own importance; economically, and particularly from the standpoint of trade, they are still the most important players for the MENA region. The United States, the EU and other partners need to muster the will to continue offering this kind of assistance and building these relationships, even if progress is slow and halting and sometimes appears as two steps forward and one step back.



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