

The Political Economy of Reforms in the Southern Mediterranean Countries and the European Neighbourhood Policy

Agnieszka Skuratowicz, European Commission, Directorate General for Economic and Financial Affairs.

ABSTRACT:

This paper is a contribution to the discussions on the reform process in the EU Mediterranean neighbourhood. It discusses the potential strengths and weaknesses of the European Neighbourhood Policy in promoting economic reforms, as compared to the existing policies under the Association Agreements and the Barcelona process. It focuses on the substance of the advocated reforms, politics of the process and the leverage of the new policy in triggering but also sustaining the reforms.

The paper has two major aims: a positive and a normative one. The first one is to define the specificity of the Southern neighbouring countries when both the process and the consolidation of economic reforms are concerned; the second one being to propose a set of necessary conditions under which the ENP may indeed play a role of an umbrella ensuring the sustainability of the process of reforms.

Building on the existing literature on the political economy of reforms (or public choice theory) and institutional economics, it first proposes a framework for analysis of the reforms in the Southern neighbourhood. It also points at the similarities and differences with other developing and emerging economies, and in particular in the EU recently acceded member states. The author proceeds with describing the process of economic reforms in the Mediterranean countries since 1995 proposing her own typology matrix, which links both economic and political elements. She uses selected economic and governance indicators to illustrate the changes with a particular emphasis on the role of the state and institutions. The dynamics of reforms is closely looked upon, distinguishing among others between domestic and external (or regional) factors as well as bottom-up and top-down mechanisms.

The discussion of external models and instruments promoted and used by various international donors, the United States and the EU in particular, constitutes an important part of the paper. While comparing different approaches in terms of their potential leverage effect, the author raises the issue of triggers of reforms (“carrots and sticks”) and their anchors, sequencing, as well adjustment costs (“choosing and playing with winners against the losers”). The allocated financial incentives (in terms of their amount and distribution among sectors and economic and social agents) put at the disposal of the Southern Mediterranean region is also shortly discussed. Based on the preceding sections, the author makes an attempt to define an ideal “coalition for reforms”. An emphasis is put on the specificity of the European Neighbourhood Policy, which supports in parallel political, governance and economic reforms.

Keywords: European Neighbourhood Policy, Barcelona Process/Association Agreements, political economy of reforms, political and economic liberalisation, agents of change, anchor, adjustment costs, leverage for reforms, international donors, development policy.

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