

**EUROPEAN COMMISSION**

Cabinet of Vice-President Viviane Reding,
Commissioner for Justice, Fundamental Rights and Citizenship

Head of Cabinet

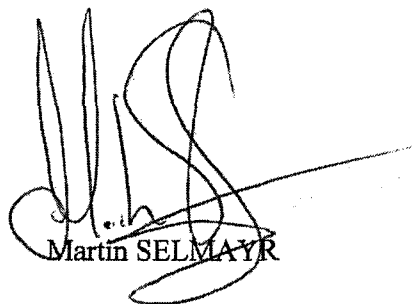
Brussels, 22 January 2014

MS/TB/si – Ares(2014)118577

Dear Ms Hoffmann,

Thank you very much for sending over the study "The Europeanization of the Bundestag: From Observer to Player?" which Vice-President Reding read with interest.

Yours sincerely,



Martin SELMAYR

Ms Isabell Hoffmann
Project Manager
Program Europe's Future
Bertelsmann Stiftung
Carl-Bertelsmann-Straße 256 | 33311 Gütersloh | Germany
E-Mail:

From: (CAB-REDING) on behalf of REDING Viviane (CAB-REDING)
Sent: 27 January 2014 16:32
To: CAB REDING ARCHIVES BIS
Subject: FW: Our Publication Series "Europe in Dialogue": New Release on EU-Russia Relations

Follow Up Flag: Follow up
Flag Status: Completed

From: Spotlight Europe ST-EZ
Sent: Monday, January 27, 2014 4:30 PM
To: REDING Viviane (CAB-REDING)
Subject: Our Publication Series "Europe in Dialogue": New Release on EU-Russia Relations

Dear Ms Reding,

Tomorrow, in the midst of the difficult developments in Ukraine a shortened EU-Russia summit will take place in Brussels. It seems highly unlikely that this summit will achieve a breakthrough in the stalled negotiations on a new partnership agreement that started already in 2008.

Why the EU and Russia struggle in their relations and what the prospects of these relations are, which undoubtedly could be profitable for both sides, is the subject of our new volume „From Cooperation to Partnership: Moving Beyond the Russia-EU Deadlock“. In this book we have asked 10 renowned experts to give us their view on the topic. The book can be ordered at our publisher

http://www.bertelsmann-stiftung.de/cps/rde/xchg/SID-4DDC5F64-AD309E49/bst/hs.xsl/publikationen_118881.htm

We would be pleased, if this volume would find your interest.

With best wishes,

Stefani Weiss

Stefani Weiss
 Director, Europe's Future
 Brussels Office

Bertelsmann Stiftung

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Cabinet of Vice-President Viviane Reding,
Commissioner for Justice, Fundamental Rights and Citizenship

Acting Head of Cabinet

Brussels, 25 April 2014
TB/PR/si Ares (2014) 182569

Dear Ms Weiss,

Thank you for your email of 27 January to Vice-President Viviane Reding regarding your new volume "From Cooperation to Partnership: Moving Beyond the Russia-EU Deadlock".

Yours sincerely,

Telmo Baltazar

Ms Stefani Weiss
Director Europe's Future
Brussels Office
Email:

From: (CAB-REDING) on behalf of REDING Viviane (CAB-REDING)
Sent: 10 February 2014 14:33
To: CAB REDING ARCHIVES BIS
Subject: FW: Spotlight Europe: Judicial conflict or normal procedure?
Attachments: InterviewMayer.pdf

Follow Up Flag: Follow up
Flag Status: Completed

From: Spotlight Europe ST-EZ
Sent: Monday, February 10, 2014 2:04 PM
To: REDING Viviane (CAB-REDING)
Subject: Spotlight Europe: Judicial conflict or normal procedure?

Dear Ms Reding,

On Friday the German Federal Constitutional Court announced that for the first time in its history it was submitting several questions to the European Court of Justice (ECJ) and requesting a preliminary ruling. Franz C. Mayer, professor for European and public law, explains what happened, why and which consequences to expect. 'This could end in an open judicial conflict between the courts', he says. And if so 'the victims would be the law, the European community of law (Rechtsgemeinschaft), and in the final analysis both of the courts.'

Wishing you an interesting read.

Yours sincerely,
 Isabell Hoffmann

Isabell Hoffmann
 Project Manager
 Program Europe's Future

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Judicial conflict or normal procedure?

On Friday the German Federal Constitutional Court announced that for the first time in its history it was submitting several questions to the European Court of Justice (ECJ) and requesting a preliminary ruling. The issue at stake is first and foremost whether or not the OMT (Outright Monetary Transactions) programme announced by ECB President Draghi in July 2012 is compatible with the law of the European Union. It is generally believed that the OMT programme is going to play an important role in the stabilization of the eurozone, for it means that the European central bank system can go ahead with unlimited purchases of government bonds issued by certain member states if and as long as these member states are participants in one of the European safety net or reform programmes (ESFS or ESM). The OMT programme has not as yet been implemented. However, a lawsuit filed at the Federal Constitutional Court has challenged its legality. The judges in Karlsruhe have now submitted the points at issue to Luxembourg for clarification. Franz C. Mayer, who is Professor of European Law at the University of Bielefeld, has acted as counsel for the German Parliament in the case of other European issues dealt with by the Federal Constitutional Court in Karlsruhe. He explains the court's decision and provides an assessment of the possible consequences.

Bertelsmann Stiftung

So what is at stake in the court proceedings devoted to the ECB?

Professor Franz C. Mayer

The issue is whether or not the European Central Bank's OMT programme is compatible with EU law and with German constitutional law. The OMT programme aims at purchases of government bonds on the secondary market. On the one hand there is the question of whether or not the European Central Bank has overstepped the terms of its mandate, and that would be a problem as far as EU law is concerned. If this turns out to be the case, it will also be a constitutional problem as far as the Federal Constitutional Court is concerned, for it means that something to which Germany never gave its assent in the treaties is in fact happening. And this is what the Federal Constitutional Court considers to be an ultra vires legal act, that is, an act that goes beyond the powers that have been assigned to the EU by law. Such an act would be legally irrelevant in Germany, the court claims, because there is no contractual obligation to this effect.

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What are the issues that the Federal Constitutional Court has referred to the ECJ, and why has it submitted them?

Professor Franz C. Mayer

The Federal Constitutional Court is referring to the ECJ specific questions relating to the interpretation of the relevant provisions of EU law. In other words, the provisions which govern the activities of the European Central Bank. The Federal Constitutional Court is currently of the opinion that these provisions of EU law have been violated, that the OMT-programme is outside the mandate of the ECB and thus illegal under EU law. However, it believes that the European Court of Justice can still issue a ruling with regard to the OMT programme which will make it possible to avoid a violation of EU law by the ECB. The terms and conditions of this are described under recital 100 of the decision. The restrictions on the OMT-programme which the Federal Constitutional Court has in mind pertain, for example, to the size and extent of the government bond purchases. The Federal Constitutional Court obviously believes that the European Court of Justice should tell the ECB that unlimited

purchases of government bonds are illegal. However, if this were to be the case, many observers believe that the OMT programme would be dead - unless the ECJ found a very general definition of abstract and wholly theoretical limits.

If the ECJ does not come up with what the Federal Constitutional Court calls for under recital 100 in the way of restrictions and provisions, then the Federal Constitutional Court would tend to assume that it was dealing with an *ultra vires* legal act of the ECB. The question then arises of what this kind of label would signify. The most obvious consequence might be that the German Bundesbank will simply not be able to participate in secondary market purchases. The ECB itself buys only a small percentage of the total. The vast majority of the transactions are carried out by the national central banks. On a purely formal level it is possible to imagine that if the Bundesbank is not allowed to participate, then other central banks will jump in to fill the gap.

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If the Federal Constitutional Court believes that all this is illegal, why has it decided not to issue a ruling of its own? What is the explanation for this course of action?

Professor Franz C. Mayer

Evidently it thinks that there is still a possibility to interpret the relevant European procedure and European law in a narrow sense, and that as a result there will not be a problem as far as EU law is concerned. Which would mean that there wouldn't be any constitutional law problem either. For the time being it is leaving it to the ECJ to formulate this narrow interpretation. On the one hand because the ECJ is the one institution responsible for interpreting European law in a consistent and uniform manner, consistency certainly being a sensible idea. And on the other hand because in a previous case, the 2010 *Honeywell* case, it developed its *ultra vires*-doctrine by stating *inter alia* that, since the interpretation of EU law is actually the preserve of the ECJ, it always wants to give the ECJ at least the opportunity to interpret the EU law in question - insisting on the possibility to issue an *ultra vires* ruling, after the ECJ decision. This is a rather dubious arrangement, for the treaties make it fairly clear that the European Court of Justice shall be the final arbiter on EU law – and at the end of the day nothing else really makes sense, if we don't want 29 arbiters competing with each other. Nevertheless, the Federal Constitutional Court continues to adhere to the view, and this is clearly enunciated in the decision, that it may scrutinize the rulings of the ECJ and pass judgement on whether or not it has interpreted EU law with sufficient clarity and precision as far as the Federal Constitutional Court is concerned. In other words, the Federal Constitutional Court considers itself to be the final final arbiter of European law. We will have to wait and see whether the ECJ will actually tolerate the idea of being treated as some kind of intermediate authority. In point of fact this is not how the ECJ construes its role, and the treaty provisions make it fairly clear that the ECJ (and not one of the national constitutional courts) is responsible for the elucidation of EU law and for dealing with European entities which exceed their powers. Again: if we allow national constitutional or supreme courts to propound some kind of final and independent exegesis of European law, we risk to end up with twenty-eight different versions of EU law at the national level. It would make a mockery of the whole idea of a single body of EU law.

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It is the first time that the Federal Constitutional Court is referring an issue to the ECJ. Why is this such a remarkable event?

Professor Franz C. Mayer

It is remarkable exactly because it is the first submission. It was overdue. Finally, the Federal Constitutional Court is so to speak bringing up the rear when it comes to making use of the submission procedure. Even supreme courts which have vacillated for many years, such as the Spanish constitutional court or the Italian constitutional court, have made submissions recently. Ancient and traditional courts such as the House of Lords – before the introduction of a Supreme Court in the UK – or the Conseil d'État have been making submissions for quite some time. Here the Federal Constitutional Court has really been something of a straggler. For this reason it is both good news and noteworthy that they finally turn to the preliminary reference procedure. That is one thing. But on the other hand the style and sound of the submission is also noteworthy. It could perhaps be summarized as follows: "Either you see this in the way that we see it, or there is going to be an open conflict with European law." That is not exactly how the treaties depict the preliminary reference procedure. The two dissenting opinions of Judge Lübbe-Wolff and Judge Gerhard say what needs to be said here. They point out that in this case the Federal Constitutional Court is venturing beyond legal limits, that in the final analysis the questions at stake are political questions that politicians have to decide, and that it is the Federal Constitutional Court that may have violated core principles of separation of powers and democracy by not leaving the issue to be decided within the political process.

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So the ECJ is going to issue a ruling, and this decision is either going to be accepted or there will be a conflict with the Federal Constitutional Court. Can you tell us what will happen if that is the case?

Professor Franz C. Mayer

The Federal Constitutional Court violates the EU treaties if it decides not to accept ECJ rulings. If the Constitutional Court actually refused to accept a ruling of the European Court of Justice, such a constitutional court decision would mean that Germany is in fact violating the treaties. This in turn would lead to the initiation of treaty infringement proceedings against Germany. It is true that such proceedings appear to be rather problematical if the treaty violation emanates from independent courts, court of the kind that we have in all of the Member States. But in point of fact the European Commission has already on some occasions initiated treaty infringement proceedings against Member States in which courts have violated European law. For that reason it is not an entirely inconceivable option in the current context. Considering this, let us hope that the ECJ will be wise and find a way to issue a balanced and moderate ruling capable of pacifying the Federal Constitutional Court and to guarantee legal control over the ECB without crippling ECB action in the future. After all, legal limits on the ECB are certainly envisaged in the treaties. The ECB is not exempt from the law. At the same time, the ECJ would probably also emphasize that in the present case, the ECB has not overstepped its powers, and that it continues to operate within the terms of its mandate. With this it would in the final analysis be possible to respond to the submission of the Federal Constitutional Court by stating that there are no problems with regard to EU law. If this led the Federal Constitutional Court to back down this would make it possible to resolve the impending judicial conflict. If there were an open conflict between the courts, the victims would be the law, the European community of law (*Rechtsgemeinschaft*), and in the final analysis both of the courts.

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The court's elucidations make it seem as if the judges are actually trying to encourage other submissions in the future. Have I understood that correctly? And how should we assess its importance?

Professor Franz C. Mayer

Here I can refer to Judge Gerhard's dissenting opinion, which makes it abundantly clear that the Federal Constitutional Court has created opportunities for litigation out of nowhere which are simply not acceptable. In fact the Federal Constitutional Court has now introduced a legal remedy based completely on judge-made law which means that basically anyone can launch an attack on European law in the Federal Constitutional Court. That of course also means that the Federal Constitutional Court can keep its hand in and retain all possibilities to comment on questions relating to European law. Allowing people to launch such lawsuits appears tantamount to self-inflicted gridlock. At the last count there were more than 40,000 plaintiffs in the ESM/ECB case. Such cases do not have the status of class action suits as there is no constitutional law class action in Germany. When there are so many people involved, there is quite some evidence that law is no longer the real issue. These are political campaigns and add up to an anti-European political struggle. And they are directed against the legitimate political majorities in parliament that are the result of a legitimate political process. The fact that the Federal Constitutional Court is making it possible to conduct such campaigns and actually encouraging them is increasingly an untenable state of affairs.

Personal details:

Prof. Dr. Franz C. Mayer, LL.M. (Yale), Chair of Public Law, European Law and Public International Law, Comparative Law, Law & Politics, University of Bielefeld

The interview was conducted by:

Isabell Hoffmann, Bertelsmann Stiftung, Europe's Future Programme

From: (CAB-REDING) on behalf of REDING Viviane (CAB-REDING)
Sent: 21 February 2014 15:49
To: CAB REDING ARCHIVES BIS
Subject: FW: Ukraine-Policy Brief

Follow Up Flag: Follow up
Flag Status: Flagged

From: Spotlight Europe ST-EZ
Sent: Friday, February 21, 2014 2:20 PM
To: REDING Viviane (CAB-REDING)
Subject: Ukraine-Policy Brief

Dear Ms Reding ,

Despite desperate negotiations the situation in Ukraine is still unclear. Parts of the Ukrainian society have protested against their government, with escalations during the warlike street fights in Kiev during the last few days. The EU now has to turn more intensively towards the Ukrainian society and actively involve it in transformation processes. This is recommended in a new study by the Warsaw Institute of Public Affairs (ISP), commissioned by the Bertelsmann Stiftung. For more information, go to http://www.bertelsmann-stiftung.de/cps/rde/xbcr/SID-D7ED00A0-2FECEE22/bst/xcms_bst_dms_39439_39442_2.pdf
 May Ukraine soon come to a rest and find a way for a peaceful solution that unites the interests of its entire society!

Best regards,

Joachim Fritz-Vannahme
 Director
 Program Europe's Future

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From: (CAB-REDING) on behalf of REDING Viviane (CAB-REDING)
Sent: 26 February 2014 12:18
To: CAB REDING ARCHIVES BIS
Subject: FW: Spotlight Europe: North Africa - Crisis and Consensus
Attachments: spotlightE.pdf

Follow Up Flag: Follow up
Flag Status: Completed

From: Spotlight Europe ST-EZ []
Sent: Wednesday, February 26, 2014 12:08 PM
To: REDING Viviane (CAB-REDING)
Subject: Spotlight Europe: North Africa - Crisis and Consensus

Dear Ms Reding,

The Arabellion is now in its fourth year. There is more freedom today, but less security. There are far more opportunities, but fewer jobs. And there is a patchwork of conflicts. In many places though the Arab world is tentatively moving towards democracy and the social market economy. Christian-P. Hanelt, author of North Africa: Crisis and Consensus claims that "European assistance for the transformation process is moving in the right direction." Still, the EU could certainly do more on the political level.

Wishing you an interesting read.

Yours sincerely,
 Isabell Hoffmann

Isabell Hoffmann
 Project Manager
 Program Europe's Future

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spotlight europe

2014/01 — February 2014

North Africa -
Crisis and Consensus

Christian-P. Hanelt

Bertelsmann Stiftung, christian.hanelt@bertelsmann-stiftung.de

The Arabellion is now in its fourth year. There is more freedom today, but less security. There are far more opportunities, but fewer jobs. And there is a patchwork of conflicts. In many places though the Arab world is tentatively moving towards democracy and the social market economy. Although there have been some difficulties along the way, European assistance for the transformation process is moving in the right direction. Still, the EU could certainly do more on the political level.

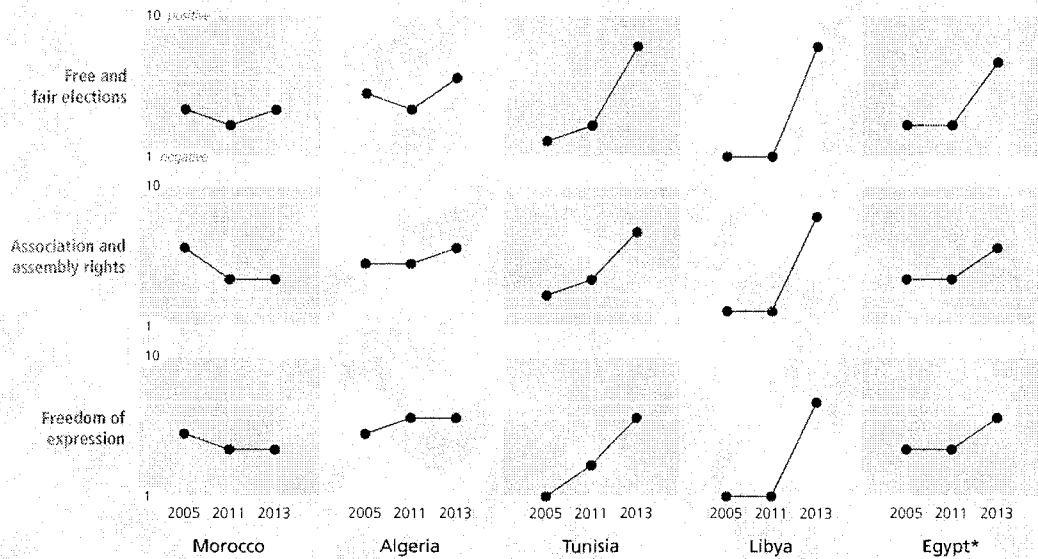
spotlight europe # 2014/01

The civil war in Syria, the fight against the jihadists in Mali, the power struggle in Egypt, and the refugee drama in the vicinity of Lampedusa create a negative picture of the upheavals in the Arab world. Many Europeans are of the opinion that something which began in a state of euphoria in 2011 is now descending into chaos. It makes them inclined to look the other way, and to be in favour of a barrier between themselves and their neighbours on the southern shore of the Mediterranean.

These negative impressions obscure the fact that Europe's Arab neighbourhood is in many ways rather diverse. This is demonstrated by the current Bertelsmann Transformation Index 2014 (BTI). The BTI analyses make it possible from 2003 onwards to compare the level of development in states moving towards democratization and a more equitable social market economy.

They show that since 2011 certain sub-regions in the Arab world have drifted apart in political terms. In the Middle East there have been political setbacks along ethnic and religious lines of conflict ranging from Lebanon via Syria and Iraq to Bahrain. There has been political stagnation in the Gulf region, and here and there repression has gone hand in hand with an economic boom. Although they are dissimilar, the five countries in North Africa have all made a leap forward. By providing more opportunities for political participation and pushing ahead with social and economic reforms, Tunisia, Egypt, Libya, Algeria and Morocco have changed the face of North Africa, which used to be a hotbed of repression, and have embarked on a transformation process that in qualitative terms is now on a par with other parts of the world.

Political participation in North Africa, 2005 - 2013



* The annual data refer to the respective end of the investigation period for the BTI 2006, the BTI 2012 and the BTI 2014. The evaluation of the BTI 2014 doesn't include, for example, the disempowerment of the Muslim Brotherhood in Egypt, which would otherwise cause a significant devaluation.

Source: BTI 2006-2014, Bertelsmann Stiftung

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This geopolitical categorization suggests that it makes sense to look more closely at the way in which transformation has progressed in the case of the EU's five North African neighbours as they move towards democracy, a more equitable economy, and better governance.

Greater Political Participation

Demonstrations, meetings, new political parties and advocacy groups, elections, media diversity and a kind of civil society that is increasingly mature and self-confident are all signs that ordinary citizens are clamouring for political and civil rights. In 2011 King Mohammed VI permitted the people of Morocco to conduct an open constitutional debate. Tunisia had the first free and fair parliamentary elections in its history, and in January 2014 90% of the parliamentarians from all the political parties voted to adopt a constitution that is pioneering as far as the Arab world is concerned - after two years of heated debate, it was drawn up with the help of civil society actors such as unions, employers' associations, and non-governmental organizations.

But greater freedom, diversity and participation have also put the spotlight on social conflicts which used to be taboo subjects. Crucial issues of identity are now being talked about, above all the question of the relationship between religion and politics. And then answers must be found to numerous questions such as these. Is there a united Libya, a country with which all of its citizens identify, or should it be split up into the three main regions, Tripolitania, Cyrenaica and Fezzan on the lines proposed by some of the tribes and militias? Can the rival claims of the Muslim Brotherhood and the armed forces in Egypt be reconciled peacefully, or will confrontation continue to be the rule in the future? Can the governing elite in Algeria manage to raise the level of political participation and to initiate a generational change? Are men and women equal in the eyes of the law, which is what the new Tunisian constitution says, or do men continue to play a predominant role in public life? In addition to the issue of identity there is the question of the legitimation of power. In the past dictators governed by spreading fear and intimidation, but nowadays regimes are increasingly having to justify the way in which they use power. Egypt illustrates the acrimonious nature

of the struggle for influence and resources. The traditional power structures made up of the armed forces, the police, the judiciary and the bureaucracy are locked in a clash with the Muslim Brotherhood and the motley revolutionary and secular groups, and it is all about the future. In 2011 the Tahrir Square revolutionaries toppled the dictator, Mubarak, with the help of the generals, but the Muslim Brotherhood won the elections. However, bad governance by the religious party led to millions of enraged citizens, and thereupon the armed forces deposed the Muslim Brotherhood with the approval of most of the secular groups. The armed forces and the old apparatus are now once more at the helm. The Muslim Brotherhood has been banned as a political party, and as an association it is deemed to be a terrorist organization. The revolutionary forces have been neutralized, and even former 2011 activists are now languishing in prison. The newspapers, as in a dictatorship, now carry one-sided reports which are in the interests of the new (and former) rulers.

A Burning Desire for Work

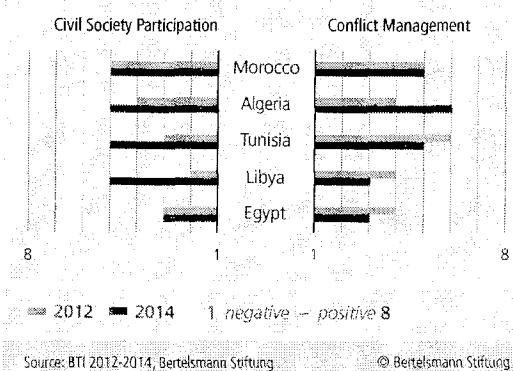
The political conflicts have halted the economic development of North Africa. It is true that there are not as many bureaucratic hurdles as there used to be when it comes to setting up a business or choosing a vocation. However, the social conflicts that have erupted and the ensuing political uncertainties have frightened investors and have given a boost to inflation. There are numerous reasons for the current downward spiral. Declining tax revenues, rising unemployment, fewer tourists, and, on the other hand, more corruption. The gap between rich and poor is wider than ever before. It is not particularly heartening to be reminded of the fact that whenever there are radical upheavals one can expect declining economic performance, declining macroeconomic stability, and a rise in social exclusion. Egypt exemplifies this rather well, for its short-term financial requirements are so massive that it would be insolvent if the budget did not get billions in financial assistance from the Saudis, the Emiratis and the Kuwaitis. However, the economic slump is making the results of decades of deferred reform and modernization in the Arab world plain for all to see. It will

only be possible to still the burning desire of these youthful societies for work and a little prosperity if the rentier economies with their subsidy mechanisms, which primarily take the pressure off the rich, are remodelled into a productive and service-oriented infrastructure. The Algerian government is trying to reform the market system and the way in which competition is handled. And Morocco is trying to diversify its economic portfolio by means of closer interaction with the European market. Most Egyptians believe that Field Marshal Abdel-Fattah el-Sisi would be a strong president. They are willing to relinquish freedom and to accept the restoration of the old power structures because they hope that a new strong man will jumpstart the economy, and that as a result prices will start going down and they will perhaps find work. However, he may be the great white hope, but he has not as yet presented an economic policy programme.

Better Governance, More Inclusion

Good governance implies that decision-makers will have to introduce fundamental economic reforms with inclusive growth and a transparent regulatory framework, to strengthen the fragile democratic institutions, to reorganize the traditional surveillance and security forces so that they are a police force and an army loyal to the constitution, to fight corruption and crime in an effective manner, to stabilize the security situation, and to thwart terrorist attacks.

More Participation, More Conflicts



The quality of governance in the five North African countries is depicted in the current Bertelsmann Transformation Index. Whilst it is true that the elites now have more options for government action at their disposal, there is less competence and less resource efficiency. Libya is a good example. This oil-rich country now has a lively parliament and a legitimate government. However, the legacy of the Gaddafi dictatorship and the civil war makes it rather difficult for the politicians who have recently come to power to prevent arbitrary decision-making, crime, and state failure and collapse, or indeed to create institutions which can eradicate the militia lifestyle.

A particularly serious problem is the persistence of rampant corruption in North Africa. More transparency may well have a beneficial effect. The OECD and the German Foreign Office are working together with the Tunisian Ministry of Finance on a project designed to produce a transparent annual budget for the benefit of the government, the parliament and the general public. Transparency International and its local partners are trying to create an awareness of the debilitating nature of corruption.

Transparency and the rule of law generate trust. And trust is something that does not exist among the various social groups which as a result of the Arabellion now find it easier to express their views in parliaments, the media and in civil society. Yet quarrels and disagreements about identity and power polarize society along religious and social lines in particular, and the disappearance of social cohesion is a distinct possibility. The involvement of the unions, the employers' associations, and the human rights organizations means that Tunisia has three strong civil society pillars, and these can mediate between the Islamic and the secular groups.

But it is difficult to develop and to sustain a democratic culture of compromise and consensus. The round table negotiating method is of some use in this context. Good examples are the round tables which, as in the case of the one in Warsaw, were set up in the wake of the upheavals in 1989-1990 in order to make it possible for the new and the old elites to reorganize social cohesion on more inclusive and pluralistic lines. It is the task of mediation to persuade the protest movements and the traditional government structures to relinquish their maximum

demands and to settle for compromises. In the vicinity of Europe the challenge to overcome social polarization and to develop new consensual structures is seen not only in North Africa, but also in Turkey and in Ukraine. Mediation specialists capable of organizing national dialogues are playing an increasingly important role in many of the countries in the neighbourhood of the EU.

A new political challenge for the European Union is to complement the transformation partnerships with round tables which it can convene and organize, and for which it can supply suitable moderators.

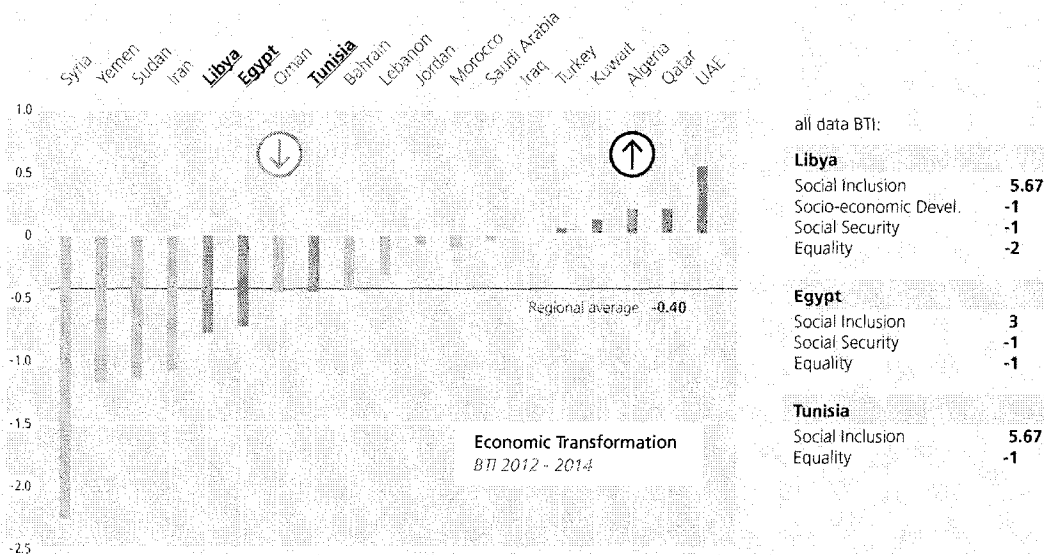
The European Perspective

In the wake of the Arab upheavals the institutions in Brussels and the member states quickly increased and restructured their transformation assistance. Before 2011 they had concentrated to a large extent on security cooperation with the regimes and on providing assistance for the local economies in order to enable them to cope with the impact of free trade. After 2011 they tended to place the emphasis on providing support for political, social and economic participation.

The European Union reacted in institutional terms by increasing the level of direct budgetary assistance for revolutionary countries such as Tunisia. Moreover, within the framework of the European Neighbourhood Policy it intensified bilateral cooperation with all of the countries in North Africa. Task forces were sent out to Tunisia and Egypt in order to initiate a number of special projects, and these included the development of rural areas. The EU is in fact negotiating more comprehensive trade partnerships with Morocco, Tunisia (and Jordan). The establishment of the European Endowment for Democracy and the SPRING (Support to Partnership, Reform and Inclusive Growth) programme means that the EU now has two new instruments with which it can foster the development of democratic structures.

On top of the financial assistance provided by the member states, the EU has set up a series of projects that range from education and training via the reinforcement of civil society to support for small and medium-sized enterprises.

Economic and Social Problems in Times of Political Change



Source: BTI 2012-2014, Bertelsmann Stiftung

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Since it recognizes that the upheavals in the Arab world in general and in North Africa in particular are epoch-making events, the EU has added a distinctly normative component to its institutional support programmes. Thus the EU's neighbours to the south are going to receive more money and easier access to the European markets. And there will be more opportunities for their people to come to Europe. Furthermore, financial assistance will involve conditionality, and will take its bearings from the slogan "more for more, and less for less." In other words, the countries which have moved towards democracy with greater alacrity will receive more assistance. Conversely, those which are making insufficient progress must bear in mind that they will receive less.

After three years it has become apparent that the provision of normative, institutional and practical transformation assistance is what is actually needed. The Arabellion continues to be a historical turning point. Things happen in leaps and bounds. They are rather complex, and differ from country to country. And they are often unpredictable, and it is impossible to say what is going to happen in the years ahead. The EU, which is a direct neighbour, will always be affected by what is going on, and for this reason it will persevere with and maintain its involvement with the project initiatives, even

if swift results will not be forthcoming for the time being.

It is praiseworthy that, despite its own sovereign debt crisis, the EU has made available more money for its southern neighbourhood. In fact it is about a third more than before the outbreak of the Arabellion. It is also praiseworthy that the EU, despite its unwillingness to absorb more refugees, and despite the fight against terrorism and intolerance, continues to emphasize the importance of its transformation partnerships.

However, when all is said and done the EU 28 could increase the effectiveness of its assistance and of its projects if it were able to minimize the friction between the European institutions and the capitals of its member states.

More for More, Less for Less

Egypt. Europe is providing financial assistance in order to strengthen civil society and to increase the level of media diversity. However, whoever happens to be in power in Egypt, no matter whether it is the Muslim Brotherhood or the armed forces, tries to restrict their influence, either by banning certain foundations, or by trying to silence the bloggers and activists of the April 6 Youth Movement. If the EU

were to adhere to its “more for more and less for less” principles, it would actually reduce its assistance and political involvement. A number of member states are in favour of this, partly because they are critical of the suppression of the Muslim Brotherhood. Other member states disagree because they consider Egypt to be far too important in geopolitical terms, which means that it cannot be ignored. Thus Brussels is caught in the middle, and is trying to steer the European Neighbourhood Policy with the help of pragmatic policymaking and normative-oriented cooperation. In the light of this dilemma the best course of action would be to stop providing financial assistance via the SPRING programme, but to continue to fund the social project initiatives that are trying to eliminate poverty in rural areas. In view of the growing social polarization in Egypt, an attempt must be made to integrate all the social groups, and this would make it necessary to end the exclusion of the Muslim Brotherhood and the revolutionary movements. Egypt urgently needs a round table, even if the people who are now in power reject the idea. European influence in Cairo is minimal when one compares it to that of the United States, and this is because the Egyptian armed forces are heavily dependent on American military assistance. However, if Brussels and Washington work together, they can exert far more political pressure, and help to initiate a process leading to compromise and consensus. In the short term Cairo can of course choose to ignore this pressure as a result of financial assistance from the Gulf states and political support from the Kremlin. Yet in view of the gigantic backlog of socio-economic reforms which the government in Cairo is going to have to deal with, in the medium term Egypt needs the transformation partnership with Europe, and this is something that will enable Brussels to tip the scales in its favour.

In the wake of the European sovereign debt crisis there is an obvious need, especially in the south European member states, to generate growth, and, in order to achieve this, to make greater use of the potential of North Africa. Thus for the Spanish economy this means enlarging its trade with Morocco in order to identify and exploit new growth niches. In the meantime European assistance programmes are trying to persuade the King to continue with political

reforms and to enhance the political rights of Morocco's citizens. Trade concerns may well thwart attempts by Brussels to exert political pressure of this kind. Thus European transformation assistance is influenced by economic and trade interests. On closer inspection this is a dilemma that can be resolved. More pluralism in politics and in the business community can actually strengthen Morocco's economy and make it even more attractive for European companies. This is a topic that needs to be discussed with those who are in positions of power in Rabat. The high degree of legitimacy enjoyed by the royal family will make it possible to introduce even more social and political reforms.

When all is said and done, the countries of North Africa could generate profits of their own if they were able to sell more of their agricultural products on the European market. A fear of cheap competition from the south has led a number of EU capitals and institutions to come out in favour of protective measures, and at the same time they have subsidized European agricultural exports. However, in the EU people are slowly beginning to change their minds. The bilateral Association Agreements with states in North Africa create greater opportunities for exports to the EU. In this context a recent speech by Dacian Cioloşi, the EU Commissioner for Agriculture, at the opening of the Green Week in Berlin at the beginning of 2014, is rather noteworthy. Cioloşi announced that the EU's agricultural and development policies were going to be coordinated more effectively, especially with regard to subsidized European agricultural products exported to Africa. A strategy of this kind could help to stop numerous African peasants from leaving their farmsteads and fleeing to the EU and its larger cities.

The United Nations Economic Commission for Africa (UNECA) believes that the level of intraregional trade between the countries of North Africa, which is currently below 5%, can be increased. The economic potential of the five states involved is enormous, especially as a result of fossil fuels, alternative energy, and the youthful population. The distrust between North African governments in general, and between Rabat and Algiers in particular, not to mention the insecure border regions in and around Libya, stand in the way of greater cooperation. Here again the EU could play a political



role, and Brussels acting in conjunction with the national capitals could mobilize more political resources in order to facilitate confidence-building measures between Algeria and Morocco. And perhaps it could broker a compromise with regard to the West Sahara conflict, which constitutes the greatest obstacle to intraregional cooperation in North Africa. Moreover, there is a need to clarify the ambivalence within the EU towards the West Sahara area. The country has coastal waters teeming with fish which form part of the EU-Morocco fisheries agreement. The difficulties alluded to above, which are the result of the dilemmas facing EU policy on North Africa, suggest that there is a need for a dual-track political initiative. One strand should be introspective, and the other should be geared to conflict resolution and mediation between social groups and between governments.

However, a decision on the highest EU governmental level would help to determine the direction and the effect of EU transformation initiatives in its southern neighbourhood, and to harmonize the complex relationship between national interests, national and European assistance, and cooperation with the European External Action Service (EEAS). ■



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