ATLANTIC COUNCIL

Arab Awakening:
Are the US and EU Missing the Challenge?

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Executive Summary

The 2011 wave of uprisings throughout the Middle East and North Africa has prompted policymakers to rethink their approach and bring outdated policies up to speed with a rapidly changing region. To respond to short-term, immediate needs, the United States and EU have made pledges of financial assistance and political support for the Arab countries in transition to stem economic collapse, capitalize on democratic openings and opportunities for growth, and provide incentives to guard against backsliding on reforms.

Despite ambitious rhetoric by policymakers, the response of the United States and the EU has not yet captured the potential of the moment or lived up to the high expectations that were set in the early days of these transitions. While some specific initiatives are a step in the right direction, and some diplomatic changes deserve to be applauded, on balance the response has been largely lackluster. Instead of capitalizing on the winds of change, policymakers on both sides of the Atlantic are struggling to cope with the unpredictability of these new political realities, and have thus largely tinkered at the margins, trying to reinvent tools that were already available, negotiating with the US Congress, and gaining support from a plurality of EU member states. That said, severe budget constraints and the global economic decline has been a significant constraint, and it is also important to acknowledge that the internal political dynamics in these countries have stymied US and European initiatives. The political uncertainty in Egypt and overt media campaign against foreign involvement, as well as the security vacuum and ongoing militia activity in Libya, has compromised the international community's ability to have an impact.

Despite these shortcomings, there are some achievements worth noting: the G8-led Deauville Partnership does provide a valuable coordinating mechanism for assistance with international financial institutions and regional organizations; there is greater coordination between the United States and EU through special offices created for that purpose and on-the-ground operations; and both have diversified their engagement with a range of political actors, including Islamist forces. Additionally, the EU has made progress in negotiating Deep and Comprehensive Free Trade Agreements with Morocco and Tunisia; the United States and EU extended the European Bank for Reconstruction and Development's mandate to lend to southern Mediterranean neighbors (pending ratification by its members), and the US Congress approved a debt swap for Egypt and the authority to create new Enterprise Funds and increased OPIC financing in Egypt and Tunisia.

Beyond this, United States and the EU could significantly expand their political commitment to assisting the countries in transition. The authors would suggest the following recommendations to US and European policymakers: The EU and the United States should engage in a strategic conversation with each other, then initiate a more robust dialogue with the Gulf countries and the International Financial Institutions to merge resources with vision to develop a coordinated strategy for a long-term, sustained economic development effort that will create new jobs in the transitioning countries; the United States and the EU should leverage economic partnerships, more fully incorporate the private sector in their efforts, and offer free trade agreements and trade liberalization agreements even when they encounter domestic resistance. And the United States and the EU need to develop better public diplomacy strategies to demonstrate to the Arab publics how they are responding to the Arab awakening and supporting democratic transition. Perhaps most importantly, the EU and United States should not back down from support of democracy advocates and democratic institution-building as a key pillar of their strategy in the region. With the potential for backsliding present in each country, particularly Egypt, the importance of consistent, ongoing, and vocal support of core principles and rights has never been more important.

I. Mapping the United States and European Union Response

Evaluating the US and EU response to the Arab awakening, it is clear there is a gap between what was pledged and what has been accomplished when looking at economic incentives, material support, and technical assistance. Recognizing that many of these initiatives may take time to develop, launch, and implement, this report seeks to provide a benchmark that can be used on an annual basis to measure and track the degree to which the United States and the EU have reached their stated goals and advanced their respective policy objectives in the Middle East and North Africa region.

On the bilateral level, the primary point of reference for US policy toward the Arab transitioning countries is President Barack Obama's speech on May 19, 2011, which provided a compelling pledge to support indigenous aspirations for freedom and democracy moving forward. Since then, US Secretary of State Hillary Clinton has delivered several policy speeches—one at the annual dinner of the National Democratic Institute in Washington, DC, on November 7, 2011 and statements during her visits to Libya in October 2011 and to Tunisia in February and March 2012.[1] The president's FY2013 Budget Request proposes a new Incentive Fund, and the description in the Congressional Budget Justification (CBJ) outlines the administration's assistance approach and priorities for the region moving forward. Beyond these and other statements by high-level officials, there has been no comprehensive, explicit policy statement to advance a clear vision for the region or to guide the US response to the changing dynamic in the Arab world. The administration is working on detailed and country-specific plans, but these have not yet been released.

> *"We support political and economic reform in the Middle East and North Africa that can meet the legitimate aspirations of ordinary people throughout the region. Our support for these principles is not a secondary interest. Today I want to make it clear that it is a top priority that must be translated into concrete actions, and supported by all of the diplomatic, economic, and strategic tools at our disposal… it will be the policy of the United States to promote reform across the region, and to support transitions to democracy."*
>
> US President Barack Obama, May 19, 2011

For the European Union, the picture is far more complicated given the myriad programs, policies, facilities, and initiatives, not to mention bilateral assistance given directly by EU member countries. The primary framework for the EU's relationship with the Arab countries in transition comes through the European Neighborhood Policy (ENP), which was expanded in 2004[2] to include the southern Mediterranean countries. The Arab awakening prompted a revision of the ENP, released in May 2011, which clearly outlines an approach that would emphasize political reform and democratization in exchange for greater integration with the EU and economic assistance. Unlike the United

1 Secretary Hillary Clinton, Remarks at National Democratic Institute's Democracy Awards Dinner, November 7, 2011, http://www.state.gov/secretary/rm/2012/02/184656.htm and Secretary Hillary Clinton, Announcement of New US Assistance to Tunisia, March 29, 2012, http://translations.state.gov/st/english/texttrans/2012/03/201203292933.html#axzz1xtEV3aiV.

2 The initial ENP included three Eastern European countries and was broadened in 2004 to encompass the three countries of the Southern Caucasus and ten additional Southern Mediterranean countries: Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, the Occupied Palestinian Territory, Syria, and Tunisia.

> *"What we are launching today is a new approach. A partnership between peoples aimed at promoting and supporting the development of deep democracy and economic prosperity in our neighborhood. This is in all our interests. We will make funding available for countries in our neighborhood to support and match the speed of political and economic reform they wish to make. Our support is based on partnership, not on imposition. It is a relationship based on mutual accountability which cuts both ways where each side will hold the other to account against agreed goals and objectives."*
>
> EU High Representative for Foreign Affairs and Security Policy Catherine Ashton, May 25, 2011

States, the EU has issued several important policy statements that provide clear benchmarks—the two joint communications issued by the European Commission and the High Representative of the EU for Foreign Affairs and Security Policy, the first in March 2011 entitled "A partnership for democracy and shared prosperity with the southern Mediterranean" and the second in May 2011 entitled "A new response to a changing Neighborhood," and then a follow-up document from May 2012 that provides an updated review.

In addition to bilateral and EU initiatives, the G8 announced the establishment of the Deauville Partnership as a mechanism for coordinating and galvanizing the efforts of the international community to assist the Arab countries in transition. The partnership includes not only the G8 countries, but also Saudi Arabia, the United Arab Emirates, Kuwait, Qatar and Turkey and major international financial institutions, including the World Bank, the International Monetary Fund, and regional financial bodies.[3]

As of now, the Partnership extends to Egypt, Tunisia, Libya, Morocco, and Jordan. While Morocco and Jordan have not witnessed a fundamental change in their systems of governance or the monarchy, there was consensus among the G8 that their current reform process qualified them for inclusion. At the initial summit, specific commitments included helping the partnership countries retrieve stolen assets with help from the UN, extending the mandate of the EBRD to include the partnership countries, and pledging to raise more than $20 billion through the international financial institutions (IFIs) with an initial pledge to raise $3.5 billion through the EIB for Egypt and Tunisia for 2011 to 2013. At subsequent meetings, the donor countries pledged $38 billion and set high expectations for the delivery of new funds to the participating countries.

3 Countries in the Partnership currently include the five Partnership countries (Egypt, Tunisia, Jordan, Morocco, and Libya), the G-8, Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, and Turkey. The International Financial Institutions include the African Development Bank, the Arab Fund for Economic and Social Development, the Arab Monetary Fund, the European Bank for Reconstruction and Development, the European Investment Bank, the Islamic Development Bank, the International Finance Corporation, the International Monetary Fund, the OPEC Fund for International Development, and the World Bank. The Organization for Economic Co-operation and Development is also a Partnership member.

II. The US Response

Obama's May 2011 speech provided a long-awaited response from the White House regarding the overthrow of governments in Egypt and Tunisia and the ongoing struggle in Libya, Syria, and Yemen. Policymakers and observers have deciphered US policy from key points from the speech and other statements:

> *It will be the policy of the United States to promote reform across the region, and to support transitions to democracy…through free and fair elections; a vibrant civil society; accountable and effective democratic institutions; and responsible regional leadership...*
>
> *We think it's important to focus on trade, not just aid; and investment, not just assistance. The goal must be a model in which protectionism gives way to openness; the reigns of commerce pass from the few to the many, and the economy generates jobs for the young. America's support for democracy will therefore be based on ensuring financial stability; promoting reform; and integrating competitive markets with each other and the global economy.*
>
> President Obama, May 19, 2011
>
> *The primary focus is governance and economic reform and the new program would pursue "an incentive-based approach that ensures that additional assistance is tied to reforms and to address the imbalance between security and economic assistance in the region…"*
>
> Congressional Budget Justification (CBJ), April 2012

Using these guiding points, in addition to other speeches and public statements, it is possible to benchmark what was pledged, what has been delivered, and what remains to be done. Although US policymakers have affirmed the need for regional integration, their focus with regard to Egypt, Libya and Tunisia indicates that the United States is fundamentally oriented toward a bilateral, rather than regional, perspective, and the response to the three primary countries will be evaluated on that basis.

Economic Assistance, Development, and Reform

Given the economic underpinnings of the Arab uprisings, the administration responded primarily with proposals to address the dire economic conditions, create new jobs, and foster economic reform:

> *First, we have asked the World Bank and the International Monetary Fund to present a plan at next week's G-8 summit for what needs to be done to stabilize and modernize the economies of Tunisia and Egypt. Together, we must help them recover from the disruption of their democratic upheaval, and support the governments that will be elected later this year.*
>
> *Second, we do not want a democratic Egypt to be saddled by the debts of its past. So we will relieve a democratic Egypt of up to $1 billion in debt, and work with our Egyptian partners to invest these resources to foster growth and entrepreneurship. We will help Egypt regain access to markets by guaranteeing $1 billion in borrowing that is needed to finance infrastructure and job creation. And we will help newly democratic governments recover assets that were stolen.*

Third, we are working with Congress to create Enterprise Funds to invest in Tunisia and Egypt... OPIC will soon launch a $2 billion facility to support private investment across the region. And we will work with allies to refocus the European Bank for Reconstruction and Development so that it provides the same support for democratic transitions and economic modernization in the Middle East and North Africa as it has in Europe.

President Obama, May 19, 2011

The United States will support legal, regulatory and policy reforms and investments that will enhance broad-based economic opportunity, through:

- *Facilitation of entrepreneurship and creation of small and medium enterprises*
- *Investments in science, technology and innovation*
- *Innovative approaches to development finance*

CBJ, April 2012

Given the US appropriations process, the budget in operation during the spring of 2011 had been developed in 2009, long before the wave of popular discontent exploded, and the resources for a robust response were not available. As a result, the State Department created the Middle East Response Fund (MERF) and shifted $190 million from the FY2011 budget and $75 million from the FY2012 budget. A full breakdown is not yet available since it has not all been spent, but from FY2011 funds, the US provided assistance that included $25.6 million for Libyans and $71 million in support for Tunisia.[4] Unlike Tunisia and Libya, Egypt had a robust, preexisting assistance package from the United States, and the State Department quickly responded and was able to reallocate money from FY2010 and prior year funding from Egypt's Economic Support Funds (ESF). In the spring of 2011, $100 million was allocated for economic assistance and $68.9 million for democratic transition support in Egypt.[5] None of this was new money, as it was drawn from funds already appropriated by Congress, but given the budget constraints, even this required real effort on the part of the State Department.

The FY2013 budget is the first opportunity to significantly ramp up funding for political and economic support in the region, and the request presented by the Obama administration in February includes $770 million for a new Middle East and North Africa Incentive Fund (MENA-IF) that would reward progress on political and economic reform with funding for agreed upon programs, echoing the "more for more" concept in the European Neighborhood Policy. Learning from the extreme difficulty in responding quickly this past year, the Incentive Fund would provide the United States with greater flexibility and mobility to respond in real-time to changing dynamics in the region and would allow the State Department to make decisions without requiring congressional approval and specific authorization for each initiative.

In addition, the rationale behind creating this fund is in part to respond to major upheavals that may occur in the future, particularly in Syria,[6] and not limited to those already undergoing transition. The first version of the foreign operations appropriations bill submitted by the House in early May zeroed out this line item, and thus the administration will have to fight Congress to appropriate its request. There are allies on the Senate side, and the Senate appropriations committee increased the allocation to $1 billion for the fund in its version. Even if passed at the full request level, which is unlikely given the budget environment on Capitol Hill, this sum—spread out among the entire region—falls short of what is needed to make a real impact on the economic and social challenges facing these countries.

Building on the idea that the private sector will be the engine of reform and growth in the region, the United States did advance a new concept with the establishment of an Enterprise Fund that would create a locally-driven investment fund specifically to support the development of small- and medium-sized enterprises and generate new job creation. Congress approved authority to create an Enterprise Fund in Egypt ($60 million for initial capitalization) and Tunisia ($20 million for initial capitalization). These Funds will be

4 Congressional Budget Justification, Foreign Operations Department of State, Volume 2, March/April 2012, http://www.state.gov/documents/organization/185014.pdf http://www.state.gov/documents/organization/185014.pdf.

5 The US government originally announced it would provide $65 million for democracy support in Egypt, but due to the high level of interest in the grant competition, USAID made an additional nearly $4 million available, bringing the total to $68.9 million.

6 Background Briefing on FY2013 State Department and USAID Budget, February 13, 2012, http://www.state.gov/r/pa/prs/ps/2012/02/183848.htm.

organized as independent, non-profit organizations with joint American-Egyptian/ American-Tunisian boards that will make investment decisions. The boards are being formed now, and in Tunisia the administration anticipates disbursing loans next fall. This is an innovative approach that marries the dynamism of the US private sector with the business communities in Egypt and Tunisia, and it is expected to leverage significantly more resources for investment.

The administration also proposed several key initiatives in Egypt that could have a potential impact, but have yet to take effect. Debt relief was one of the first items mentioned in Obama's May 2011 speech. Egypt currently holds about $3 billion in US debt, and in December 2011 Congress approved the authority for a $1 billion debt swap program. With this program, Egypt's payments that would otherwise be made to the United States would instead be used for development projects, agreed upon by the US and Egyptian governments. According to State Department officials, one idea is to create a network of community colleges and technical schools that would provide training to young Egyptians to prepare them for jobs and better match their skills to the needs of the global economy, since Egypt's existing education system is woefully ill-equipped to do so. This is a creative approach and will hopefully move forward.

Perhaps the largest commitment made as part of the overall US response, Clinton announced $2 billion in Overseas Private Investment Corporation (OPIC) loan guarantees across the region to support infrastructure and small- and medium-sized enterprises (SMEs) to leverage economic growth, followed by an additional pledge approved by Congress for $1 billion in loan guarantees for Egypt to support infrastructure and job creation (further details can be found in the accompanying charts). From the Egypt-specific funds, the OPIC board approved a $125 million loan guarantee facility for private equity investment and $250 million for Egyptian SME development, but only the private equity facility is moving forward, since the Egyptian government has objected to the implementation approach of the other. The administration anticipates that after a new government takes office, negotiations on debt relief, loan guarantees, and other frozen programs will resume. However, that assumes that certain Egyptian ministers who have systematically stymied US attempts to provide assistance are no longer in decision-making positions.

The OPIC financing decisions represent the administration's orientation toward leveraging the power of the private sector, which is essential for breathing life into economies that have been dominated by the state. However, these loan facilities take time to put in place, and without the requisite reforms in the institutional and regulatory environment to promote new business development and effective legal redress, their success is far from guaranteed. As with most of the economic projects, time will tell if this approach will ultimately generate new jobs, which is the single most important priority for each of the countries in question.

Unlike the US relationship with Egypt, which is rife with uncertainty about its political future and fears of destabilized relations with Israel, the approach in Tunisia has been far easier. The administration has faced far fewer difficulties convincing Congress to support its initiatives, and there is generally a sense of optimism that is absent when discussing Egypt. Tunisia is clearly the most successful example of the Arab uprisings, and the United States has pegged a great deal on a successful transition that could be an inspiration, if not a replicable model, to the rest of the region.

With a well-educated population and decent state institutions, the challenge in Tunisia is not a lack of human capital but rather an absence of opportunities. Unemployment rates are higher now than they were prior to the revolution, according to Tunisia's Central Bank. The United States understands that any hope for success hinges on the country's economic performance, and in addition to assistance mentioned previously, Secretary Clinton authorized $100 million in fiscal support in May 2012 to meet the new government's existing budget needs. The United States is prioritizing access to capital markets and in June 2012, the United States and Tunisia signed an agreement for $400 million in loan guarantee (supported by a $30 million budgetary cost) that will help Tunisia access finance at more affordable rates and to help match them with other donors. While both are certainly positive contributions, the amount pales in comparison to what has been estimated that the government would need over the next five years to take care of the basics and create the needed jobs.

In Libya, the United States faces an entirely different scenario with ample financial resources, weakness in state institutions, ongoing security challenges, and outdated infrastructure. Since the fall of the Qaddafi regime, the US response in Libya has mostly focused on providing humanitarian aid and technical assistance. According to the State Department, the United States has provided $89 million in humanitarian assistance to date, and estimates another $8.8 million from FY2012 funds. Oil production is approaching pre-war levels and there is an assumption that once this occurs, Libya will be in a position to finance its own reconstruction and development. That said, there is still an acute short-term crisis with high unemployment, poor social services, and thousands of militias that have not yet disbanded or been incorporated into a formal state military structure.

The United States has not sent much in the way of financial support, but one development that has cash implications is the return of frozen assets from Muammar Qaddafi. The United States has unfrozen and released $30 billion in state assets (to the Libyan Central Bank and Libyan Arab Foreign Bank), and there is an identified remaining $7 billion still frozen.[7] The challenge in Libya is not necessarily one of funding, but rather the lack of capacity and expertise within Libyan government ministries, administrative bodies, civil society, and political parties. This is the area where the United States and other allies can be most helpful—and providing that kind of technical assistance does carry a price tag, though the Libyans could presumably pay the Americans for their help.

The United States will launch a comprehensive Trade and Investment Partnership Initiative in the Middle East and North Africa…we will work with the EU to facilitate more trade within the region, build on existing agreements to promote integration with U.S. and European markets, and open the door for those countries who adopt high standards of reform and trade liberalization to construct a regional trade arrangement.

President Obama, May 19, 2011

The United States will support legal, regulatory and policy reforms and investments that will enhance broad-based economic opportunity, through:

- *Access to local, regional, and global capital markets*
- *Regional trade integration*
- *Support for domestic and international private sector investment*

CBJ, January 2012

Trade and Investment

The areas of greatest potential for an impactful US response to support the Arab transitions are with trade and investment. The administration launched a flagship program called the Middle East and North Africa Trade and Investment Partnership (MENA-TIP), similar to the one launched in Asia, which would create a regional platform to promote trade and investment across the region and with international partners. MENA-TIP is meant to build upon existing bilateral trade agreements and promote regulatory reform that would facilitate greater inter-regional integration. The United States held an initial meeting with partners in April 2012, but there has been no concrete outcome to date.

The most compelling offer that the United States could put on the table for Egypt and Tunisia is a Free Trade Agreement (FTA), but domestic political realities during an election year have curtailed the administration's willingness to initiate negotiations. The United States considered an FTA with Egypt in 2006, but the process broke down for two reasons: the Bush administration determined there was too much political backsliding on democratic reform, and Egyptians felt that the benefits of an FTA were not worth the painful reforms required.

In the meantime, the United States continues to pursue bilateral trade relationships, even if FTAs are not on the table. Over the past year, representatives from the office of the US Trade Representative (USTR) have been working with their Egyptian counterparts to develop a country-specific action plan that would increase exports, support SMEs, and enhance US investment. The United States and Tunisia signed an initial Trade and Investment Framework Agreements (TIFA) in 2002, and re-launched TIFA discussions in the fall of 2011, which will ultimately outline specific areas to deepen trade relations. The Libya TIFA was only recently signed in 2010—at that time a major step in normalizing relations—and US and Libyan officials have since discussed ways to increase market access and address intellectual property rights, capacity building, and scientific cooperation.[8] None of these discussions have yet led to a notable increase in trade flows.

In addition to formal trade relationships and TIFA negotiations, the US is also providing technical assistance on trade and investment to Egypt and Tunisia through the US Department of Commerce's Commercial Law Development Program (CLDP) and USAID, and is exploring

7 Kaufman, Steven, "U.S. Frees $30 Billion for Libya," http://iipdigital.usembassy.gov/st/english/article/2011/12/20111220150252nehpets0.2705042.html#axzz1yfW1ZGbn.

8 National US-Arab Chamber of Commerce, US-Arab Trade Outlook: Libya 2013, http://www.nusacc.org/assets/157_2013outlooklibya.pdf.

technical assistance for the Libyan government on public financial management. While deepening engagement with commercial and trade agencies in all three countries is certainly a positive step, it is difficult to quantify any specific gains or concrete outcomes at this stage.

Political Reform, Civil Society, and Governance

"It will be the policy of the United States to promote reform across the region, and to support transitions to democracy… through free and fair elections; a vibrant civil society; accountable and effective democratic institutions; and responsible regional leadership."

President Obama, May 19, 2011

The United States seeks to "build new partnerships with the citizens who will shape their countries' futures and… support reforms and promote civil engagement to help sustain the bottom-up demand for change. The United States would provide technical assistance to advance institutional reforms that promote transparent, democratic governance, human rights, the rule of law…. and would include support of engagement and monitoring by civil society."

CBJ, January 2012

One important outcome from the Arab uprisings is a greater recognition in Washington that citizens' concerns matter just as much, if not more, than their governments'. With the outpouring of popular frustration in the form of mass protests, it became acutely obvious that Washington needed to take their demands for economic and social justice seriously. The United States was already supporting political party and civil society development through USAID; the State Department's Bureau of Democracy, Human Rights, and Labor; and the Middle East Partnership Initiative (MEPI) in some countries in the region, but suddenly the need for this investment became far more urgent. US policymakers have understood the importance of finding means to channel this discontent in productive ways, through formal democratic structures that allow for participatory decision-making, and have made efforts to ramp up these initiatives.

Prior to the uprisings, US assistance for political development was the greatest in Egypt, minimal in Tunisia due to internal restrictions, and almost non-existent in Libya. The administration has tried to expand funding for democracy-support initiatives, but the response has been modest. After the fall of the Mubarak government, the US allocated $65 million for democracy programming in Egypt (later increased to $68.9 million), but this was taken from FY2010 and prior year Economic Support Funds (ESF) and therefore no additional or new money beyond what was already appropriated for Egypt.[9] Nearly half that amount, $32 million, was granted to the International Republican Institute (IRI) and National Democratic Institute (NDI) to open new offices throughout the country and ambitiously expand their programs in political party development, civic education, and election-monitoring. $25.5 million was provided to 13 other US and international organizations and $11.4 million was awarded directly to 47 Egyptian organizations, including some that are un-registered. In December 2011, four American non-governmental organizations (NGOs)—IRI, NDI, Freedom House, and the International Committee for Journalists—were raided and resulted in confiscated equipment, arrest warrants, travel bans, and criminal charges that are still pending.[10] The months-long campaign against these NGOs culminated with a frontal attack that created a toxic relationship between the United States and Egypt that has yet to recover. Some of the local NGOs have been able to implement their programs, and approval for other initiatives is stalled due to the quagmire between Cairo and Washington related to disbursement of democracy assistance.

In Tunisia and Libya, the story is quite different, as democracy assistance was essentially prohibited under Ben Ali and absent under Qaddafi. MEPI had a regional office in Tunis and some civil society development programs were implemented with partners from these two countries,

9 FY2010 and prior year ESF funding had not been used because the Egyptian government had not met required benchmarks. These funds were repurposed to support the transition process; if this had not been done, the funds would likely have been lost for Egypt.

10 Staff from IRI, NDI, Freedom House and ICFJ have subsequently been indicted on the grounds of foreign meddling and forced to leave the country. Charges have been brought against forty-three employees of these organizations, including seven Americans and ten other non-Egyptians. Their case is currently pending and it is unclear how the Egyptian courts will rule.

but their revolutions unleashed new political space that had never existed, thus opening unexplored avenues for engagement. USAID did not have a mission in either place, but the Office of Transitional Initiatives (OTI) and MEPI were well-poised to respond to this historic opportunity. Democracy-support in Tunisia has reached $43.3 million, which includes $26.5 million in grants to US and Tunisian civil society organizations and electoral support. Another $10 million is allocated for the re-opening of the Peace Corps program, educational exchanges, and transitional justice projects. For Libya, the United States has allocated $21.5 million in for democracy-support and related activities. This includes $6.5 million from MEPI's 2011 base funding for democracy programs in Libya, and another $14.5 million from FY2011 MERF funds for developing Libyan civil society, elections support, and community development. In addition, $40 million was allocated for nonproliferation, anti-terrorism, demining, and related programs.

Broadly speaking, the Arab awakening did not prompt a major revamping in USAID's or MEPI's strategies, but rather the US responded by moving resources from one country to another or between different pipelines. That affirms that MEPI was basically oriented in the right way to begin with, and its flexibility allowed the US government to respond in ways it might not otherwise have been able to. For MEPI, less money was programmed in Morocco, Jordan, and the Gulf in order to gather resources for Tunisia and Libya. Broad priorities were set, and international and local NGOs responded with proposals as they saw fit. Funding was moved from programs that would have focused on softer issues like education and women's participation and instead directed to political skills development, civic education, and election-related activities.

Assessing the US Response

While the administration articulates robust support for the transitions in the region, the stark reality is that it has been able to achieve less than it aspired to do. Broadly speaking, the United States did not advance a new vision or Marshall Plan to help support this new era of Arab democracy. It is not a question of how much money was (or was not) transferred, but rather the lack of clear political leadership at the top levels on an ongoing basis to demonstrate the importance of democratic development and economic success in the region. Admittedly, the administration has faced serious constraints—both domestically and in the partner countries—yet the response has been relatively piecemeal. US officials have tried to take advantage of opportunities that existed, but have not advanced a robust initiative—with the requisite financial resources and political backing required for success—that would substantively make a difference and send a clear signal that the United States is committed to lending its financial and political capital to achieve the aspirations of these revolutions. The establishment of the Office of Middle East transitions is a good step, and it is staffed with experts that know the region deeply, but they need more support to achieve their mission. The most notable initiatives it has announced–the Enterprise Funds, the Incentive Fund (requested for the FY2013 budget) and a regional Trade and Investment Partnership—have not yet come into fruition, so it is difficult to assess the policy impact based on these overtures. In the following years, some of these initiatives may serve to stimulate economic activity, but it is too soon to tell.

While Washington may feel it is making great strides, the perception that this is insufficient is pervasive from foreign government officials to the average person in Sousse, Tunisia or Alexandria, Egypt who are already skeptical about US intentions and disappointed by the lack of action after Obama's landmark 2009 speech in Cairo. After the Arab awakening, the administration has taken incremental steps, and even for the initiatives it has advanced, actual implementation runs into several problems. Egypt, in particular, has presented particular challenges. After the crackdown on the Egyptian and international NGOs in late December 2011 and subsequent crisis in US-Egyptian relations, the administration decided that it would not be appropriate to provide further support to a government that was responsible for this attack on civil society, but would instead wait for an elected government to begin negotiations on the pending initiatives. At the same time, concern from Capitol Hill about Egypt's commitment to democracy was a constraint to moving things forward, and some members of Congress questioned the efficacy of providing assistance to an Islamist-dominated parliament. While political differences are understandable and anticipated, and the checks-and-balances in the US political system is both essential and challenging, this limited what the White House was able to achieve for the region.

That said, it is also important to acknowledge that internal political dynamics in these countries have stymied US initiatives. The political uncertainty in Egypt and overt media campaign against American involvement, as well as the security vacuum and ongoing militia activity in Libya, has significantly compromised the administration's ability to have an impact.

The amount of money that the United States has provided in response to the Arab awakening—including for Jordan, Morocco, and Yemen—is extremely modest compared to the needs and what Gulf countries have provided.[11] Much of it was not new money, but rather taken from existing funds that had already been appropriated for the Middle East. And of the funds that were allocated, much of that has not actually been disbursed yet, either because of political uncertainty as in the case of Egypt, or because of the process that requires a lengthy appropriations process and congressional notifications.

After one year, there has been almost little demonstrable progress on trade initiatives. While the United States asserted that increasing trade and investment flows would be the primary avenue for its support, the United States has not initiated anything truly bold for the partner countries. MENA-TIP would create a regional platform to promote trade and investment across the region and with international partners, which may have long-term impact, but in the short- and medium-term, it is not clear that MENA-TIP would actually yield much benefit. It is unclear what the incentives are and if they would be desired by the target countries.

FTAs are not on the table, which is a pity because an FTA process would give ammunition to reformers in the Egyptian and Tunisian business community to advance efforts to reduce corruption and streamline bureaucracy. The administration's official rationale is that FTAs require significant time and energy to pursue and would not deliver results until many years later. However, that is precisely the reason why the process should begin now. This reasoning is also flawed because the FTA negotiations and the process of achieving necessary benchmarks is the most powerful lever the US administration has to encourage the kind of economic reform it would like to see in these countries. Even though trade flows between the United States and the countries in question are relatively low compared with other trading partners, an FTA is highly desirable, and members of the Tunisian and Egyptian business communities have been clamoring for this show of support.

One positive development is that the United States has moved away from the one-size-fits-all approach and has developed various initiatives on a country-by-country basis to reflect the challenges and needs on the ground, in consultation with a far broader group of stakeholders. The disadvantage is that the response has seemed haphazard and reactive at times. There is an interagency process underway to develop country-specific strategies for Egypt, Libya, and Tunisia slated to be released by the end of summer 2012, but this has been stuck in the review process already for months and some have noted that interagency coordination has not been that successful and has significantly slowed the process to a detrimental result.

The extent and effectiveness of the US response varies drastically among the three countries in question. In Libya, financial contributions are fairly limited since the country has its own wealth to draw upon, but US input and technical assistance has been largely welcomed; in Tunisia, assistance was minimal prior to 2011 but has successfully ramped up quickly and provided pivotal support; and in Egypt, where the United States has had the longest and deepest relationships, it has faced the greatest obstacles on both the diplomatic and aid fronts. The largest assistance package to any Arab country is the $1.3 billion in annual military aid for Egypt, which was not revised nor reviewed after Egypt's revolution, but there are some voices in Congress and the Pentagon that recognize that military aid will have to be renegotiated with Egypt's new leaders.

As a result of financial constraints and a domestic political scene that is unfavorable to foreign assistance, the United States has focused its assistance toward leveraging the private sector (both in the United States and in target countries) to generate economic growth rather than sending direct cash assistance.[12] The United States cannot save the day with its checkbook, and this ultimately may have a very positive impact on how the United States engages with these countries and others in the region. Instead of relationships built on aid dependency and entitlement, they have a chance at building real partnerships based on mutual benefit and respect. Reevaluating and reshaping aid relationships in each of these countries will be critical moving forward.

With the fall of strongmen and dominant ruling parties, another positive shift is the United States' recognition that there would no longer be just one avenue of authority and power and not just one point of contact in Cairo, Tunis, and Tripoli. The interlocutors have changed—at least to a certain

11 "Saudi Arabia deposits $1 billion for Egypt, " May 10, 2012, http://uk.reuters.com/article/2012/05/10/egypt-saudi-deposit-idUKL5E8GA61R20120510 and "Qatar Extends $1bn Loan to Cash-Strapped Tunisia," April 25, 2012, http://news.yahoo.com/qatar-extends-1bn-loan-cash-strapped-tunisia-183315469--finance.html.

12 Joint Statement on US-Tunisian Joint Political and Economic Partnership, September 22, 2011, http://www.state.gov/r/pa/prs/ps/2011/09/173787.htm.

degree—in each of these countries, and it should be noted that the United States has been successful in reorienting to this new reality, despite previous prohibitions against official contacts with groups such as the Muslim Brotherhood in Egypt until just recently. To their credit, State Department diplomats and other administration officials tossed out the old Rolodex and reached out to new power brokers across the political spectrum. That said, there is still a tendency to seek one locus of influence, and ironically Washington has been criticized for overcompensating and courting the leading Islamist party in each country to the exclusion of other political actors, particularly secular, liberal forces. In the coming months and years, it will be essential for American policymakers to support the development of all political forces committed to non-violence and pluralistic, democratic norms.

US ASSISTANCE TO EGYPT, TUNISIA AND LIBYA

(as of June 1, 2012)

ECONOMIC ASSISTANCE, DEVELOPMENT, AND REFORM	**President Obama's May 2011 speech** affirms US will help meet near-term financial needs, focus on financial stability, and promote economic reform

Regional Initiative	Status
Establish **Middle East Response Fund (MERF)**[1] as vehicle for assistance	● $135 m allocated from FY2011 budget. ● $90 m allocated from FY2012 budget.
Create new **Enterprise Fund** in Egypt and Tunisia	● Congress approved December 2011.
Provide $2b for **OPIC facility** to support private sector development	● OPIC Board has approved $657 m to support investment in small businesses.
Help **recover stolen assets** for newly–elected governments	● Progress in Libya, little for Egypt and none for Tunisia. Establishment of Asset Recovery Initiative through G8 and Deauville Partnership.
Propose **Incentive Fund** in President's FY2013 Budget Request with $770 m budget to support economic reform	● FY2013 appropriations process underway in Congress.

Egypt

Initiative	Status
Stabilize and modernize the economy	● $100 million obligated in March 2011 (reallocated from ESF funds).
Establish US-Egypt Enterprise Fund	● $60 m approved for initial capitalization by Congress; Board being developed.
Relieve Egypt of up to $1 b in debt	● Congress approved $1 billion debt swap, but negotiations about terms of agreement have not started.
Provide OPIC Financing	● US pledged $1 b for OPIC loan guarantees to support for infrastructure and job creation, but negotiations with Egyptian government on hold.

Tunisia

Initiative	Status
Stabilize and modernize the economy	● $100 m cash transfer signed by Secretary Clinton in May 2012.
Establish US-Tunisian Enterprise Fund	● $20 m approved for initial capitalization by Congress; Board being developed.
Loan Guarantees	● $30 million in subsidy approved by Congress Dec 2011. Bilateral agreement signed June 2012.
Economic Reform	● $20 million for MCC Threshold Program; Program will be designed after assessment completed in summer 2012.

Libya

Initiative	Status
Release frozen Libyan assets	● US has unfrozen $30 billion in assets for Libyan Central Bank and Libyan Arab Foreign Bank; $7 billion in assets remain frozen as of Dec 2011.
Humanitarian Assistance	● $89 m provided for disaster and refugee assistance for Libyans.
Support job creation, SME development and entrepreneurship	● US-Maghreb Entrepreneurship Conference held in January 2012 with Libyan participants.

[1] Funds for the Middle East Transition Fund were reallocated from Economic Support Funds (ESF) appropriated for other purposes in FY2011 and FY2012.

US ASSISTANCE TO EGYPT, TUNISIA AND LIBYA
(as of June 1, 2012)

Egypt		Tunisia		Libya	
Initiative	**Status**	**Initiative**	**Status**	**Initiative**	**Status**
Support job creation, SME development and entrepreneurship	• $125 m loan guarantee for private equity investment; approved by OPIC Board and transferred. • $250 m loan guarantee facility for Egyptian SME development; approved by OPIC Board, but on hold.	**Economic Reform (continued)**	• $3.7 m for technical assistance commercial law, justice sector, and financial sector reform.		
Letters of Credit	• The US Export Import Bank has approved $80 million in insurance cover to support letters of credit issued by Egyptian financial institutions.	**Provide OPIC Financing**	• OPIC approved $30m for SME Financing and Franchise Facility. • OPIC approved $52.5m for Tuninvest for Maghreb Private Equity.		
		Support job creation, SME development and entrepreneurship	• $8 million for ICT Sector Development; Program currently being developed. • $6.5m for youth employability and entrepreneurship grants. • US-Maghreb Entrepreneurship Conference held in January 2012 with Tunisian participants.		

US ASSISTANCE TO EGYPT, TUNISIA AND LIBYA
(as of June 1, 2012)

TRADE AND INVESTMENT

President Obama's May 19 speech states: "The United States will launch a comprehensive Trade and Investment Partnership Initiative in the Middle East and North Africa…we will work with the EU to facilitate more trade within the region, build on existing agreements to promote integration with U.S. and European markets."

Regional Initiative	Status
Creation of **MENA Trade and Investment Partnership (MENA-TIP)** to build on existing bilateral agreements.	• Initial planning meeting April 2012, but no concrete action has been taken. Country-specific action plans being developed (Egypt, Jordan, Morocco action under discussion, Tunisia approved, Libya not yet started)

Egypt		Tunisia		Libya	
Initiative	**Status**	**Initiative**	**Status**	**Initiative**	**Status**
Expand bilateral trade and investment	• Trade and Investment Partnership Action Plan under development, but no concrete outcomes. FTA not being discussed at present.	**Expand bilateral trade and investment**	• US-Tunisia TIFA signed in 2002, TIFA negotiations re-launched in Fall 2011. Meetings in March and April 2012, but no concrete results.	**Expand bilateral trade and investment**	• US-Libya TIFA signed May 2010; TIFA needs to be updated but no action taken. Focus will be on WTO accession first.
Engage the private sector to promote trade and investment	• USTDA program: Egypt Forward and trade mission to US in June 2011; Follow-up workshops will be held in fall 2012. US organizing an official trade mission to Egypt in March 2013[3]. US Chamber of Commerce (non-governmental body) will organize trade mission in September.	**Engage the private sector to promote trade and investment**	• US State Dept led a delegation of US investors to Tunisia in Nov 2011[4] and convened the Tunisia Partnership Forum in Nov 2011 to support networking between US and Tunisian business; US supported Tunisia Investment Forum in Tunis in June 2012[5].	**Engage the private sector to promote trade and investment**	• USG has not initiated activities, but US private sector-led initiatives include the Libya-US Business Council Trade Mission in June 2012[6] and the US-Libya Business Association mission in April 2012[7]. The Libya-US Chamber of Commerce is also planning a trade mission[8].
Expand exports through QIZs[2]	• US pursuing expansion of QIZs but discussion ongoing.				

[2] Qualified Industrial Zones (QIZs): Egyptian exports from QIZs can enter into the United States duty-free. There are currently seven QIZ zones in Egypt hosting over 300 facilities that export to the United States; US pledged to expand the QIZ program.
[3] https://www.federalregister.gov/articles/2012/06/06/2012-13629/trade-mission-to-egypt-and-kuwait
[4] http://www.state.gov/s/partnerships/tunisia/
[5] http://iipdigital.usembassy.gov/st/english/texttrans/2011/06/20110628090210su0.5478894.html#axzz1yAc7d7C2
[6] National US Arab Chamber of Commerce established the US-Libya Business Council, working with the Tripoli Chamber of Commerce, Industry and Agriculture (TCCIA) and the General Union of Libyan Chambers of Commerce. http://www.libyaherald.com/us-trade-and-investment-mission-continues-visit/
[7] http://www.us-lba.org/News.html
[8] http://uslibyacouncil.org/?page_id=27

US ASSISTANCE TO EGYPT, TUNISIA AND LIBYA
(as of June 1, 2012)

POLITICAL REFORM CIVIL SOCIETY, AND GOVERNANCE	**President Obama's May 2011 speech states:** "It will be the policy of the United States to promote reform across the region, and to support transitions to democracy…through free and fair elections; a vibrant civil society; accountable and effective democratic institutions; and responsible regional leadership."

Egypt		Tunisia		Libya	
Initiative	**Status**	**Initiative**	**Status**	**Initiative**	**Status**
Democracy support for political parties, civil society and elections	• $68.9 m granted for additional democracy support. • Nearly half the amount given to US NGOs and the rest to Egyptian organi-zations, including unregistered NGOs; some funds dis-bursed and some frozen due to US-Egyptian dispute. (See text for more information.)	**Democracy support for political parties, civil society and elections**	• $26.4 m through MEPI grants to US and local NGOs and $19 million through USAID to IRI, NDI, IFES.	**Democracy support for political parties, civil society and elections.**	• $25 m requested - $14.5 m has been approved and re-maining funds held up by Congress. • $6.5 m for civil society and elec-tions support from MEPI FY2011 core funds.
		Education and Media Training	• $6.5 m for expan-sion of Fulbright program, 8 new linkages btwn US and Tunisian universities, jour-nalist training, and reopening of Peace Corps.	**Governance and Technical assis-tance to govern-ment agencies.**	• US Treasury sent team to assist Min-istry of Finance. • DOD sent technical assistance team to assist Ministry of Defense. • Exploring future technical assis-tance on public sector reform.
Governance and Technical assis-tance to govern-ment agencies	• US supported IFES to work with parliamentary and presidential election commissions.	**Governance and Technical assis-tance to govern-ment agencies**	• US Treasury provid-ing technical assistance to Ministry of Finance.		

III. The EU Response

In some ways, the response of the EU is not dissimilar to the United States, in terms of advancing support for greater economic integration, a focus on civil society, and democratic institution-building. Yet, there are also some important distinctions. The EU operates in a fundamentally different geographical context with the southern Mediterranean countries at its doorstep, and the economic and migratory pressures from North Africa are felt in Europe in a way unparalleled in the United States.

The framework for the EU's response to changes in North Africa and the Middle East comes from policies and tools that evolved since European states began making a concerted effort towards establishing relationships with their southern neighbors, especially through the Euro-Mediterranean Partnership (also known as the Barcelona Process) launched in 1995, the European Neighborhood Policy (ENP), and the Union for the Mediterranean (UfM), launched in 2008. These initiatives tried to build multilateral frameworks to foster regionalism, and under this umbrella, bilateral relations were developed.

Through these mechanisms, the EU has the ability to engage with countries in North Africa and the Middle East on issues ranging from trade and migration issues, to cultural exchanges, to rural development. However, the EU continues to be seen overwhelmingly as a trade partner rather than as an actor shaping the future of the Mediterranean. Despite the economic, historical, cultural, and human interdependence between the MENA region and Europe, the EU has never been able to influence developments in the region in a way comparable to the United States. With new actors emerging, and old ones searching for new roles, the changing environment may present a new opportunity for greater European participation in unprecedented ways to help shape developments across its borders.

A New Methodological Approach

Differentiation, conditionality, and mutual accountability are the keywords to understanding how the EU is trying to change its engagement with the countries in the region. The EU's blueprint for managing relations with these countries comes through Association Agreements (AAs), developed and in force with each except Libya and Syria before the Arab awakening erupted. The revised ENP lays out a mandate to strengthen AAs by adding other forms of cooperation and incentives—more trade, more financial assistance, and more cooperation in the field of mobility—that will be offered to each country on the basis of a differentiated and conditional approach.

> *"The new approach must be based on mutual accountability and a shared commitment to the universal values of human rights, democracy and the rule of law. It will involve a much higher level of differentiation allowing each partner country to develop its links with the EU as far as its own aspirations, needs and capacities allow…*
>
> *…The more and the faster a country progresses in its internal reforms, the more support it will get from the EU. This enhanced support will come in various forms, including increased funding for social and economic development, larger programmes for comprehensive institution-building (CIB), greater market access, increased EIB financing in support of investments; and greater facilitation of mobility."*
>
> European Neighborhood Policy (ENP) Review May 2011

 Arab Awakening: Are the US and EU Missing the Challenge?

Strengthening differentiation is a way both to reflect the diversity within the region and to overcome the blockages that past regional approaches regularly encountered. Specifically, the lack of progress in the Middle East peace process provided alibis for countries in the EMP to create obstacles even in fields that were not directly influenced by developments in the Middle East, such as boycotting meetings on industrial relations. The reliance on a multilateral framework often hindered the ability to deepen relations with those parties most interested in making in-roads with the EU.

Through this differentiated and conditional approach, the EU has made progress particularly with Morocco and Tunisia, countries that have demonstrated greater interest in the EU's approach. Relations with Egypt are on the back burner awaiting internal political developments, and the stage is being set to deepen relations with Jordan. By making these commitments, the EU is also claiming that it should be held accountable for the promises made to their southern neighbors, but how this will materialize in practice is unclear. There is no mechanism to hold the EU accountable for its pledges or to exercise reverse conditionality similar to what is applied to the beneficiaries of EU trade and aid. Mutual accountability needs to be read in light of internal European politics, with institutional representatives reminding member state politicians of the need to live up to the promises made if they want to hold their credibility. Without some cost imposed for reneging on these pledges, short-term interests and domestic political considerations will always trump longer-term interests.

Despite these limitations, the EU's efforts to differentiate and respond to each country within its own unique context have led to some valuable changes. The EU's new European External Action Service (EEAS), created at the end of 2010 under the leadership of the High Representative, has played a role in focusing political analysis and deepening knowledge of developments on the ground, and improving coordination between the EU institutions and with other international actors. This was followed by the appointment of the EU Special Representative for the southern Mediterranean region, a new position created in July 2011 to improve coordination within the complex EU system. EU Special Representative Bernardino Leon has been working bilaterally with countries to establish country-specific task forces that bring together the various branches of the EU and international donors. The first one was an EU-Tunisia Task Force, which met in September 2011, followed a few months later by the EU-Jordan Task Force.

These mechanisms contribute to improving coordination among EU institutions, directorate-generals, and donors and the ability to follow up on commitments. Another important development is the transformation of the Commission's Delegations into EU Delegations, effectively upgrading the political and legal status of the offices to that of an embassy. The new Delegations, even if still understaffed, have powers of representation of the EU, coordinate the monthly meetings of the embassies of the EU member states, and can play a more political role compared to the previous tasks which centered mostly on trade and aid. The EEAS also opened first a technical office in Benghazi while Libya was at war, and a new Delegation in Tripoli once Qaddafi was ousted, significantly improving its presence in the region. The establishment of the EU Delegations, the country-focused task forces, and the EEAS all contribute to greater European understanding of the region and a more nuanced policy approach.

Brussels has also started negotiating second generation Action Plans with the individual ENP countries, highlighting short- and long-term priorities of each country. In addition to setting forth a differentiated and specific path forward,

The ENP will continue encouraging partner countries' adoption of policies conducive to stronger and more inclusive growth. This includes support for efforts to improve the business environment such as simplifying procedures and catering to small and medium-sized businesses and to promote employability.

…Trade in goods and services is a powerful instrument to stimulate economic growth, enhance competitiveness and support economic recovery. It is therefore essential that we establish with each of [the countries] mutually beneficial and ambitious trade arrangements matching their needs and their economic capacities…

…The ENP aims to develop a mutually beneficial approach where economic development in partner countries and in the EU, well-managed legal migration, capacity-building on border management, asylum and effective law-enforcement co-operation go hand in hand.

ENP Review, May 2011

these Action Plans could also be a useful tool to ensure policy continuity. Morocco has already negotiated its new one, Tunisia started negotiations in May 2012, Algeria, which until now did not participate in the ENP, has completed an outline, and work is in progress with Jordan. Egypt is not in the process of developing an Action Plan at this point given that nearly all discussions are on hold.

Tools and Incentives: Markets, Money, and Mobility

Tracking the EU's renewed action towards the region is most visible by monitoring the promises made under the slogan of the 'three Ms'—more market access, more money, more mobility. A real weakness in this approach is that the EU cannot actually guarantee delivery of what it has promised, which then begs the question of how well the EU will be able to live up to the commitments made. Indeed, all three 'Ms' identified by the European Commission and High Representative Catherine Ashton require the approval of the member states to be delivered. Trade liberalization and incentives in the field of mobility do not just require complex negotiations between the two sides, but also impinge on key domestic sectors. Trade liberalization may be opposed internally by sectors negatively affected by such changes, and migration is a notoriously tense issue in European politics. In short, both areas can be hijacked by specific interests or concerns, and neither field offers immediate gains and need to be understood as medium- to long-term incentives.

Market Access

The tools and incentives governing the EU's response to change in North Africa and the Middle East are not groundbreaking; the recipe is similar to that of the past and the key will be in its delivery. Perhaps the most important incentive on offer is the Deep and Comprehensive Free Trade Agreement (DCFTA), an upgrade compared to the Free Trade Areas that the Euro-Mediterranean Partnership aimed toward but never achieved. A Euro-Mediterranean Free Trade Area was repeatedly postponed, not just due to a lack of progress in the EMP, but also to specific blockages posed by EU member states seeking to protect their agricultural and textile production. The need to offer more credible incentives to the transitioning Arab countries and the paucity of financial assistance appears to be leading to a more strategic approach to trade. DCTFAs are being offered only to those countries that are moving towards deep democracy, while the AAs will remain in place for those countries that are unwilling to reform.

In December 2011, the EU foreign ministers agreed to start negotiations for a DCFTA with Tunisia, Egypt, Morocco, and Jordan. Preparatory exercises have started with Morocco, Tunisia, and Jordan, and some sectoral agreements have already been reached that would be included in their DCFTAs. Some notable progress has already occurred, such as EU approval of liberalization in agriculture and fisheries for Morocco in February 2012 and movement along the trajectory for an agricultural agreement with Tunisia. Unsurprisingly, agreements with Egypt are on hold pending internal developments.

Given that over half of the exports of the region are directed to Europe, DCFTAs could indeed represent a crucial way to support the development of their economies, provided that the costs of meeting EU standards are not cost prohibitive. While the EU's past protectionist track record is not promising, the progress made so far does suggest a stronger reliance on trade tools to keep the countries on the southern shore of the Mediterranean engaged. The pace and content of negotiations will tell whether the EU as a whole is embarking on a new path.

Money

In terms of financial assistance, the European Neighborhood Policy Instrument (ENPI) has increased its budget by €1.2 billion in response to the changes brought about by the Arab awakening, bringing the total ENPI budget to €6.9 for 2011 to 2012. In truth, with few exceptions, the allocation of funds has not changed significantly compared to the National Indicative Programs that had already been agreed for the period 2011 to 2013, illustrating that the break with the past has been limited and reflects the continuity of priorities. The SPRING Program (Support for Partnership, Reforms, and Inclusive Growth) complements this with additional funds of €65 million in 2011 and €285 million in 2012. In line with the 'more for more' principle, support will be given through this new program tailored to the needs of each country, based on an assessment of the country's progress in building democracy. Tunisia and Egypt, for example, are earmarked for additional financial resources (€160 million and €449 million for 2011 to 2013 respectively), but so far the EU is reluctant to make additional disbursements to Cairo pending some clarity on the future direction of the new Egyptian political representatives. For the budget period 2014 to 2020, which is currently being negotiated, the Commission has proposed a substantial increase of funding for the ENP countries in North Africa and the Middle East, Eastern Europe, and the South Caucasus (more than €18 billion for the whole period). Additional resources have also been mobilized by increasing the lending ceilings of the European Investment Bank (EIB) to €1.15 billion and by extending the mandate of the European Bank for Reconstruction and Development (EBRD) to include southern Mediterranean countries.

Despite the mobilization of international and European financial assistance, the simple quantities do not match expectations from the southern shore, especially those intended to address the immediate economic challenges that were both a cause and a result of the uprisings. Another slogan from the EU's package was 'more for less,' which conveys the intention to revise financial assistance to make it more targeted, accountable, and effective. Differentiation between countries will thus also be applied to aid disbursement, and strings will be attached more specifically to direct budget support (which makes up about half of the EU's assistance to North African and the Middle Eastern governments but is tied to interventions in specific sectors) by strengthening the evaluation and monitoring system.

Mobility

Mobility partnerships are the final leg of the 'more for more' package to make population movement easier for some citizens from the region. With economic downturns in these countries exacerbating emigration pressures and European interest in preventing irregular migration, progress in the field of mobility and migration management is clearly a priority area. The EU has designated Tunisia, Egypt, and Morocco as the first countries that will benefit from new advantages. Despite the sensitivity of migration issues in Europe, a draft text on visa facilitation and readmission agreements with Tunisia (both preconditions for mobility partnerships) may be ready in the summer of 2012, Morocco may reach a similar general agreement by the end of summer, Egypt is stalled by uncertainty over its internal situation, and some initial talks on the matter have been opened with Jordan.

Despite its importance, the scope of such mobility partnerships is likely to be limited to small categories of citizens from North Africa and the Middle East, such as business representatives, students and scholars, and cultural exchanges. Furthermore, introducing the offer of mobility partnerships to the EU's southern neighbors matches the offer made in 2009 to the countries on the EU's eastern flank, which have started to negotiate visa liberalization processes. One could argue that mobility partnerships are not an additional overture as a response to the Arab awakening, but rather the natural progression of the EU neighborhood policy and integration process.

Civil Society

> *The EU will support this greater political role for non-state actors through a partnership with societies, helping CSOs to develop their advocacy capacity, their ability to monitor reform and their role in implementing and evaluating EU programmes.*
>
> ENP Review May 2011

A renewed attention to civil society is possibly the most innovative aspect of the EU's review of its relations with the Arab transitioning countries. Alongside increased funding, the EU is moving towards more direct support of civil society and non-governmental organizations by devising budget lines that operate independently of government channels. In 2011, the EU allocated a budget of €26 million for the Civil Society Facility (CSF), half of which is intended for the southern neighbors, and similar amounts are earmarked for 2012 and 2013 to support capacity building, strengthen non-state actors, and promote an inclusive, dialogue-based approach to reform.

Alongside supporting the development of civil society, the EU is also trying to make its policy-making processes more inclusive and to expand political dialogue to the non-governmental sector. The EU is operationalizing its stated commitment to engage civil society in several different ways; it is consulting civil society organizations more frequently and effectively, for example, by involving them at an early stage in the negotiations of new Action Plans, and the Commission is soliciting their input into its annual progress reports tracking the degree of implementation against the concrete commitments made in country-specific ENP Action Plans. This is a significant achievement in expanding and broadening the orientation of the EU beyond state institutions and towards a more citizen-oriented perspective that reflects their needs.

EU institutions and member states just recently approved the creation of a new European Endowment for Democracy (EED), inspired by the Washington-based National Endowment for Democracy. The EED is a direct response to the inability of the EU to respond nimbly to rapidly changing political scenarios and the emergence of new political actors. Once fully operational, the EED will be capable of responding quickly with bottom-up assistance by providing direct grants not only to local NGOs, but also political actors and parties, grassroots movements, non-registered NGOs, individual dissidents, and watchdog organizations. The EED's final shape, legal status, mandate, and financing still remain to be determined, but it is envisioned that the EED will be independent of the EU institutions and will likely receive an initial ENPI grant between €5 and 10 million that would be replenished by member state contributions, probably on a voluntary basis.

Finally, this attention towards a more citizen-oriented perspective is also reflected in the scholarships for students and academics from North Africa and the Middle East to study in the EU. The budget for the Erasmus Mundus scholarship program was increased to nearly €30 million for 2011 to 2012, and similar amounts are envisaged for the next academic year.

Assessing the EU Response

The Arab uprisings have prompted EU institutions to acknowledge the false premises of previous policies towards the region and propose modifications to strengthen engagement with the region. Overall, this exercise has shown a preference for a tools-based, rather than strategy-led approach: the complexities of the EU's political system, the reluctance of the EU member states to step away from their national priorities, and a position of humility on the part of the EU institutions shamed by past complicity with authoritarian regimes have all hampered a deep rethinking of the methods of EU policies towards MENA.

This does not mean that the EU has been silent. It has actually been quite pro-active in modifying and clarifying the mechanisms of its assistance tools. Some objectives of its long-standing policies, such as greater integration between the two shores, remain valid and could provide solutions to some of the challenges in the region, such as expanding the space for the exchange of goods. However, the EU's review of its policies has amounted to tweaks of the details rather than adapting the broader picture to meet new challenges in a revolutionary region. Given that underlying problems faced by EU engagement with the region have not been fully addressed, there is no reason to assume that future policies and promises will overcome past problems.

Developments with regard to the existing multilateral framework have so far been limited. The UfM has undergone some adjustments and personnel changes, but the organization is still viewed as ineffectual, and many have suggested abolishing it entirely. In general, the EU is tentatively exploring ways to encourage future forms of regional cooperation and integration possibly at a sub-regional level, such as in the Maghreb, but this has not been a primary focus.

Instead, the EU has turned its attention to bilateral relations. Brussels, like Washington, has moved away from one-size-fits-all approaches in favor of more tailor-made policies. This also concurs with the revised ENP that places stronger emphasis on supporting political reforms, pluralism, and respect for basic rights in the transitioning countries. The EU embraces the concept of deep democracy, which recognizes the limits of an approach focusing exclusively on electoral politics and defines democratic development more broadly encompassing freedoms of expression and speech, the rule of law, and due process.

Alongside political change, the EU aims to address economic reform, not just in terms of liberalization, but towards promotion of inclusive economic development capable of addressing some of the root causes that prompted unrest across the Middle East and North Africa. Even before the Arab uprisings, the EMP and the ENP both asserted such objectives, but one of the main problems in the policies towards the region was the glaring gap between rhetoric and actions on the ground. The real impact of the EU's reaffirmed commitments will depend on how these abstract promises are put into action with concrete tools.

EU ASSISTANCE TO ARAB TRANSITIONING COUNTRIES*

(as of June 1, 2012)

ECONOMIC ASSISTANCE, DEVELOPMENT, AND REFORM

ENP Review May 2011: "The EU will encourage partner countries' adoption of policies conducive to stronger and more inclusive growth. This includes support for efforts to improve the business environment such as simplifying procedures and catering to small and medium-sized businesses and to promote employability."

Initiative	Status
Refocus bilateral programs of the **European Neighborhood Partnership Instrument (ENPI)**	• ENPI budget increased by €1.2 b for 2011/2012.
Provide Transitioning Arab Countries with additional funding through **SPRING Programme**	• SPRING Programme created with €65 m in 2011; €285 m in 2012. To date, allocated €160 m for Tunisia for 2011-2013 and €449 m for Egypt from 2011-2013, but yet to be disbursed.
Expand EBRD to include MENA countries	• EBRD expanded mandate and pledged med-term capability of €2.5 b/year. Mandate needs to be ratified by majority of members. • Both Tunisia and Jordan became members of EBRD as of Jan 2012. Jordan promised €300 m annually.
Expand **Europe Investment Bank (EIB)** lending and engagement in MENA region	• EIB lending ceiling increased by €1 b. • EIB-Tunisia Partnership on Technical and Logistics Assistance signed March 8, 2012[i].
Member States should replenish funding for **Neighbourhood Investment Facility (NIF)**	• By the end of 2011, NIF allocations had reached €400 m, of which €226 m is for MENA.
Provide short-term macroeconomic assistance through EU **Macro-Financial Assistance (MFA)**	• European Commission adopted proposal for a MFA framework.
Promote SMEs through policy dialogue and cooperation under the Euro Med industrial work programme	• Establish new Enterprise Europe Network for Egypt, Morocco, Tunisia[ii]. MoU between EU and Tunisia signed[iii]. MoUs for Morocco, Egypt, and Lebanon anticipated in coming months.
Promote job creation and training	• Tunisian Government and European Training Foundation joint-project - launched March 13, 2012[iv]. • EU allocates €65 m for vocational job training in Tunisia in 2011;€60m pledged for 2012 for job creation.
Organize events to promote **direct investment and support for SMEs and micro-credit**	• EIB and Tunisia hosted 10th FEMIP Conference to support SME development in Tunisia on March 8, 2012[v].
Build on pilot regional development programs to tackle economic disparities between regions	• Tunisia: Seminar Launch of Vocational Job Training in Medenine (south-east Tunisia).

[i] http://femip10.bei.org/articles/signature-dun-partenariat-tunisie-bei-pour-une-plate-forme-logistique.htm?lang=en
[ii] http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/12/225&format=HTML&aged=0&language=EN&guiLanguage=en
[iii] http://ec.europa.eu/enterprise/policies/international/files/2012_03_tunis_new_articlev2_en.pdf
[iv] http://eeas.europa.eu/delegations/tunisia/documents/press_corner/avismedia_etf2012_fr.pdf
[v] http://www.eib.org/projects/events/10th-femip-conference-tunis.htm

* This table highlights new initiatives or changes that were a response to the Arab awakening. It does not include all aspects of ENP programming, such as sectoral cooperation that was already underway prior to the wave of Arab transitions.

EU ASSISTANCE TO ARAB TRANSITIONING COUNTRIES
(as of June 1, 2012)

TRADE AND INVESTMENT	**ENP Review May 2011:** "Trade in goods and services is a powerful instrument to stimulate economic growth, enhance competitiveness and support economic recovery. It is therefore essential that we establish with each of [the countries] mutually beneficial and ambitious trade arrangements matching their needs and their economic capacities."
Initiative	**Status**
Negotiate Comprehensive Deep Free Trade Areas	• Commission received a mandate in December 2011 to start negotiations process on DCFTAs with Jordan, Morocco, Tunisia during 2012.
Accelerate EU trade liberalization agreements, notably on agricultural and fisheries products with Tunisia and Morocco	• New agricultural agreement with Morocco approved by EP in February 2012; removal of 55% of tariffs on Moroccan products. Launch of negotiations on new fisheries agreement with Morocco on April 20-21, 2012. • EU agreed to continue negotiations with Tunisia on agriculture and fishing at September 2011 Task Force meeting.
Launch negotiations on **Agreements on Conformity Assessment and Acceptance of Industrial Products (ACAA)**	• ACAA for industrial products with Tunisia signed in March 2012. • Official offer from EU to Jordan to start negotiations in Feb 2012.
Adopt the single regional convention on **Pan-Euro-Mediterranean preferential rules of origin**	• European Council convention approved March 26, 2012; includes all participants in the Barcelona Process.

MIGRATION AND MOBILITY	**ENP Review May 2011:** "The ENP aims to develop a mutually beneficial approach where economic development in partner countries and in the EU, well-managed legal migration, capacity-building on border management, asylum and effective law-enforcement co-operation go hand in hand."
Initiative	**Status**
Launch Mobility Partnerships with partner countries (includes dialogues on regular and irregular migration, trafficking in human beings, readmission, visa issues, asylum and international protection)	• Dialogue with Tunisia initiated on 10/6/11. • Dialogue with Morocco initiated on 10/18/11. • EU agrees to exploratory talks with Jordan in February 2012. • Egypt has so far declined to start such discussions.

[vi] http://eeas.europa.eu/delegations/egypt/press_corner/all_news/news/2012/20120315_02_en.htm

EU ASSISTANCE TO ARAB TRANSITIONING COUNTRIES
(as of June 1, 2012)

POLITICAL REFORM, CIVIL SOCIETY, AND GOVERNANCE	**ENP Review May 2011:** "The EU will support a greater political role for non-state actors through a partnership with societies, helping CSOs to develop their advocacy capacity, their ability to monitor reform and their role in implementing and evaluating EU programmes.
Initiative	**Status**
Create new **Civil Society Facility**	• Created in September 2011; €26 m allocated for 2011 for the 16 countries of the ENP and similar amounts for 2012 and 2013.
Establish **European Endowment for Democracy**	• Approved June 2012.
Expand **European Initiative for Democracy and Human Rights**	• Budget increased to €1.5 b for period 2014-2020.
Support civil society projects	• New 3 year program (2012-2014) created at Anna Lindh Foundation with focus on media, culture, and education.
Support **capacity building** to strengthen government institutions and support public administration reform	• Euro-med Justice III Conference held on 2/29/12, but no other further action.
Provide **electoral assistance**	• EU election missions observed Tunisian elections in October 2011 and Algerian elections in May 2012. • EU provided technical assistance to the Egyptian High Electoral Commission and civil society support. • EU election mission to Libya in July 2012.
Support public sector capacity building **through Comprehensive Institution-Building programs**	• EU Twinning program to provide Egypt with technical assistance on Consumer Protection with counterparts[vii] from France, Spain and Germany, launched March 2012. No other concrete action to date.
Increase participation in **education programs through Erasmus Mundus, Euromed Youth and Tempus**	• 550 Erasmus Scholarships for Arab Spring countries added for 2011; further increases expected for 2012-2013.

[vii] http://eeas.europa.eu/delegations/egypt/press_corner/all_news/news/2012/20120315_02_en.htm

IV. The Deauville Partnership

In addition to the bilateral and multilateral initiatives that the United States and the EU are pursuing, the other key element of their response is what takes place under the auspices of the Deauville Partnership, which was launched at the May 2011 G8 Summit in Deauville, France. The Partnership was envisioned as a global initiative to support any country in the region striving toward democratic transition.

> The inaugural announcement states:
>
> *"The Partnership is based on two pillars: a political process to support the democratic transition and foster governance reforms, notably the fight against corruption and the strengthening of the institutions needed to ensure transparency and accountable government; and an economic framework for sustainable and inclusive growth. It is designed to support Partnership Countries in the economic and social reforms that they will undertake, particularly to create jobs and enshrine the fair rule of law, while ensuring that economic stability underpins the challenge of transition to stable democracies."*

The expectations were set exceedingly high with the initial announcement of the Partnership, and there is a widespread perception that the donor countries have not followed through on their ambitious commitments. The French have come under criticism for overstating what was possible during their presidency of the G8. At the G8 foreign ministers' meeting in September 2011, French Foreign Minister Alain Juppe claimed that the Partnership mobilized nearly $80 billion within the framework of this partnership, including the $38 billion for IFIs and other bilateral ventures, and noted that "this amount may increase in the coming months." Yet, a clear accounting of exactly what has been transferred to partnership countries is difficult to ascertain, particularly since there is a tendency to double-count funding or re-package initiatives under the Deauville banner that were already in the works. In some cases this might result from a desire to inflate contributions, and in other cases, it may just be the product of overlapping mandates, lag time, and bureaucratic processes that make gathering information difficult.

Creating this platform is a laudable effort—and in fact, engaging a diversity of partners is exactly what needs to be done—but the problem comes when the requisite resources are not made available. Having highlighted this shortcoming, there are several important developments that have emerged under the auspices of the Deauville Partnership that are worth noting. US and EU officials emphasize that the primary achievement is one of laying the foundation for ongoing, sustained coordination among the various actors. When the United States assumed presidency of the G8 this year, it also assumed leadership of the Partnership and developed a three-pillar structured approach focusing on trade and integration, economic growth, and governance. Several officials engaged in the process emphasized that just getting the IFIs to coordinate with each other in a systematic way and to implemented institutionalized mechanisms is a significant achievement.

Another specific initiative that could be important is the establishment of a special Transition Fund to provide technical expertise and assistance for Partnership countries. The idea behind the fund is to provide an avenue for short-term, quick-response assistance that will help transitioning countries make the necessary reforms to access more financing, or meet the conditionality required by the IMF or the World Bank in order access funds for larger projects. The fund will have an initial $250 million capitalization. The United

States has been working actively to garner support for this initiative and more than half this amount has been pledged, including a contribution from Saudi Arabia.

Gaining easier and cheaper access to capital is a major concern of the transitioning countries, an area where the Deauville Partners should be able to step in and make a difference. At the April 2012 finance ministers' meeting, the Capital Market Access Initiative was launched, which aims to help partnership countries reintegrate into international capital markets under reasonable financing terms. Since neither the Transition Fund or the Capital Market Access Initiative are active yet, only time will tell if these will be effective vehicles for the North African countries to stimulate their economies.

The EBRD agreed to expand its mandate (pending ratification by its shareholders) to include southern Mediterranean countries with an intended medium-term capability of €2.5 billion per year. The bank shareholders, including the United States, have agreed to a new €1 billion EBRD investment fund on Arab transitions as a prelude to full-scale investment. The special fund will be financed by current EBRD reserves and begin in September 2012. Additionally, both Tunisia and Jordan have joined the EBRD as members.

Another intiative that could have some impact is the Asset Recovery Action Plan. Although the United States has, through its own bilateral initiative, released most of the frozen assets of the Libyan Central Bank and the Libyan Arab Foreign Bank, there has been little overall progress in the past year on Egyptian and Tunisian assets from Deauville donor nations. An initial timeline for asset recovery coordination was recently set in May 2012, and the G8 members are planning to meet the Partnership countries in September 2012 to discuss the Asset Recovery Action Plan, in coordination with the UN Office on Drugs and Crime and World Bank's Stolen Asset Recovery Initiative, in an effort to streamline the bureaucratic process. In addition to the financial aspect, given residual anger among Egyptians and Tunisians towards the United States and EU member nations for supporting the Mubarak and Ben Ali families and their cronies, international assistance in retrieving assets could help restore some credibility as well.

Beyond creating coordination mechanisms, there are few specific outcomes that one could point to from the Deauville Partnership. When pressed, even US government officials are unable to offer any evidence of concrete benefit and some within the IFI community have scoffed at its utility, even going as far as to call it useless and a waste of time. Many of the initiatives under the Partnership were already underway or would have been implemented in any case.

One important aspect to note is that there has been insufficient coordination or inclusion of Gulf Arab states in the Partnership. Although they are represented in the Arab Fund for Economic and Social Development (AFESD), which is one of the Deauville Partner institutions, they have played a marginal role. More importantly, the Partnership does not appear to be effectively leveraging the resources—both finanical and political—of the Gulf countries through these initiatives. Saudi Arabia, Qatar, Kuwait, and the United Arab Emirates have all made substantial contributions, in varying degrees, directly to a number of the transitioning countries in economic distress. But these contributions are generally in the form of direct budget support and do not necessarily contribute to any sustainable development plans, job creation initiatives, or institution-building. Although it is clear that the US and EU have some divergent interests with the Gulf countries, the tranatlantic community and G8 should be actively cultivating much stronger engagement with the key Gulf countries in responding to these transitions in an effective, coordinated way. Even if countries like Saudi Arabia and Qatar do not seek to promote representative democracies in their backyard, they also see the real threats of an economic collapse or security vaccum that could take place as a result of deteriorating conditions in the Arab world.

DEAUVILLE PARTNERSHIP
(as of June 1, 2012)

Economic Assistance and Reform

Initiative	Status
Coordination of International Financial Institutions (IFIs) including Multilateral Development Banks	• IFIs made $20 b commitment, developing Joint Action Plans, focus on medium-term macroeconomic framework.
Expand Mandate of European Bank for Reconstruction and Development*	• Mandate expanded to include Southern Mediterranean countries with medium term capability of €2.5 b per year. • EBRD shareholders approve €1 b special investment fund for Arab Transition countries.
Arab Financing Facility for Infrastructure (AFFI)	• Deauville partners pledged to raise up to $1 b in new financing for infrastructure projects and eliminate $40 b funding gap for MENA region through AFFI. IFC and IsDB have pledged to invest $100 m in a $300-$500 m mezzanine fund for the Arab Infrastructure Investment Fund (AIIV), a component of the AFFI.
Establish Transition Fund	• New initiative to provide short-term, quick response technical expertise and assistance for transitioning countries in implementing reforms. G8 Members will work with IDB, World Bank to finance and have pledged $250 m for initial capitalization.
Create Financial Services Advisory Corps	• G8 countries, along with OECD, to provide training for public employees in transition countries with volunteer experts; will include multinational initiative Tax Advisors Without Borders (TAWP).
Arab Fund for Economic and Social Development (AFESD)	• Regional partners committed to leverage $2 b for regional SME fund through AFESD.
Capital Markets Access Initiative	• G8 launched the initiative in April, 2012. Seeks to facilitate easier and lower cost capital to transitioning countries, will be implemented in coordination with IFIs.

Trade and Investment

Initiative	Status
US Trade and Investment Partnership (MENA-TIP)*	• Initiative announced, but no concrete agreements to date. No action plans have yet been released.
EU Deep and Comprehensive Free Trade Agreements*	• EU received mandate to start negotiating trade agreements with Tunisia, Morocco, and Jordan.
Cross Border Trade Facilitation and Infrastructure Program	• This pre-Deauville initiative was originally between World Bank and IsDB, now expanding to include AFESD, AfDB, EIB, ATFP, French Dev Agency. Will be implemented over a 15 year timeline in two phases - $6.5 b USD[1]. • G8 partners have completed an assessment of Levant countries; have not completed one for North Africa. Egypt assessment for trade facilitation will be conducted next.
Investor Conferences focus on IT, Renewable Energy, Ag/Food, Infrastructure, Transportation, Tourism	• G8 countries pledged to hold investor conferences; none have been planned to date.

[1] AFESD (Arab Fund for Economic and Social Development), AfDB (African Development Bank), ATFP (Arab Trade Financing Program), EIB (European Investment Bank), IsDB (Islamic Development Bank), IFC (International Finance Corporation).

*Initiatives previously cited in US and EU tables.

DEAUVILLE PARTNERSHIP
(as of June 1, 2012)

Political Reform and Governance

Initiative	Status
Asset Recovery Efforts	• G8 and Partnership countries developed Asset Recovery Action Plan. First major meeting will be held in September 2012 with launch of Arab Forum on Asset Recovery. Created asset recovery guides in English, Arabic, and French to streamline and clarify process.
Partnership Exchange Program	• Pairing G8 legislators, judges, regional/municipal and labor leaders with MENA counterparts. Target date to begin project end of 2013.
Open Government Initiative	• Deauville Partners will support Open Governance Project; US contributed funds to OECD efforts to help MENA countries reach OPI eligibility; Tunisia seeks to join by 2013.

*Initiatives previously cited in US and EU tables.

V. US-EU Policy Convergence and Coordination

The periodic Deauville Partnership meetings certainly provide an opportunity for coordination among the United States and the EU, and the establishment of Bernadino Leon's position as special representative and Ambassador William Taylor's Office of the Special Coordinator for Middle East Transition provides another point of contact. Beyond these official gatherings, Ambassador Taylor has initiated more informal meetings among a core group of five to eight lead principles from key European countries, which has also deepened lines of communication. However, this coordination does not appear to have reached the level of strategic planning and remains primarily a vehicle for information-sharing and logistical exchange.

On the operational level, it appears that coordination has improved somewhat through the response to the Arab transitions, and most occurs on the ground between embassies and other international actors, such as the UNDP and World Bank, rather than Washington or Brussels. A White House official noted that coordination in Libya, for example, is significantly better between the United States, its allies, and multilateral institutions than it was in either Iraq or Afghanistan. The challenges are less acute, to be sure, but the ability to provide functional coordination is still notable. The IMF has taken the lead on an assessment of administrative and governmental reform in Libya, and the United States will craft its technical assistance proposal based on the findings. This is a positive development and should be broadened to other arenas. Yet, on a macro level in most other places, there does not appear to be systematic, strategic planning between EU member countries, the United States, and multilateral instituions *before* initatives are set in place.

In terms of the response to the Arab transitions, there are a number of common elements that are fostering convergence in US and EU policy and implementation. Both sides of the Atlantic have recognized, at least rhetorically, that investing in participatory, pluralistic systems of government accountable to the people must now be prioritized to a much greater degree. Both have moved away from one-size-fits-all approaches and committed to greater differentiation and more tailor-made policies. The United States and EU have recognized the importance of supporting civil society, with the EU creating the European Endowment for Democracy that was inspired by the National Endowment for Democracy. The EED has the potential to bring the two donors closer on democracy support, with the EU no longer limiting itself to non-partisan funding of the civil society sector.

The common mandate driven by American and European values is far greater than any difference, but there are a few areas where divergence can be found. Geographic proximity necessarily means that Europe will have a different approach when it deals with migration, labor, and visa issues that must be taken into consideration. While both are heavy on accountability, the EU is more explicit in applying conditionality, with the "more for more" and "less for less" policy. On the other hand, the US is more inclined to emphasize free market principles, whereas EU policy explicitly states that its programs need to promote *inclusive growth* and *social protection*, as far as domestic economic development is concerned. These concepts do not just reflect Europe's preferred economic model, it is also seen as a tool for social stability in the countries concerned and as a means to contain emigration pressure on the wealthier European countries in the north.

Despite the shortcomings noted, there are a number of accomplishments that are worth highlighting and deserve recognition. In the tense budget climate in the United States and Europe, getting approval for any new initiative is a monumental undertaking, and confronting political resistance in the US Congress or EU member states is no easy task.

Key Accomplishments

- Greater coordination between the United States and EU through creation of EU special representative for southern Mediterranean position and the US Office of Middle East Transitions;
- Greater coordination between the EEAS and the various departments of the European Commission, especially on key issues such as trade and mobility;
- G8 launch of the Deauville Partnership, which incorporates the international organizations and IFIs and provides a sustained coordinating mechanism for assistance in governance, economic growth, and trade and integration;
- EU progress in negotiating Deep and Comprehensive Trade Agreements with Morocco and Tunisia and signed important liberalization agreements;
- Stronger focus on supporting civil society development and EU approval to create European Endowment for Democracy;
- Diversification of the range of political actors and interlocutors that the US and EU engage with in MENA countries, including Islamist parties and leaders;
- US congressional approval for debt relief for Egypt, loan guarantees for Tunisia, authority for creation of Enterprise Fund in Egypt and Tunisia, and proposed new Incentive Fund for FY2013;
- Agreement by European Bank for Reconstruction and Development to extend its mandate to lend to southern Mediterranean neighbors at €2.5 billion annually; and
- European Investment Bank commitment of €6 billion to the region for 2011 to 2012.

VI. Conclusions and Recommendations

In sum, the response of the United States and the EU has not risen to the challenge in responding to the enormity of problems facing the Arab countries in transition on the political, security, and economic fronts. Both are faced with fiscal constraints and waning influence in the region, and thus the need for the United States and the EU to cooperate is compelling to amplify potential impact. Some progress has been made through the Deauville Partnership and other mechanisms that have just been put in place. In many cases, though, it is too soon to tell if specific multilateral initiatives will deliver results or if these mechanisms will endure after the focus on the Arab awakening subsides. These issues will not fade into obscurity, nor will they be resolved on their own; unemployment rates that continue to grow and fiscal shortfalls in Egypt and Tunisia pose long-term challenges that the transatlantic partners cannot ignore.

Whatever divergences of the past, and, to narrowing degree, of the present, the United States and the EU are closer to each other than to many other actors that play a role in the region. While increasing political dialogue with other regional actors and donors, such as Turkey, the Arab League, and the Gulf states, is vital, Brussels and Washington should cooperate far more aggressively to advance shared goals and principles.

The EU has put forth a concerted effort to reevaluate and advance a more ambitious program of greater integration, conditionality, and accountability—the main question will be the degree to which it can actually deliver on these offers and whether the tools match the challenges. Conversely, the Obama administration is still struggling to find its way as it pieces together separate initiatives into a patchwork of assistance and seeks opportunities wherever it can find them. Both approaches have positive and negative implications, but on balance, neither has been sufficient in fundamentally helping these countries through destabilizing transition and economic pressures.

The tools and incentives governing both the US and EU response to change in North Africa and the Middle East are not groundbreaking. Core interests on both sides are fundamentally unchanged, and so the recipe is similar to that of the past; the key will be in its delivery. Most of the substantial new initiatives do not offer immediate gains and need to be understood as medium- to long-term incentives. However, pressures in the MENA countries are mounting, and without some tangible improvements, the economic and security environment may continue to deteriorate. Expediting implementation and reducing bureaucratic delays and hurdles should be a priority in order to assist these countries through tumultuous change—as it is happening and not several years down the road—that will have regional and international consequences.

Recommendations

The United States and the EU could significantly expand their political commitment to assisting the countries in transition. Based on lessons learned in 2011 and looking forward, the authors would suggest the following to Western policymakers:

- The EU and United States should engage in a strategic, rather than operational, dialogue about a joint approach to support the transitioning countries and advance mutual interests. Declining American and European influence in the region underscores the need to leverage resources, coordinate messages, and encourage strategic thinking. This could include regular visits or monthly calls between the Office of the Coordinator for Middle East Transitions and White House with the EU Special Representative for the Mediterranean and EEAS to foster ongoing strategic thinking as initiatives are being shaped.

- The United States and the EU should then engage G8 partners, the Gulf Cooperation Council countries, and international financial institutions in a more robust process to merge resources with vision in supporting the Arab transitions. Several Gulf countries are contributing and investing heavily in the region, but without the objectives of sustainable development, good governance, and economic reform—all of which are essential for the transitioning countries. While political differences will surely be encountered, these partners should join together to develop a coordinated strategy for a long-term economic development effort that would create new jobs in the transitioning countries.

- The United States and the EU should leverage economic partnerships, integrate the private sector earlier into its efforts, and offer free trade agreements and trade liberalization agreements even when it encounters domestic resistance. This is perhaps the most powerful tool that the transatlantic partners can offer, as the success of political transitions hinges on the ability of new governments to address basic economic grievances and invigorate the private sector. In the case of Egypt, even if an FTA is not immediately feasible, the US administration could publicly signal its willingness to offer an agreement in the future by sending a high-level, interagency delegation to Cairo to lay the foundation for future negotiations with a new government. This would help buttress reform efforts underway.

- The United States and the EU should improve their public diplomacy strategies. Many in the region (as well as in Washington, Brussels, and other international capitals) believe that the US and EU are doing little in response to the Arab awakening besides projects by the IFIs. The United States in particular is reticent to speak loudly about its initiatives due to the NGO backlash in Egypt, but it would do better to make information more readily available.

- The United States should reinvent its bilateral relationship with Egypt as a genuine partnership with the Egyptian people through institutions such as the parliament, not only with the military, in order to chart a way forward that will serve the interests of both countries based on mutual respect. The US-Egyptian relationship is extremely important; repairing the damage done over the past year due to the NGO crisis should be a major priority for the administration once an elected Egyptian government is in place.

- EU institutions should hold member states to task to deliver on promises made by the EU to the transitioning countries; otherwise the initiatives will exist on paper only. Even with the creation of the EEAS, each member state will continue to have its own foreign policy and engage in bilateral efforts. Without follow-through and effective delivery, EU credibility will be heavily compromised.

- The EU should ensure that conditionality with partner countries is commensurate with the aims and appropriate for the current environment. For its part, the United States should develop country-specific frameworks, in collaboration with partner countries, to determine benchmarks for political reform and specifically detail how assistance will be affected if they are not achieved.

- The United States, the EU, and Deauville initiatives should ensure that women and youth are not left behind and should invest more in revitalizing or introducing education programs that will help young men and women develop skills needed for competitiveness in the global economy. Reforming educational systems is up to new governments in the region, but international partners can contribute by expanding scholarship and exchange programs and helping to establish vocational schools and training.

- The EU and United States should not back down from support of democracy advocates and democratic development as a key pillar of its strategy. With the potential for backsliding present in each country, particularly Egypt, the importance of consistent, ongoing, and vocal support of core principles and rights has never been more important.

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