



A neofunctionalist analysis of the European Neighborhood Policy in Northern Africa

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Abbreviations

- AA – Association Agreement
- AP – Action Plan
- BP – Barcelona Process
- CF – Classical Functionalism
- CFSP – Common Foreign Security Policy
- DCFTA – Deep and Comprehensive Free Trade Area
- ECJ – European Court of Justice
- ECU – European Currency Unit
- EIB – European Investment Bank
- EMU – European Monetary Union
- ENI – European Neighbourhood Instrument
- ENP – European Neighbourhood Policy
- ENPI – European Neighbourhood and Partnership Instrument
- ES – External spillover
- EU – European Union
- FS – Functional spillover
- GAFTA – Greater Arab Free Trade Area
- IG – Intergovernmentalism
- LI – Liberal Intergovernmentalism
- MLG – Multi-level Governance
- NA – North Africa
- NF – Neofunctionalism
- OCT – Overseas Territories and Countries
- PCA – Partner and Cooperation Agreement
- RCI – Rational-choice Institutionalism
- SC – Social Constructivist
- SG – Sigma
- SME – Medium-Sized Enterprises
- TEU – Treaty on the European Union
- TW – Twinning
- TX – Taixex
- UfM – Union for the Mediterranean
- UN HDI – United Nations Human Development Index

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Introduction

The 2004 European Union (EU) enlargement marked the culmination of its enlargement policy. The accession of 10 new countries created a more complex environment for policy making and opened up the Union to a broader audience (“The EU’s 2004 enlargement and its impact on policies and processes,” 2007). The enlargement meant new voices, new hopes but also a new set of neighbours for the EU. Recognizing that continuous enlargement may not be the ideal tool for fostering relations with all the neighbouring countries, the EU created a European Neighbourhood Policy (ENP) (Ivan et al., 2013). Through this new tool, bridges could be built with the new neighbours while simultaneously keeping the options open of keeping said neighbours at an arm’s length.

Yet, precisely this approach of keeping the neighbouring countries just close enough to the inner circle, but not in it may be the source of problems in the relations with them. If in the past agreements were conducted individually with each country, the new framework allowed the EU to develop a more comprehensive approach to developing relations with the countries under two new dimensions: East and South.

The research aims to understand how have the new frameworks contributed to advancing the interests in the Union in the Southern dimension for the past twenty years. In some regards, the ENP bears resemblance to the Marshall Plan, but despite the technical & financial contributions and political dialogue the rate of developed has not reached the same height of success as the Marshall Plan.

Because the end goal of the ENP strategy is to offer neighbourhood countries almost the same degree of access to the market as members states have, integration is then the overarching theme of the ENP and also of this thesis. By employing a framework based on one of the major theories of European integration, neofunctionalism, I seek to investigate why the EU has been unsuccessful in reducing the economic and democratic gap between the EU and its Southern neighbours. In order to test this claim, the analysis will be conducted using qualitative research by using a case study approach. This will be complemented with a cross-case analysis comparing the EU’s southern with its eastern neighbours.

This thesis contributes to the literature by applying a theoretical framework, used in the past by various scholars, to explain EU integration and to explore the theory’s explanatory power in explaining the success or failure of its neighbourhood policy. My approach applies the model of integration in a setting outside of the EU and tries to explain why the EU failed in this ambition, with regards to Morocco and Algeria. This research will enrich the literature by building on the theory formulated by Haas and Lindberg. This thesis hopes to provide additional insight into whether the mechanisms that neofunctionalism has identified as shaping integration, notably spillover and socialization, are also relevant for understanding how the EU’s neighbourhood policy fares. The association of the neighbourhood policy with the process of integration is due to the

ambitious objectives of the policy that, in principle, aim to create a "circle of friends" by creating trade and economic bridges. The neofunctionalist mechanisms address the ideas behind both integration and enlargement. Thus, as the neighbourhood policy incorporates elements of the enlargement process, the neofunctionalist framework is also adequate for its explanatory powers.

This thesis is composed of seven chapters. Chapter two contains a literature review of the relevant previous works and also the theoretical framework that shapes the direction of the subsequent research. The emphasis will be on various theories of integration. Starting with a brief historical account of functionalism as theoretical perspective, the chapter discusses other major theories such as intergovernmentalism and neofunctionalism. This chapter also presents and explains the proposed hypotheses to be tested in the remainder of this thesis. The third chapter concerns the research design, operationalization of concepts and the choice of methodology. The fourth chapter will discuss the development of the ENP and explore the role of the different sub-organizations, the objectives of the policy and the tools employed to achieve the objectives of the ENP. Chapter five dives into the analysis and each sub-chapter will be addressing individually the case studies in relation to the developed framework. Chapter six contains the cross-case analysis and builds upon the data from chapter five and further examines this data against two additional cases from the Eastern dimension (Azerbaijan and Moldova). Lastly, chapter seven will conclude the thesis and summarise all of the findings.

2.1 Literature review

2.1.1 Introduction

Upon its inception, the theory of neofunctionalism was presented as the answer to describe, explain and predict the behaviour of actors and of the processes of regional integration (Haas, 1970, p. 627-628). Neofunctionalism (NF) was meant to be a grand-theory of regional integration. Yet, the largest part of its critique stems exactly from this aspiration.

The theory of NF was formulated in the 1950s-1960s by Ernst B. Haas in response to the development of the European Coal and Steel Community and of the European Economic Community. Later developments of the European Atomic Energy Community and of the customs union lent further support to the claims of the neofunctionalists. Haas also sought to directly challenge the dominant IR theories of the 1950s: classical realism and idealism: “I wanted to show that there are other ways to peace than either power or law” (Haas, 2004, p. xiv). However, a sudden policy shift in the 1970s forced Haas to reconsider his claims and in 1975 he proclaimed the death of his theory in the book: *‘The Obsolescence of Regional Integration Theory’*. Since then, there have been a number of reappraisals and attempts to reintegrate NF within the mainstream theories of regional integration. Some of the most notable examples are Taylor P. (1989), Mikkelsen J.T. (1991) and Nimenann A. (2006).

The following section will introduce the roots of NF and provide some background information on some of the core concepts. In doing so, the works by Haas and Lindberg will be reviewed, while also taking account of some of the other parallel works of other authors; finally, this will be followed by a section which will be discussing the critiques that other authors have addressed to the theory.

2.1.2 The beginnings of Neofunctionalism

In a deeply troubled period of two world wars, economic misfortune and the collapse of the global order, functionalism slowly arose as a theoretical approach to solving the post-World War 2 global order. With the help of writers such as Edgar Saveney (1870, cited in Engle H., 1957), Paul S. Reinsch (1909, 1911) and Leonard Woolf (1916), functionalism has taken a variety of shapes and forms, helping set out the blueprint for what became known as functionalism.

David Mitrany, in his essay ‘A Working Peace System’ (1943) sets out the foundation for a unified theory of functionalism. Functionalism, as envisioned by Mitrany, provided an approach to solving the global organization of states post-World War 2. It is necessary to understand that at the time of the writing of his ‘functional alternative’, he had witnessed the collapse of the League of Nations, the rise of the Soviet Union and the gradual disintegration of the British Empire. It is understandable, then, that in this context, his proposal for a new global organization was academically appropriate. Some key elements of his proposal included the establishment of supranational agencies where, authority from sovereign states could be transferred to (Mitrany,

1943, p. 28). The creation of an ‘over-all political authority’ which could act as a central body that would gather altogether various councils of the national governments, but also those who are in charge of the smaller international agencies (Mitrany, 1943, p. 37). These ideas were later incorporated into the theory of neofunctionalism.

In 1958, Ernst B. Haas published his work *‘The Uniting of Europe’*. Later on, Leon Lindberg, a student of Haas at University of California, published in 1963 *‘The Political Dynamics of European Integration’*, which was then succeeded by Haas’ *‘Beyond the Nation-State’* in 1964. Throughout the 1960s a number of other articles were published in order to refine some of their theoretical proposals (Haas, 1960; Haas, 1961; Haas, 1968; Haas, 1979; Haas& Schmitter, 1964; Lindberg 1965; Lindberg, 1966; Schmitter, 1969).

However, NF is not a direct successor to classical functionalism (CF). Firstly, CF maintains that integration is driven by the general desire of common interests (Mitrany, 1943, p. 104-108). NF sees integration as a process driven by private actors for their own benefit (Haas, 1964, p. 230-238; Lindberg 1963, p. 293). Secondly, CF lacks the ability to account for external factors in the context of integration. “[Functional theory] overlooked the fact that the international system contains stimuli other and more subtle than common external enemies, such as new international opportunities” (Haas, 2004, p. xv). Thirdly, CF addresses the global dimension of integration, whereas Haas’ NF is more about regional integration (Rosamond, 2000, p. 6).

NF sought to address the weaknesses of CF. NF was the first theory that attempted to theorize and provide an explanation to the process of European Integration. (C.S. Jensen, 2016). In an article from 1964, Haas and Philippe Schmitter try to test the premises of neofunctionalism and examining regional integration in Latin America. However, the results were not as applicable as in the case of European regional integration process, therefore their theory lacked the generalization ability they sought to confer upon the theory. This attempt by Schmitter and Haas came at time when NF started to lose traction due to the repositioning of national interests, hence neofunctionalists were forced to start rethinking some of their premises, eventually leading the theorists to lose the favour of the academic community who “all but abandoned [it]” (Tranholm-Mikkelsen, 1991, p.2). In the 1990s, once the integration process was relaunched through the Single European Act (SEA) and the Treaty on the European Union (TEU), NF once again started to capture the attention of scholars. Starting from this point forward NF experienced a revival of its theory.

During the early days of NF theory, the founders of the theory, Ernst Haas and Leon Lindberg, had differing understandings of the concept of integration. For Haas, integration is: “the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities towards a new centre, whose institutions possess or demand jurisdiction over pre-existing national states. The end result of a process of integration is a new political community, superimposed over the existing ones” (Haas, 1958, p. 16). On the other hand, Lindberg saw integration as: “(1) The process whereby nations forego the desire and ability to conduct foreign and domestic policies independently of each other, seeking instead to make joint

decisions or delegate the decision-making process to new central organs: and (2) the process whereby political actors in several distinct settings are persuaded to shift their expectations and political activities to a new centre” (Lindberg, 1963, p. 6). An important distinction between the two definitions is that Haas viewed integration as the final stage, of a continuous process, whereas Lindberg envisioned a more dynamic approach of integration (Niemann and Schmitter, 2009, p. 47). Despite the contrasting approach of each definition, they are complementary views of the same concept.

2.1.3 Critique and attempts to readjust the theory

A series of events in the 1960s, the protectionist wave and the assumption that spillover is an automatic process were the 3 fatal blows that put the theory on pause until its revival in the 1990s. Spillover can be defined as a process through which deeper economic links create pressures for further integration that go beyond the initially targeted sector. Haas was so confident in his theory, that he predicted that “spill-over may make a political community of Europe in fact even before the end of the transitional period” (Haas, 2004, p. 311). Lindberg, on the other hand, was much more cautious in his definition and suggested that “the dynamics of spill-over are dependent upon the fact that support for any given step in integration is the results of convergence of goals and expectations” (Lindberg, 1962, p. 15).

The first sign of NF’s downfall came in 1963 when French President Charles de Gaulle vetoed the British accession to the European Economic Community. This event was then succeeded by the 1965 ‘empty chair crisis’, when the French refused to take part in the Council of Ministers until the proposal for the Common Agricultural Policy was revised. The ‘empty chair crisis’ highlighted that the integration process had not reached a point at which national interests are superseded by community and economic interests. Therefore, non-state actors, which NF considered to be the primary drivers for integration (Haas, 1968, p. xix), were still not in the driver’s seat and the nation-state still played a principal role.

Following this, the collapse of the Bretton Woods system in the early 1970s proved the final blow. The collapse led a number of states to initiate protectionist policies, hence putting a stop to the spillover process (Eilstrup-Sangiovanni, 2006, p. 97). According to Haas’ theory this succession of events would require countries to sacrifice economic advantages at the cost of deeper integration (Haas, 1958b, p. 454), which is in contradiction to what NF theory predicts.

This series of events then triggered a number of scholars to start addressing the lapses of NF. The strongest critiques came from the newly formed intergovernmentalist (IG) approach. One of the most important critics was Stanley Hoffmann (1963, 1964, 1966, 1982), who concluded that NF had failed to account for crucial factors. In his critique of NF, Hoffmann put forward the IG alternative for explaining European integration. Following the ‘65-’66 crisis, he explored the idea of a ‘logic of diversity’, which “is based on differences in domestic determinants, geo-historical

situations and outside aims” (Hoffmann, 1966, p. 864). Hoffmann also argued that NF failed to account for the difference between ‘low politics’ and ‘high politics’, in regards to integration. Low politics refers to the politics regarding welfare and social security, for which integration is easier to occur. Whereas the high politics, which concerns foreign policy and defence, constitute subjects on which nation-states are more reluctant to cede sovereignty (Eilstrup-Sangiovanni, 2006, p. 146).

Haas attempted to readjust some of the concepts that faced the strongest criticism, but nonetheless, was forced to proclaim the death of his own theory in 1975 (Haas, 1975).

2.1.4 Intergovernmentalism & Liberal Intergovernmentalism

Hoffman’s theory of intergovernmentalism did not solely emerge as a critique of the neofunctionalist approach to explaining European integration. It was also a reaction to the suggestion that the European Community would become a federal state (Cini, 2016, p. 68).

Intergovernmentalism and its successor Liberal Intergovernmentalism are among the reference points of European Integration theory. However, neither of them is fully explicative nor predictive of EU integration. IG is a state-centric approach, hence institutions, corporate actors and civil society play a secondary role to that of the state in the context of the European Community and the integration process as a whole. At the core of IG lies the concept of sovereignty. It plays such a major role due to the IG’s state-centric approach, but also because for intergovernmentalists, European integration is a “pooling of sovereignty” (Cini, 2016, p. 67). IG tends to discredit the role of the European institutions, suggesting that they are “little more than servants of the Member States” (Cini, 2016, p. 68). The reason that they engage in transactional agreements with these institutions is due to the increased effectiveness of cooperation with other member states and additionally by working through them, makes the commitments themselves gain more legitimacy.

Intergovernmentalist theory had a number of divergences with regards to the NF spillover process, sovereignty transfer, the power that institutions had in reality and generally with the NF view on integration. When discussing spillover, Hoffmann suggested, “that this was more of an act of faith than a proven fact” (Cini, 2016, p. 68). Secondly, the way that member states cooperated at European levels was done through a transfer of sovereignty. In his view, member states continued to retain their central roles in the integration process. Thirdly, the ‘transfer of sovereignty’ was achieved by ‘pooling or sharing of sovereignty’ (Keohane and Hoffman, 1991, p. 277). Fourthly, institutions are mere tools of states, being “a little more than servants to the member states” (Cini, 2016, p. 68).

Lastly, he suggested that the integration process can be explained, to a large degree, by his high/low politics framework. This framework presented an arena of ‘low politics’ where states were willing to make compromises. This area mostly concerned technocratic and functional areas of integration, such as agriculture or the customs union. The arena of ‘high politics’ is related to security and defence, foreign policy and monetary policies. These are areas on which member

states, as suggested by Hoffman, would not compromise or cede any sovereignty (Rosamond, 2000, p. 78-79; Cini, 2016, p. 69).

Despite the theories' surge to success in the 1970s, IG was – not long after – also subject to criticism. Similar to its predecessor, NF, IG's assertions and conclusions were weaker when they were contextualized. IG was highly successful in the 60s-70s due to the slowdown in integration and increase in protectionist policies. However, in the 1990s, when the integration process was reignited due to the development of the Common Foreign Security Policy (CFSP) and the European Monetary Union (EMU), IG began to lose theoretical traction (Rosamond, 2000, p. 79). The development of the latter two agreements signalled the weaknesses in his strict demarcation of 'high and low politics' (Cini, 2016, p. 69).

Following the decline of IG, Andrew Moravcsik built upon empirical shortcomings and of the newly developed social phenomena and reframed his new theory as Liberal Intergovernmentalism (LI).

The importance of this theory cannot be underestimated as some scholars have gone as far as calling LI "one of – if not the – most important account of the European integration process" (Cini, 2010, p. 96). That is because, unlike NF, LI views integration as a choice, rather than a process, in the LI view the EU gains more democratic legitimacy and also his theory provides a multifaceted understanding of outcomes in the context of a pluralistic society (Kleine and Pollack, 2018). Moravcsik envisioned the integration process as a two-level game. Initially, states define their policy preferences at home (in the domestic arena), after which when they reach the international arena they enter the second level of the game. Here, states attempt to reach an agreement based on inter-state bargaining (Cini, 2016, p. 73). This framework is based on Robert Putnam's 'two level game' approach (Putnam, 1988). The 'two level game' posits the idea that negotiations and inter-state bargaining take place in two arenas. In the national arena, special groups put pressure on politicians to pursue positive policies. Once the discussions move to the international arena, each actor seeks to maximize their gains, while minimizing negative effects. (ibid. p. 434)

The LI view is composed of three dimensions: the demand for cooperation, the supply side and the institutional delegation. The demand for cooperation refers to the negotiations that take place in the domestic arena where national preferences are formulated. The supply side refers to the international arena and to the process of inter-state bargaining. The third element of this system represents the stage on which the states engage in the bargaining process, institutional delegation. (Cini, 2016, p. 73-74). The role of supranational institutions is to improve efficiency of the bargaining process and to ensure the commitment to the agreements of the member states (ibid).

In spite of the positive feedback on the new approach, the theory was not without its detractors. Some authors argue that Moravcsik is too selective with his case studies (Nugent, 2010, p. 433).

While others argue that by focusing on treaties that concern economic integration and decision making in the Council “it is hardly surprising that Moravcsik comes to the view that the EC is primarily motivated by the aggregation and conciliation of national interests” (Wincott, 1995, p. 602). Another point of critique concerns his understatement of the importance of European institutions in the context of European integration. Nugent addresses this aspect by suggesting that this is one of the reasons for which his theory has drawn a particular amount of criticism (Nugent, 2010, p. 434).

Yet, in spite of a number of empirical studies that argue that the institutions do deserve more credit for their role in shaping integration (Sandholtz & Sweet, 1998; Sweet, 2004), his position on the subject is that “intergovernmental demand for policy ideas, not supranational supply of these ideas, is the fundamental exogenous factor driving integration. To a very large extent for cooperative policies creates its own supply” (Moravcsik, 1995, p. 618). This view of the theory displays the inflexibility of both the author and of the theory itself in the face of studies that could potentially diminish certain theoretical arguments. Overall though, IG and LI have played a decisive role in giving an academic viewpoint on the subject of integration.

2.1.5 Alternative theories

While theories of integration do not directly belong to the field of grand international relations theories, they do borrow some concepts from them and, in the past, have had grand theoretical ambitions. However, it is essential to acknowledge that the field of European integration is not limited to these theories. There are also many alternative theories such as: *'Rational-choice Institutionalism'* (RCI), *'Multi-level Governance'* (MLG) and *Social Constructivist* (SC) approaches that seek to understand this process.

These theories have some limitations too that make them less suitable than NF for this study. RCI theory is much more abstract and ‘concerned more with theoretical elegance than with policy relevance’ (M.A. Pollack, 2001, p. 231). Despite its theoretical relevance, my focus is more concrete and focused on testing theories, rather than developing theories. MLG is very successful in developing and explaining the vertical and horizontal interaction process between institutions and member states (Hague and Harrop, 2007). However, my focus extends beyond the member states; therefore, my case study does not fall directly under the MLG umbrella. Lastly, SC is very successful in asking the appropriate questions, defining the rules that certain actors adopt in pursuing their goals and the way their definitions shape our understanding of the institutions themselves (M. A. Pollack, 2001, p. 234). As Moravcsik also argues, the SC theories are non-falsifiable due to their nature, as some of the theorists have shown an ‘unwillingness ... to place their claims at any real risk of empirical disconfirmation’ (M. A. Pollack, 2001, p. 235). Hence, due to this relatively fuzzy nature of the theories, they become harder to test and apply if they are hard to disconfirm in the first place.

2.2 Theoretical Framework

2.2.1 Introduction

European integration has been a subject of intense debate ever since the European Community was first created. A number of theories and frameworks have sought to understand, explain and to eventually predict the direction in which the integration process is heading. At the forefront of these theories are neofunctionalism, intergovernmentalism (IG) and also its successor, liberal intergovernmentalism (LI). They occupy a distinct place due to their capacity of explaining the mechanisms in an accurate manner, they have empirical support and also a number of other respectable authors from the field support and debate the claims of the theories. But, nonetheless over time the theories have been subjected to a number of criticisms. The theories compete with each other, while also complementing each other. In the context of this paper, the NF framework is situated centrally in explaining the deficiencies of the European Neighbourhood Policy (ENP) in North Africa (NA). This chapter will debut with a discussion on NF, its core ideas and the elements that will be directing the theoretical framework, but there will also be a discussion on the hypotheses that will guiding my research. Following this, I will be arguing why NF is superior to IG and LI in this particular instance, this is then followed a brief conclusion.

2.2.2 Neofunctionalism

Having established the basic premises of integration according to NF, the following section deals with mechanisms that drive integration according to NF. The next section lays the groundwork for both the understanding of NF's mechanisms, but also for the theoretical propositions advanced by NF. Each of the following hypotheses will be discussed: spillover, elite socialization and supranational interest groups; after which, there will be another short section that will elaborate on the choice for NF over IG and LI to provide a better understanding of the scope of this research.

The basis of NF integration and the driving force of the process is the concept of spillover. The logic behind this process was that economic interdependence is so deep that if problems arise in one sector, the only, or rather, the best way to solve these problems was through further integration. This logic suggests that in order to achieve the initial goal, new goals had to be formulated. Spillover, over time, has been divided into three main categories, which cater to different aspects of integration (the political and economic aspects). However, for the purpose of this document, I will introduce a fourth category of spillover that will help enhance the theoretical backbone of the subsequent analysis. The four types of spillover are the following: *functional*, *cultivated*, *political* and also *external spillover*. These theoretical concepts will serve as tools to understand the underlying factors of the ENP failure in NA. The framework encompasses tools that can provide

explanations of processes at local and national levels. Moreover allow me to provide a good perspective of the role of supranational organizations and the extent of their involvement.

Functional spillover refers to the technical and more integrated aspects of the economy (Tranholm-Mikkelsen, 1991, p. 5). Carole Webb suggests that Haas and Lindberg interpret functional spillover similarly to the way that economists at the time also did (C. Webb, 1983, p. 19). They suggested that deeper economic ties would lead to the strengthening of supranational regulatory bodies and that, in turn, ‘politics would follow economics’ (Rosamond, 2000, p. 60). Both Haas and Lindberg assumed that the spillover process was an automatic one (Haas, 1958, p. 297; Lindberg, 1963, p. 10), however later empirical development proved them wrong.

The second type, **political spillover**, denotes the underlying mechanisms of pluralist societies. The national elites, over time, uncover the fact that their interests are better served at an European level than at the national level. This can then persuade them to seek alternative solutions and can even convince them to shift some of their loyalties (Haas, 1968, p.16; Tranholm-Mikkelsen, 1991, p. 5; Turkina and Postnikov, 2012). Tranholm-Mikkelsen argues that, in the context of the enhancement of EC bureaucracy and the creation of COREPER has enabled these groups to become completely capable of bypassing the traditional communication channels and that “national officials would just pick-up the phone” (Tranholm-Mikkelsen, 1991, p. 5) when they would call.

The third type, **cultivated spillover** refers to the role of supranational organizations in the process of integration. According to an article from 1961, Haas argued that if left to their own volition states would negotiate to the ‘minimum common denominator’ (Haas, 1961; Rosamond 2000). Tranholm-Mikkelsen (1991, p. 6) suggests that in such circumstances the Commission acts as the middle-man and its role “is to offer solutions which involve an upgrading of the common interest. In other words, the Commission and the other supranational institutions will be actively seeking deeper integration while trying to reject proposals for more divisive approaches.

The fourth type, **external spillover**, is divided into two categories: *voluntary* and *enforced*. The former type refers to the process where the non-member states attempt to establish agreements and have stronger ties with the EU (L. Miles, 2004). Whereas the latter, refers to the legal and technical criteria that countries need to fulfil in order to adhere and become part of Single Market, or of the Union itself (ibid). Although, enforced spillover is usually more of a precondition for aspiring states to become members of the Union, the criteria that need to be met are not limited to the acquisition of membership, but also for becoming part of the Single Market or in other cases of deeper interstate cooperation.

Within the NF framework, the ideas of loyalty and shift of loyalties is not limited only to ‘**political spillover**’, but it also relates to ‘**elite socialisation**’. This represents the second component and the logic behind this process is that once people, officials and other members of foreign governments become more involved in the Commission’s day-to-day business they will start developing new

loyalties and values (C.S. Jensen, 2016). By being in constant contact with various individuals, at these supranational institutions, people can develop pan-European ideals and seek supranational solutions, rather than national level ones (ibid.) This then could lead to the creation of new political ideals with solutions that stretch beyond the traditional national borders.

The third, and final component refers to the way that supranational interest groups get created. The supranational orientation of norms is not embedded in traditional civil servant circles. NF claims that interest groups will seek to expand beyond state borders. Various business partners will conclude that they stand to benefit more from supranational reorganization. Therefore, they will shift their interests and activities to the supranational level. In doing so, they will also encourage national governments to advance the integration process (ibid.). One such example is the ‘European Roundtable of Industrialists’. According to their website “ERT advocates policies at both national and European level, aimed at creating conditions necessary to achieve its mission, which includes in particular: the promotion and stabilisation of the European Union...” (<https://www.ert.eu/about-us>).

In the NF framework, spillover is the main driving force of integration. The gradual development of one of the four types should, in theory, allow for the other spillover effects to occur as well. However, what if for functional spillover to attain the ‘domino-like’ dynamics, external spillover would have to first ‘grow bigger’? Haas asserts that functional spillover triggers the ‘chain reaction’ of developments that lead to deeper integration. However, the particularity of the case studies necessitates a new approach. For states to benefit from functional spillover (economic relations, trade, foreign investments, foreign aid), they need to become more receptive to adopting EU *acquis*. What has been done so far, in terms of agreements has not contributed locally significantly, therefore deeper ‘functional integration’ is seen as slow or not applicable to the local context. This in turn creates a vicious circle where without deeper external spillover, functional spillover cannot occur and vice-versa.

H1: Functional and external spillover are dependent on each other. This fuels a vicious circle that stalls the advancement of ENP agreements and policies.

Concepts such as loyalty and political socialization are regarded as notable within the framework. So much so, that if political socialization is high, then the shift of political loyalties should then lead to more supranational approaches. This mechanism can be observed not only from the perspective of EU – North Africa relations, but also intra-continentially in the context of Africa FTAs.

H2: The effect of loyalty shifts, due to elite political socialisation, does not contribute significantly to the shift of political ideals from the national arena to the supranational arena.

What if the lack of success is due to a more complex combination of factors that are hard to account for, or simply require more time to be solved before progressing to the next stage? Corruption,

high rates of poverty and reduced pluralism can each in turn contribute differently to policy implementation and success; these factors can either increase or reduce demand for spillover but also, they can completely weaken the entire process of integration (Fouquin et al., 2006; Opalo, 2013).

The theory of this chapter is based on the resource curse hypothesis that was first formulated by Richard Aunty in 1993. His theory postulates that mineral exporting countries tend to underperform when compared to more diversified economies (Aunty, 1993, p. 15). While this theory does not apply to all cases because there mineral rich countries that have harnessed their minerals and do perform well (e.g. USA, Canada, Australia, Norway), there are numerous examples of countries such as Nigeria, Sierra Leone, Iraq and Libya that have not benefited from the economic success associated with their mineral wealth and have actually exhibited some of the aspects associated with the resource curse: high levels of corruption, lack of economic diversification, inflation, high child mortality and reduced levels of literacy (Sovacool, 2010, p. 256). A study by Aunty and Gelb (2000) examines how resource poor and resource rich countries perform. According to their results, resource poor countries are maximizers of received aid and investments and often pursue policies that lead to ‘egalitarian growth and competitive industrialization’. Whereas resource rich countries are more prone to political failure because this “encourages contests for the rents that tend to engender factional or autonomous predatory political states” (Aunty, Gelb, 2000, p. 2-3). In doing so they then distribute the rent among the most favoured social groups. In addition, the ‘Dutch disease’ is a theory that has often been associated with the resource curse. First formulate by Corden and Neary (1982), the idea behind this phenomenon is based on observations of the Dutch economy in the 1960s when the discovery of oil and gas in the North Sea negatively affected their manufacturing and agricultural export sectors. This subsequently led to a decline in economic growth (Chekouri, Chibi, 2016, p. 3). Following the logic of these phenomena, I anticipate to find support for the fact that the lack of success in the Southern dimension is not only due to failure in undergoing deep changes. According to the NF framework, these changes can in turn morph into functional spillover and then help develop the country economically and eventually lead to better integration both regionally as well as into the EU market. However, the cross-case analysis will attempt to take a different approach and try to determine if the resource curse could be one of the causes for the lack of progress. To test this hypothesis and the relationship between the different mechanisms, a cross-case analysis will be employed with respect to Ukraine and Azerbaijan.

H3: The effects of the ‘resource curse’ contribute significantly to the development of a country and impede its development and the adoption rate of EU acquis and standards.

2.2.4 Neofunctionalism vs Intergovernmentalism & Liberal Intergovernmentalism

In the case of this research paper, the superiority of NF over IG and LI comes from its ability to give a multifaceted account of the integration process. The fact that NF emphasises the role supranational institutions and that in fact, they are not simple pawns for the member states, gives the theory a significant advantage over the others. This approach puts the institutional roles into perspective, thus the effects of integration are not limited to the interests of states, but to the union as a whole. In part, this thesis also seeks to understand the evolution of the DG Enlargement and Neighbourhood, therefore institutional perspective is a plus for the overall objective of the thesis.

In the IG and LI view, the Council of Ministers and the Council of the EU are the real power brokers within the Union. In practice, however, that may not be the case. Apart from the Commission, the European Court of Justice (ECJ) also wields important powers. The fact that their decisions are binding and that they generally set the norms for the way European law is interpreted and enforced, allows them to play a decisive role in shaping the EU and the integration process. One striking example of the role of the ECJ in the process of integration is represented by their decisions in the cases of *Dassonville* (ECJ 8/74, 1974) and *Cassis de Dijon* (ECJ 120/78, 1979). The ECJ interpretation of Art. 28 TFEU (free movement of goods) shaped the entire subsequent debate on the matter of integration. Despite the opposition from the litigant states, traders won much through the Court's interpretation of art. 28. "[This] directed national judges to enforce trader's rights where governments could neither prove reasonableness nor necessity. This structure encouraged traders to use the courts as makers of trade law" (A.S. Sweet, 2004, p. 129). Such an interpretation is consistent with NF literature which suggested that the supranational organizations would be pushing for deeper integration (M.A. Pollack, 1998). Furthermore, NF is more capable of explaining the day-to-day operations within the EC. Whereas, IG and especially LI are more qualified than NF, in respect to providing explanations of the landmark treaties that shaped the EC. Where NF loses, it gains in respect to the theories' ability to provide a more diverse image of the integration process than the other two theories do.

On the other hand, the critique addressed to NF theory cannot be ignored. In addition to the strong critique regarding spillover (Hoffmann, 1964), the slowdown of the integration process from the 1970s and the grand theoretical ambitions, there are some further weaknesses that should be discussed. As discussed earlier, through socialization elites will shift their loyalties and try to increase cooperation at a supranational level. C.S. Jensen suggests that this should have naturally encouraged people, non-elites, to follow suit. However, this did not happen. The most obvious example of this is the failed 'EU Constitution referendum'. Despite the agreement of elites on the document, voters strongly opposed and new strategies had to be formed. Hence, NF can try to account for the behaviour of elites and where their interests are, but the theory still lacks an understanding and explanation for the less predictive patterns of interests and behaviours of voters. Additionally, NF has a poor understanding of the winners and losers of integration. Yes, as argued before, certain groups may desire certain policies because they could potentially benefit, but that does not paint the entire picture. As beneficial as one may view deeper integration to be, special

interests may sneak into agreements and lead to the formation of a ‘negative’ type of elites. Caporaso argues that NF has “no explanation for which groups should succeed, from coalition, mobilize interests, have access to policymakers, and affect policy” (Caporaso, 1998, p.9). Lastly, NF has a poor record of explaining and predicting integration outside of the European region. An article by Haas and Schmitter (1964) tackles exactly this question and they discover that for similar integration patterns to emerge, a set of background conditions are necessary (size, pluralism, rate of transaction etc.). Their conclusion suggests that it is relatively unlikely to apply the exact same theory outside of the European borders and get similar results.

Therefore, I can anticipate, based on the critique, that perhaps my answers will not be as clear-cut as the theoretical limitations impede me in this sense. However, by testing the theory in a different context I will be able to develop the explanations that have not been taken into account and hence fill in the research gap on the question of regional integration in NA and give the NF theory a new setting for future research.

2.2.5 Conclusion

All the concepts described in the paragraphs above serve the role of base from which the analysis will stem from. Having already described what each of the concepts entails and based on their application from previous literature they will subsequently provide the necessary help for understanding each of the countries and their lack of success with the ENP. The four types of spillover will provide the background explanations of processes, for example functional spillover can be used to explain the process of economic integration of the region and the chances of achieving a fully-fledged FTA. Political spillover and elite socialization are concepts that are strongly related, but they paint a picture in understanding the political landscape and also this serves as a suitable ground for testing the political socialization hypothesis. In spite of what the theory suggests, the results may differ from reality. Or in the best case, their overall influence may be negligible considering the overall lack of ENP success in Northern Africa. Cultivated spillover will be addressing the pluralist aspects of the societies in question and see the role played by them in the integration process. Again, as in the previous case, cultivated spillover is also related to the creation of supranational groups and their roles in achieving supranational goals. Lastly, external spillover (enforced& external) relates to the pressures under which Algeria and Morocco are a subject of. If in the case of the previous concepts, the analysis was directed at specific actions, political loyalty and the role of groups in pluralist societies, this spillover concept addresses the direct and indirect roles of the states in fulfilling the objectives of the ENP. In concrete terms, this means that matters such as the validity of their commitments to achieving what was set out. But also, the matter of membership will be discussed under this heading. The elements envisioned within the concept of external spillover, are strongly related to those of EU membership and the pre-accession process. However, as these countries are not European, they cannot aspire to be EU members. Therefore, this becomes a matter of carrot and the stick, but it is just that there is actually no carrot, only the stick.

3.1 Research design

3.2 Methods & operationalisation

This chapter contains a discussion of the research design employed in this study. First, I will detail the methods used. This is then followed by a discussion which will expand on the operationalization of the hypotheses. This will include an elaboration on the conditions under which they can be tested in order for them to be confirmed or refuted. Lastly, the chapter will conclude with a discussion on the sources of the materials used for conducting this research.

In order to answer the research question, I will be using a most similar systems design (Toshkov, 2016) with Algerian and Morocco as the central cases. To verify the claims of the hypotheses, I will be first conducting a within-case analysis for each of the countries in order to understand the relationship between the independent variable and the dependent variable in each case, which will be followed then by a cross-case analysis with two additional case studies (Moldova and Azerbaijan). For the cross-case analysis, a different set of independent variables will be selected so that I assess alternative explanations for the outcome. The conclusions derived from the cross-case analysis will help demonstrate a potential relationship between independent and dependent variable in the main case studies.

The previous chapter presented and explained the logic behind the proposed hypotheses. In order to test the hypotheses, the variables attached to each of them will be operationalised and then I will argue which conditions are necessary to confirm or refute them.

H1: Functional and external spillover are dependent on each other. This fuels a vicious circle that stalls the advancement of ENP agreements and policies.

If integration is a process that gradually occurs through spillover, then the gradual opening and liberalization of a country should trigger economically measurable effects. To measure these effects, I will be operationalising **external spillover** as signed agreements, the number of TaieX, Twinning and Sigma projects, economic and democratic reform, EU aid absorption, the historical evolution through the World Bank's Doing Business Guide and any other country specific provisions that the Action Plans and Association Agreements may have included. This broad approach to the operationalisation of external spillover allows me to account for a multitude of indicators that may play a role and hence the analysis itself can be more accurate. **Functional spillover** is operationalised as economic diversification, changes in levels of employment and trade with the EU. Depending then on the extent of each of these variables, the two cases will be compared so that I can measure the effect of **FS and ES**. In other words, if one of the case studies has signed multiple agreements, engaged in a large number of pre-accession programs, has a high absorption of EU aid, they have been gradually climbing the rank of the DB Guide while concomitantly benefiting from an increase in economic diversification, a decrease in the levels of

unemployment then the hypothesis is valid. The hypothesis is invalidated in the case in which the former set of values again increase, but the former do not convert into economic benefits, hence no economic diversification and employment levels do not decrease.

H2: The effect of loyalty shifts, due to elite political socialisation, does not contribute significantly to the shift of political ideals from the national arena to the supranational arena.

For loyalty shifts to occur, the elite political socialisation has to be high. To measure political socialisation I will be referring to the number of participants from each country in Taiex, Twinning and Sigma programs. Because these programs involve participants from the ministerial levels and the general public administration, these people can reasonably be considered the ‘political elite’. Secondly, membership and participation in regional organizations (e.g. Union for the Mediterranean, African Union, and regional free trade agreements) will also contribute towards achieving a higher degree of elite political socialisation. Then, the overall effect of these variables will be examined. In particular, their contribution towards the signing of more agreements that can be regarded as having a supranational reach, rather than a national/ protectionist one will be assessed. If a country has a high rate of participation in organizations and programs mentioned above, then it should also have achieved a large degree of progress towards deeper integration. So, if a country participates in these programs and has high degrees of integration, then the loyalty shifts hypothesis is confirmed. But if a country has a high degree of elite socialisation and yet progress towards deeper integration is limited, then the hypothesis is refuted. Similarly, if a country has high elite socialization, but limited degrees of integration the hypothesis can be rejected.

H3: The effects of the ‘resource curse’ contribute significantly to the development of a country and impede its development and the adoption rate of EU acquis and standards.

The resource curse hypothesis will attempt to assess alternative explanations that may explain the lack of success of ENP policies. For example, Fouquin and colleagues (2006) suggest that the resource curse shaped the behaviour of countries in the context of regional integration. Such countries would be more reluctant to open up and become part of schemes aimed at deeper integration (ibid). The cross-case analysis will be comparing the two case studies to two additional countries from the Eastern dimension: Moldova and Azerbaijan. The new case studies will serve as a reference point to how successful they have been in comparison to the main case study countries at reaching higher degrees of integration. In order to account for other possible mediating variables that may influence the validity of this hypothesis, a number of additional independent variables will be examined: economic diversification and exports, perceived levels of corruption and transparency, the UN Human Development Index, life expectancy, individual agreements with the EU, financial aid received from the EU and the number of implemented Taiex, Twinning and Sigma projects. The validity of the hypothesis will be verified as such: if resource dependent countries are in advanced stages of reaching a DCFTA with the EU, the theory is refuted. However, if non-resource dependent countries are also in advanced stages of reaching a DCFTA, but also

carry similar levels of the media variables, as the resource dependent countries do, then the hypothesis is confirmed.

Lastly, the dependent variable in this case study is the success rate of ENP policies. This is operationalized as the degree of integration in the EU internal market. Specifically, the if case studies have reached complete congruence with EU legislation and *acquis*, how far is their progress in regards to signing a DCFTA and if the objectives set in their Action Plans are met within a 3-5-year timeframe, then the ENP policies have been successful, thus getting as close as possible to signing a DCFTA.

3.3 Data

The research of this thesis is based on multiple sources. The vast majority of the information is derived from primary sources such as, US& EU governmental reports; memos; official press releases; speeches; legal acts; agreements; records from the European Commission and research data from Eurostat. I used statistical and economic data from the World Bank, the Observatory of Economic Complexity and Trading Economics. Secondary sources were also employed. Secondary sources include books, journal articles, newspaper articles, academic blogs, conference papers and specialised websites. For news articles I chose to be very selective with them because I wanted for the information to be conveyed as factually as possible. Articles that are too opinionated make for a poor-quality research and in turn present a skewed understanding of the events. In order to balance any potential bias, I will be also examining and using scientific articles so that any factual misrepresentations are blocked by empirical testing. Therefore, I mainly chose news articles from the BBC, Radio Free Europe, The Economist, the Organized Crime and Corruption Reporting Project, Transparency International and Euractiv.

Because the analysis is focused on a timeframe of about twenty-five years starting from the 1990s until present, I was able to find an abundance of data. This is especially the case for the last decade. Therefore, the main challenge in this regard was not finding information and the necessary data, but rather creating an appropriate data selection process. In order to determine which data was relevant for the research I had to define clearly the scope of my research, scan through other literature in order to gain a deeper understanding of the subject, but as well sample what data was of interest to me, depending on the conclusions I want to infer. In practical terms, I have conducted all of the above by elaborating a vocabulary with a narrow focus, using a citation index (e.g. Web of Science) and also by discussing with my academic peers to acquire feedback and improving the overall quality of my research.

4.1 The Mediterranean multilateral framework

The following chapter is focused on the development, significance and functions of the institutional frameworks that govern the way in which the EU and its members states interact with the neighbourhood area. Hence, the chapter is structured as follows: two separate sections referring to the Union for the Mediterranean (UfM) and the European Neighbourhood Policy (ENP). Each section will start off with some background information on the political circumstances that favoured their respective inception and development. Then the discussion will continue by relating to the more engaging elements of their evolution. By this, I mean the elements related to their concrete functions, methods of interaction and other used instruments.

This chapter serves the purpose of introducing the temporal framework with which the entirety of this research is conducted. Additionally, this will help understanding how the institutions, and the various programs that they employ, interact with one another. It is also important to give an account of what has been achieved and what has not and lastly, how the institutional changes have shaped the objectives and agenda of these institutions.

4.2 The Union for the Mediterranean

The dynamic political nature of the neighbourhood area and the network of countries with different interests and traditions, has caused difficulties in fostering long-term relations based on trust and reciprocity. One of the biggest dilemmas of the EU external policy was finding appropriate solutions that balance the political, the economic and personal interests of both the EU and of its neighbours. One such example is the Euro-Mediterranean Partnership, also known as the Barcelona Process (BP). Inaugurated in 1995 with the signing of the Barcelona Declaration by 15 European Union countries and 12 Mediterranean ones (Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Palestine, Syria, Tunisia, and Turkey). The BP was a fundamental success because it employed a comprehensive approach towards finding the common ground in three key areas: **1.** political stability and security **2.** economic development and creating an area of shared prosperity and **3.** promoting understanding, culture and understanding between civil societies. Through the creation of the BP, a new milestone had been reached: the first political project of the EU that targets the Mediterranean area (Schmid, 2005).

Ten years later, and this declaration has been nowhere near as fruitful as its founders had hoped it to be. After the initial commitment, the enthusiasm died off and interests of Mediterranean countries got pushed aside (Kołakowska, 2006). “Progress towards the creation of a Euro-Mediterranean area of shared prosperity has been moderate” (European Commission, 2005). The increased trade flows between the two blocs has not led to the social reforms that were expected to contribute to a decrease in migration (Lutmar, 2011). Further evidence of the ineffectiveness of BP can be found in the very list of attendees of the 10-year anniversary of the BP. In spite of the fact that many high-ranking of European leaders attended the event, from the Mediterranean

countries only three leaders were representatives of the highest government level: the President of the Palestinian Authority and the Prime Ministers of Turkey and Lebanon (Euromed, 2005). Whereas the rest of the countries sent lower level government officials as representatives. Obviously, this event is not sufficient to completely categorise the BP as unsuccessful, however what this event does signal, is the deterioration in relations and the disinterest of the Mediterranean countries to continue on the same path.

Following this development and the ENP's inception in 2003, France put forward a proposal in 2007 for a new group: 'Union for the Mediterranean' (Icard, 2012). This new approach sought "to breathe life into the Barcelona Process and to be a visible, multilateral adjunct to the ENP" (European Parliamentary Research Service, 2015, p. 16). What differentiated this new approach from the BP was that it took a more inclusive approach to project development and the UfM was also going to be a co-chaired initiative, with one representative from the EU and the other from the Mediterranean countries (ibid). Eventually, this initiative became a reality at the Paris Summit for the Mediterranean from July 2008. At this summit, 43 representatives (28 from the EU and 15 from the Southern and Eastern Mediterranean countries) signed the "*Joint Declaration of the Paris Summit for the Mediterranean*", which established the UfM and hence set out the new direction of the former BP.

Once the BP was reformed, the Mediterranean cooperation process gained a second wind. Since its foundation in 2008, the institution has undergone two developmental phases and currently is in its third phase. Between 2008-2011, the UfM traversed a period that defined its institutional organization, between 2012-2015 there was an increase in activities but most importantly the focus was on reinforcement of capacity and working methods, and developing beneficial partnerships. Starting from 2016, the organization entered its third phase which aims to continue building on the current projects and to strengthen the organization in relation to its projects in the area (UfM Secretariat, 2017, p. 7).

In 2017, a roadmap for future development was established. This roadmap consists of four objectives directed at different areas of interest: "**1.** enhancing political dialogue amongst Member States, **2.** ensuring the contribution of UfM activities to regional stability and human development, **3.** strengthening regional integration and **4.** strengthening UfM capacity for action" (UfM Secretariat, 2017, p. 9). Concretely, these objectives translate into **1.** increasing intra-institutional and inter-institutional cooperation (e.g. with the ENP), **2.** bridging cultural barriers and preventing extremism; developing human capital through job opportunities, education and mobility, **3.** developing cooperation on trade and increasing infrastructure networks and **4.** increasing coordination between partnerships and advance internal organisation capabilities. Concrete examples of such types of projects are for example: the *Agadir SME Programme* (a project designed to contribute to economic growth and development of small and medium sized

enterprises in the area of the four Agadir Agreement¹ participant countries), *WoMED – Women of the Mediterranean: Next Generation of Leaders* (a training program designed for increasing the professional and personal skills of women between 25 and 35 years in the Southern Mediterranean), or the project concerning the *completion of the Central Section of the Trans-Maghreb Motorway Axis* (an infrastructure program designed to merge the Algerian, Moroccan and Tunisian motorway networks).

Despite working under the auspices of the ENP, the UfM distinguishes itself from the former as the latter serves more as a forum of discussion, coordination and project development. These aspects are highlighted by the organizational structure which also includes its own parliamentary assembly, which consists of 280 members, and also by the types of projects that it often chooses to focus on (europarl.europa.eu). For example, 2/3 of the 47 labelled projects are considered to be “soft”, meaning that they concern aspects regarding trainings, exchanges on best practices or networking. (UfM Secretariat, 2017, p. 23). Funding for these programs is most often provided through grants. Regarding the projects in areas of infrastructure, the so called “hard projects”, the role of the UfM is that of a “trusted third party”, which means that they ensure the ‘investment dynamic’ between the main actors. Other activities that the UfM Secretariat is responsible for include: identifying priority projects, building strategies and ensuring coordination between investors, government and all other financial instruments.

Overall, the UfM is a type of organization that is responsible with internal and external coordination, prioritisation of projects, attracting funds and providing a forum for discussions. Despite being one of the less tangible aspects of the Euro-Mediterranean Partnership, actor socialisation is perhaps one of the most consistent aspects to have persisted throughout the years within the organization.

4.3 The European Neighbourhood Policy

The ENP was officially proposed in 2003, and throughout 2004, new devised strategies allowed the new body to become a functioning unit of the European Union’s foreign policy toolbox (COM(2003) 104 final; COM(2004) 373 final). Just before the 2004 enlargement, it became obvious that there was a need to develop a new framework that would allow for a more constructive relationship with the neighbourhood countries. It was a necessary adaptation so that there would be less reliance on enlargement driven policies while still engaging with the neighbourhood countries. The main concern behind the enlargement policy was that the dismantling of barriers between European states will, in the end, lead to the creation of new ones with the immediate neighbourhood states.

¹ The Agadir Agreement was signed in 2001 and established an area of free trade between Morocco, Jordan, Egypt and Tunisia

As already discussed in the previous section, one of the frameworks employed to conduct ‘policy export’ was the Barcelona Process. However, apart from the BP, there were some additional mechanisms in place. Prior to the ENP, the EU used region specific instruments so that it can deal with each country on a case by case basis. With its Eastern Neighbours, the EU used Partner and Cooperation Agreements (PCA). For example, with Moldova and Ukraine, they signed these PCAs as early as 1994 (Investment Policy Hub, 2018). The PCAs allowed for the stabilization of bilateral relations and also set the groundwork for later agreements that would eventually allow the creation of an FTA.

Starting from the 2000s, the idea of a new neighbourhood policy emerges: “the enlarged EU will need to look beyond its own borders to develop a new neighbourhood policy for the benefit of all [...] such a new proximity policy will underline that an enlarged EU will ensure an open attitude and foster common interests and activities with its neighbours in the Western Balkans, Eastern Europe and the Mediterranean” (COM(2002) 700 final, p. 6-7). In March 2003, the ‘Wider-Europe’ Communication was released and established the objectives and the inception of the new framework, the European Neighbourhood Policy. The main objective was “to develop a zone of prosperity and a friendly neighbourhood – ‘a ring of friends’ – with whom the EU enjoys closed, peaceful and cooperative relations” (COM(2003) 104, p. 4). In a paper, from 2004, reviewing the ENP, the Council of the European Communities enunciated once again what is the purpose of this new policy instrument: “the objective of the European Neighbourhood Policy is to share the benefits of an enlarged EU with neighbouring countries in order to contribute to increased stability, security and prosperity of the European Union and its neighbours” (Council of the European Union, 2004).

Since then, the objectives have, broadly speaking, stayed the same. Although, through yearly Strategy Papers, adjustments were made to address some of the institutional weaknesses. The most significant changes were in 2011, following the ‘Arab Spring’ events where the ‘more for more’ principle was introduced (Review of the ENP (2011/2157(INI))); and in 2015 the ‘principle of flexibility’ was reinforced due to the ability to ‘react quickly and flexibly’. The events from Syria and Ukraine were given as examples where such flexibility is needed to provide assistance “and to ensure it is better adapted to rapidly evolving political circumstances and priorities” (Join(2015) 50 final, p. 20).

It is worth mentioning that the ENP bears a striking similarity with the former BP in regard to the joint priorities. According to the European Commission website, these priorities are 1) economic development for stabilisation; 2) the security dimension and 3) migration and mobility (European Commission, n.d.). These priorities are in essence the same as those that the BP set out initially. But is where the similarities end, however, because despite having repackaged the same ideals, the way that they set out to accomplish these goals differs very much from the previous instance. The ENP takes a joint approach towards the accomplishment of the aforementioned goals, but what is most important is that together with the partner countries, the ENP designs specific agreements (Action Plans), that set out an agenda of political and economic reform for short and medium terms

(3 to 5 years). These action plans and the other bilateral agreements that the EU and the partners sign, allow for a differentiated approach. Such an approach allows the partner countries to undergo reform at their own pace, while at the same time the EU is able to export its *acquis* and standards in these countries.

Concerning the financial instruments used for implementing said policies and action plans, these are handled by the European Neighbourhood Instrument (ENI). For the period 2014-2020, the budget was set at €15.4 billion (<https://ec.europa.eu/>). However, in the early stages of the ENP, financing of projects was handled using the enlargement and pre-accession instruments such as MEDA and TACIS. In 2007 though, the European Neighbourhood and Partnership Instrument (ENPI) was introduced and this enabled a more simplified and coherent method financing, one that did not differentiate anymore between the Southern and Eastern dimensions (European Parliamentary Research Service, 2015, p 23; (EC) No 1638/2006).

Taking into consideration all things said, the ENP is subject to mixed opinions in regards to its success. Some countries are progressing faster when it comes to embracing action plans and policy changes (Morocco, Egypt, Jordan, Tunisia etc.), while others appear to be less committed to the changes (Algeria, Syria, Turkey). Nonetheless, the latest ENP implementation review highlights the need for continuous engagement and for making the policy more relevant for both parties (JOIN(2017) 18 final). Perhaps, the most important contribution that can be drawn from the BP is that it provided an arena for political socialisation. (Gillespie, 2004).

5.1 Analysis

5.1.1 Introduction

In the following section, two of the proposed hypotheses will be tested and evaluated against a set of case studies. This will be done first by discussing each of the case studies individually (Algeria and Morocco), after which, each of the respective concluding sections of the case studies will discuss hypotheses one and two in relation to the information provided. This chapter will debut with a section that aims to familiarise the reader with some of the more technical aspects of the subsequent analysis. This pre-analysis section is comprised of an explanatory section of some of the tools that the ENP employs when it cooperates with various neighbourhood state, the types of agreements that the case study countries are part of and lastly how do they contribute towards the achievement of common objectives.

5.1.2 The governing framework of the agreements

The relationship between the EU and ENP/ UfM countries is generally dictated by two types of agreements: ‘*Association Agreements*’ and ‘*Action Plans*’ (AA& AP). The final objective, once all the criteria of the two agreements are met, is the creation of Deep Comprehensive Free Trade Agreement (DCFTA). The AA represents a policy framework with aspects related to political dialogue, specific issues (agriculture& fisheries, trade, project financing etc.) and, most importantly, an explicit regional dimension that encourages cooperation and promotion of intra-regional initiatives (COM (2003) 104 final, p. 8). For example, the AA with Morocco, states in Art. 1 that through the agreement, both parties aim create suitable conditions for trade liberalisation in areas of goods, services and capita, promote dialogue and cooperation and the prosperity of Morocco and its people and lastly, the agreement addresses aspects related to regional cooperation (Council of the European Union; L70, 18/03/2000). What the AA does is leads to the removal of tariff barriers on agricultural products such as: bovine meat, cereals, cheese, fruits and vegetables, flax, hemp, cotton etc. The general framework of the agreements also emphasises the need for respecting democratic principles and human rights. (Council of the European Union, L 265, 10/10/2005& L304, 30/09/200).

Once adequate progress is recorded, the second stage after the AA is the AP. The AP’s are much more complex and aim to target the driving values of the country. They set out a number of necessary political and economic reforms with short to medium term objectives (3-5 years). These agreements reflect the needs of individual countries, but also the interests of the EU. So far, 11 action plans have been concluded with Armenia, Azerbaijan, Egypt, Georgia, Israel, Jordan, Lebanon, Moldova, Morocco, Palestine and Tunisia. The signing of an AP signifies a great step towards upgrading the relationship between the signatory country and the EU. This agreement opens up the possibility for deepening the trade and economic relations, opening the dialogue on

visa issues, the possibility of offering a stake in the internal market and also increased financial assistance from the EU (European Commission, 2006). Former Commission President Romano Prodi suggested that by employing such an approach, the neighbourhood countries can come as close possible to becoming members of the Union, without actually being members (Prodi speech at the 6th ECSA-World Conference, Brussels, 5-6 December 2002). The negotiations are done with each country individually and start with discussions on matters that both parties are willing to compromise, then they move to mechanisms that slowly help transitioning to more advanced systems of governance, administration and infrastructure to finally adopting the more liberal values of the Union, in exchange for the free movement of goods, capital, services, and labour, the ‘four freedoms’. The timeline in which these agreements are negotiated varies from case to case and for each type of agreement. In the case of Algeria, in June 1996 the Council allowed the Commission to open negotiations for an AA. In December 2000 the negotiations were finalised, but the document was only signed in 2002 and entered into force in 2005 (Council of the European Union, 2002). In Egypt’s case, the authorisation for negotiations was given in December 1994, the document was signed in June 2001 and entered into force in 2004 (Free Trade Agreement Negotiation Dates, 2014). With Palestine however, negotiations were authorised in October 1996, the AA was signed in 1997 and also entered into force in 1997 (ibid). These examples highlight that the negotiation process can vary between four and five years, but sometimes the negotiation process can be completed even in one year. What prolongs the timeline until the entry into force is the fact that once the agreement is signed, the agreement must be ratified individually by each EU country.

In order to enforce the terms of the agreements, but also to modernise the institutional apparatus of neighbourhood countries, three programs serve as tools for this: *Twinning*, *Taiex* and *Sigma*. Through the use of these programs, countries that are either aspiring to become member states or are from the neighbourhood area, can adjust, improve and develop their general practices, enhance the capabilities of their public services, but also receive support for EU *acquis* transposition. This latter aspect is of great importance due to the gaps in the various legal systems that can make it difficult to transpose norms and regulations into national legislation. Through the creation of such bridges, there are more opportunities for improving public services and developing the capabilities of administrations to embrace and look more towards the EU model of administration.

Twinning (TW) is an instrument of the EU that allows cooperation between members states and external partners in the field of public administration. This instrument is used in both cases of pre-accession assistance, but also in cases of neighbourhood countries. What this instrument does is that it allows for “upgrading the administrative capacities of the public administration [...] through training of its staff and the support to the reorganisation of its structure” (European Commission, 2018). The Technical Assistance and Information Exchange instrument, also known as **TAIEX** (TX) is a demand driven, peer to peer instrument that matches EU specialists from the field of public administration with people from similar fields, but from participant neighbourhood countries. TX helps “with regard to the approximation, application and enforcement of EU

legislation as well as facilitating the sharing EU best practices” (European Commission, 2018). The Support for Improvement in Governance and Management, **Sigma** (SG) is technical assistance instrument that is provided in a joint EU - OECD cooperation. Similarly, to the previously mentioned programs, SG is an institution building instrument. By employing the SG framework, participant countries can be provided information on matters of reform implementation, legal frameworks and governance systems (<http://www.sigmaweb.org>)

5.2 Algeria

Agreements, reforms and achievements

The following section will debut the case study analysis. Through these two case studies I aim to look at the relations between the EU and Algeria, Morocco, how have they developed both politically and economically. How have these relations translated into concrete agreements and policies that seek to better the lives of the citizens and how exactly do they link with the proposed hypotheses 1 and 2. The case study analysis will increase the understanding of the underlying factors that contribute to the development of each state and also if the presence of external and functional spillover does play an active role in shaping the goals and results.

The relation between Algeria and the EU stretches beyond the ENP policies and that of the various investments through the European Investment Bank (EIB) since the 1990s (European External Action Service, 2016). Since the establishment of the European Economic Community (EEC) in 1957 and until 1962, Algeria was part of the EEC as a component of France’s overseas territories and countries (OCT). However, they were not governed under the provisions of OCT but, rather, under Article 227(2) EEC, that referred to the free movement of goods, liberalization of services and competition rules (A.F. Tathom, 2012). Once the French-Algerian war was over in 1962, the Evian Accords concluded the war and also established how their subsequent relationship with the EEC was going to be handled. The first comprehensive agreement between the two blocs was signed in 1976 (ibid). This agreement established the framework of the dynamic of the relationship between the EEC countries and Algeria on matters related to trade, labour, investment and tariff removal. For example, Algeria was given preferential treatment for agricultural exports. Specifically, for wine exports they were given an 80% reduction of custom duties. On matters related to financial cooperation, Algeria was granted 114 million ECU (European Currency Unit) for a five year-period. Whereas in regards to labour, the agreement set out that Algerian workers were to benefit from equal treatment and rights as Community workers. (European Information Development, X/85/1982). Further on along the road, Algeria continued to develop relations with the EU, which culminated in 2005 with the signature of the Association Agreement (AA) and the first step towards establishing a DCFTA. The agreement removed tariffs immediately on 2000 products, mostly of agricultural nature and established that over the next twelve years the gradual phasing out of tariffs on EU industrial products. This twelve-year deadline was postponed by three

years after a request from the Algerian government in 2010 (Bureau of Economic and Business Affairs, 2013; COM (2012) 700 final).

Excluding the clearly enunciated objectives of each of these agreements, their general objectives are to develop the relations between Algeria and the EU and also to increase the general level of development of Algeria. After all, through better conditions, and increased legal approximation, the two blocs can benefit from enhanced cooperation, investments and potentially increased wellbeing of the citizens. What the AA did is open the possibility for external spillover to occur. The AA included specific notions related to developing administrative capabilities, harmonising legislation and establishing conditions for gradual liberalisation (EU – Algeria Association Agreement, 2002, Art. 1). Prior to the AA, the EU was actively investing and developing Algeria through the use of EIB loans that focused on infrastructure development (European Information Development, X/85/1982). Hence, the AA could be viewed as the starting point of external spillover in the Algerian context.

Consistent with European Commission data, for the period between 1995 and 2006, EU funding of programs has accounted up to €500 mil. and in addition, another €2.2 billion have been given as loans through the EIB (European Commission, 2014). Since 2011, Algeria has received €273.3 million in financial assistance. In 2017 the two blocs signed a new agreement that spelled out the priorities of the partnership for the 2017-2020 period. Among the provisions included, the EU committed to investing €40 million in order to aid with economic diversification, improving the business climate, modernisation of the public finances and lastly, the development of renewable energy sources (European Commission, 2017). What this information does is paint a picture about the vested commitment of the Union in helping Algeria develop both economically and socially. Since signing the Association Agreement in 2005, Algeria has been on the path to reforming its administrative sector by taking advantage of the Twinning, Taiex and Sigma programs that aim to improve and modernise the public services of participant countries. Algeria has also harmonised their food and safety standards, therefore now they can provide better quality products, but also this enables them to export agricultural products to the EU (Taiex& Twinning Activity Report 2015). Other EU projects in Algeria target employment development and economic diversification. A key partner that has bridged the relationship between the EU and Algeria is the European Investment Bank (EIB). According to a report from 2013, the EIB provided a €500 mil. loan to facilitate the construction of the gas pipe MEDGAZ, between Algeria and Spain. (European Investment Bank, 2013). And in 2017 The EIB and the Algerian government signed a new cooperation agreement focused on the development of safety standards by building and enhancing the road quality of the Trans-Maghreb motorway. This information illustrates that following the enforcement of the 2005 AA, external spillover through, TX, SG and TW has been occurring more and more often. Between 2004 and 2017, 46 TW and 128 TX projects have been completed (European Commission, 2014, 2015, 2016, 2017, 2018). Thus, it can be inferred that there has been some commitment towards implementation of EU acquis through these programs and there has been opportunity for the spillover effects to occur. Furthermore, these programs

are not the only source of external spillover, but also that can happen through standard adoption and legal approximation. But, this data, in conjunction with the economic results they again do not concretely result in immediate results.

Trade and economic development

For more than 15 years, the EU has been Algeria's main trading partner, usually having over 50% of their exports directed towards the EU (The Observatory of Economic Complexity, 2016); whereas for the EU they are only their 23rd most important trading partner (Client and supplier Countries of the EU28 in Merchandise Trade, 2018). The overall trading value of Algerian exports to the EU has grown since the AA was signed in 2005. However, in the years 2015 and 2016 there has been a steep drop in overall value. So much so, that they have halved when compared to some of the previous years (DG Trade, 2018).

Algeria's exports mainly consist of gas and petrol derivatives. Between 2014 and 2017 the EU imported agricultural products of a total worth of €353 mil. (0.41% of total imports), whereas the EU exported towards Algeria the same type of products worth €10.2 billion (12.02% of total exports) (DG Trade, 2018). Their overreliance on hydrocarbons puts them in a vulnerable position due to the volatility of the prices. This is made especially evident by total value of exports in 2015 and 2016, that have halved since 2014 (The Observatory of Economic Complexity, 2016) (see table 1). In spite of the fact that crude oil production and exports have remained relatively stable over the past years, the steep drop in oil prices has negatively impacted both the economy and exports (Trading Economics, 2018). These economic 'hiccups' have had drastic consequences. The fiscal deficit rose from 1.4% GDP in 2013 to 15.7% GDP in 2016; and the total reserves have fallen from \$194 billion in 2013 to \$108 billion in 2016 (World Bank, 2016). Considering that external spillover has been in effect since 2002, some of its effects would have converted into functional spillover. Process which would have perhaps manifested in an increase of exports and trade. But as the data suggests, their exports still mainly consist of hydrocarbons. According to the EIB, between 1976 and 2002, the loans and financial aid reaches €1.96 billion (eib.org). but in spite of the various investments, including agricultural and finance sectors (ibid), they do not translate into real economic benefits.

The economy continues to be at the mercy of hydrocarbon exports and production. According to one estimate, they account "for more than 90 percent of export revenues, 60 percent of state budget revenues and 40 percent of GDP" (Bureau of Economic and Business Affairs, 2017). High unemployment also contributes negatively to the development of the country. It was estimated at 11.7% in September 2017, having increased by 1.2% from the same period of the previous year (World Bank, 2018). The International Labour Organization (ILO) also estimates that in 2016, 25.7% of the unemployed workforce was made up by the age group 15-24. By looking back at the previous years and comparing them to the present times, it is obvious that there has been an amelioration of the issue. Nonetheless high unemployment continues to be a problem that needs immediate solutions and attention (Figure 2). This high unemployment rate highlights the slow

Table 1 –Exports & total share of mineral exports (The Observatory of Economic Complexity)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total export value in billions	\$56.6	\$63	\$83.6	\$48.6	\$59.9	\$74.3	\$70.5	\$69.7	\$63.7	\$37.7	\$31.2
Share of mineral exports	97%	98%	98%	97%	98%	98%	98%	98%	97%	95%	95%



Figure 1: WTI Crude Oil Prices (source: www.macrotrends.net)

growth of the private sector. It is difficult for private enterprises to grow in an economy where 2/3 of it are state-owned enterprises, mainly from the oil and gas industry (Bureau of Economic and Business Affairs, 2017). Small and medium sized businesses and also entrepreneurs struggle so much due to “a difficult business climate, an inconsistent regulatory environment, and contradictory policies complicate foreign investment” (ibid). This unwelcoming business environment is also highlighted in the World Bank’s ‘Doing Business’ guide, where Algeria ranks 166th out of 190 countries (World Bank, 2018). Perhaps one of the key policies that impedes the development of SME’s is the 51/49 investment rule that requires a majority Algerian ownership. Even though large companies will have less difficulties in finding ways to productively cooperate with the local authorities, the small and medium-sized enterprises (SME) stand to lose the most from the Government officials have defended this policy as a way to ensure protection of capital and of local businesses (ibid). In this instance, the protection of capital is understood as the prevention of profits from flowing out of the country. (UK Embassy of Algeria) The government



Figure 2: Algeria Unemployment Rate (tradingeconomics.com)

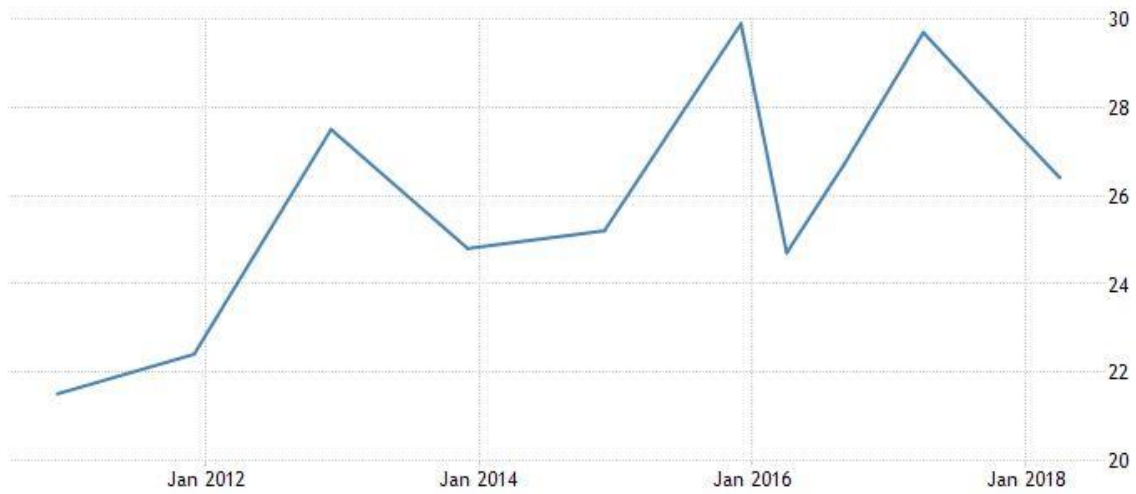


Figure 3: Algeria Youth Unemployment (tradingeconomics.com)

views this policy as an opportunity for foreign investors to engage with local businessmen and thus be able to carry out their projects while not being forced to deal directly the local formalities (UK Embassy of Algeria).

Socialization

The impact of elite socialization has had on the shift on the political ideals is unclear. Socialization has mainly occurred through opportunities provided by TX, TW and SG

programs. Because these programs encourage exchange of information, best practices and peer to peer learning, experts from EU countries will often come into contact with their Algerian counterparts. In 2013 SG worked with Algeria to conduct a peer to peer review of the Court of Account (European Commission, 2013), in 2017 a TW project that focused on supporting the AA implementation will mobilise 40 Spanish experts over a period of two years to organise workshops and train 150 people from the Algerian public sector (euneighbours.eu). Overall, between 2006 and 2014 circa 2500 people have participated in TX programs. Therefore, socialization has occurred at administrative levels, through TX, SG and TW programs but also at ministerial levels through the UfM forums. Considering that in many respects: economic openness, political dialogue and convergence of democratic principles, such as press freedom and human rights (Transparency International, 2010, 2003) has been limited.

Conclusion

According to what has been discussed so far and in relation to *H1*, it may seem that the insufficient amount of ES could impact how deep is FS allowed to go. The lack of liberalization in the business environment, the harsh conditions for SMEs and the slow adoption of the *acquis* all suggest that if deeper ES (both voluntary and enforced) would occur then we would see the effects of FS. This type of spillover could be triggered through the adoption of more measures that address that governance, societal and economic issues that could in turn allow for FS to occur due to the more liberalised environment. Then entrepreneurs could venture into new business opportunities and in turn their benefits could spread to other sectors. It is important to say that I am not suggesting that spillover is an automatic mechanism, but only that in an economy that is so dependent on a single type of product for export, the development of alternative business could spur the development of others. The effects related to *H2* concerning loyalty shifts due to political socialisation, seem to be minimal. This is in line with the theoretical expectations and the hypothesis formulated. This claim is supported by the fact that there has been socialisation of public servants both at lower levels (Court of Auditors, TAIEX and Sigma programmes), but also at higher levels (ministerial, governmental meeting and the UfM Parliamentary sessions) and yet there have not been any significant changes to the national policies since the UfM and ENP have been founded. There has been a constitutional reform in 2006, however progresses on the key issues (trade, financial investment, economic diversification, liberalization of good and services) have been tardy. Overall, the phenomenon has been stagnant, with no significant changes to either side of the equation. The 'Doing Business' index also supports this statement, as the ranking of Algeria has been either getting worse, or simply hovering around the positions.

5.3 Morocco

Introduction

As a nation with a tri-regional focus (sub-Saharan Africa, the Middle East and Europe), Morocco is perhaps one of the most ambitious and stable political partners that the EU can hope for, in a nation with a. Morocco is like a tree with roots in Africa, but with its branches in Europe – a comparison often attributed to King Hassan II of Morocco (Pelham, 2000). This comparison finds validation in the fact that in 1987 King Hassan II even tried to join the European Community. However, the Council rejected Morocco's application on grounds that they are not a European State (European Council, 1987). The reason why Morocco can be considered such an ambitious partner is due to the fact that in a period of almost 20 years, Morocco has advanced from signing the Association Agreement in 1995 to signing two Action Plans in 2005 and 2013. Moreover, they have been granted Advanced Status in 2008 to start discussions in 2013 about establishing a DCFTA.

The historical relationship between the European Community and Morocco dates back to their first commercial agreement from 1969, which seven years later, in 1976, was converted into a broader cooperation agreement (European Commission n.d.). This agreement is similar to the cooperation agreement signed with Algeria in the same year and it refers to economic, social, financial assistance and labour practices (ibid).

In the following chapter, I will be examining the development of the relations between the EU and Morocco in the context of establishing economic relations, developing deeper ties, adhering to higher democratic standards and adopting the European *acquis*.

Agreements, reforms and achievements

The Association Agreement between the EU and Morocco, signed in 1995 and in force since 2000, created the framework for relations between the two blocs. The AA was intended to grow over time and become beneficial for both sides. The AA allowed for a number of agricultural products to enter the EU market free of tariffs, while at the same time Morocco benefited from special rates on products originating from the EU. In 2005, Morocco and the EU signed their first Action Plan. This document had a five-year objective to begin the process of economic integration and enhance trade and investment. But also, the document aimed to initiate the process of gradual integration into the European Market ("EU-Morocco ENP Action Plan | EU Neighbourhood Library," 2006). Furthermore, in recognition of Morocco's efforts towards reform, preventing drug traffic and illegal migration, the EU granted them 'Advanced Status' in 2008 (Bertelsmann Stiftung, 2009). In 2013, a second Action Plan was adopted which aimed to continue the political reform process and sought to develop Morocco's standards to adhere to the EU requirements, increase economic cooperation and pay more attention to issues related to human rights (Council of the European Union, 2013; Nouvelle, 2013). Since 2013, negotiations have been ongoing for the establishment of a

Deep and Comprehensive Free Trade Area (DCFTA); the most recent round of negotiations in this sense was in 2014 (“Morocco - Trade - European Commission,” n.d.).

Some progresses have been recorded through the TX, TW and SG programs. Between 2005 and 2017, there have been 66 TW projects while there have been over 141 TX projects (European Commission, 2013, 2014, 2015, 2016, 2017, 2018). A TW project completed in 2012 that increased the level of protection of intellectual property created a more favourable economic environment for Moroccan companies. In 2013, another project led to harmonisation of legislation and the regulatory framework concerning the fields of scientific research and technology (European Commission 2012, 2013). These two cases serve as examples of the many instances of voluntary external spillover where the neighbourhood state chose to undertake legislative changes in order to: first, increase the standards in the national arena and second, become more competitive nationally to potentially lead to increases in the quality of products and research that can translate into more qualified workforce and potentially better economic results.

A third project that serves as another useful examples concerns a TX workshop from 2017 that had participants from Morocco, Tunisia and Algeria. The purpose of this workshop was to initiate dialogue and to engage local stakeholders and youth that are not in employment or education. This opportunity presented the members of the civil society and youth organisations with a chance share their problems with representatives of the local authorities, essentially people that can concretely help them. This in turn can help build the necessary bridges for overcoming some of their problems and finding solutions. What this workshop also accomplished is creating an opportunity of intra-regional cooperation and opening the possibility for increased understanding among citizens of different countries. In the end this workshop served two purposes. Firstly, it engaged the local communities who suffer from unemployment to discuss with local leaders and attempt to create solutions and secondly, it created awareness and intra-regional understanding between the different populations. Such workshops can foster multilateral cooperation among the members of the same region, which is made then even easier by having more harmonised standards and practices inherited from the different TX, TW, SG and internal market regulations. These projects relate to aspects concerning both external and functional spillover. Due to the development in fields related to human rights protection, increasing regional cooperation and also enhancing the quality of public services, the Moroccan authorities are actively engaging in creating better conditions for citizens and businesses alike.

Among the Maghreb countries, Morocco received praise for their strong commitment to economic reform and improving the investment climate. One especially important reform concerns the basic foodstuffs and petroleum subsidy system. The fact that oil prices increased between 2000 and 2012 led to an increase in the number of paid subsidies. For example, in 2015 the paid subsidies covered almost their entire fiscal deficit (Arroyo, 2014, p. 6). By reforming this subsidy system, while also introducing new social programs and revamping the tax system in order for it to be more equitable, Morocco has addressed some of its most dire problems, while also building a more stable economic framework. The European Commission praised this particular reform and remarked that by doing

so, Morocco has benefited by improving their economy and reducing the potential vulnerabilities that they may be subject to, in case of a possible increase in import prices (European Commission, 2015, p 9). These developments are also reflected in the World Bank's Doing 'Business Guide'. Morocco's lowest ranking in this guide was recorded in 2009, when they were ranked 130th and since then, through the aforementioned reforms they have been steadily climbing the rankings, reaching in 2019 the 60th position. These economic results do suggest that there is evidence of functional spillover, which is interlinked with external spillover due to the economic reforms. The granting of the 'Advanced Status' in 2008, the constitutional reform and the various economic reforms have triggered a chain reaction which has benefited the institutional framework by enhancing the quality of services, creating a more welcoming environment for businesses and in turn allowed for more programs that create better opportunities and satisfy the EU's 'more for more' principle.

Trade and economic development

Trade wise, Europe has been Morocco's main trading partner since 1962, with second and third place finding Asia or Africa (atlas.media.edu). Their main exports are inorganic salts and acids, garments, construction material and equipment and also machinery (ibid). Since 2011 and until 2016 their total exports just exceed the total value of \$20 billion (ibid). This indicates an improvement of services and products, a greater demand for products originating there, while also favouring the local development.

Yet, in spite of increase in trade and the high absorption rate of EU aid, unemployment is perhaps one of the most troublesome aspects related to the Moroccan economy. The 2014 ENP Implementation Progress Report also acknowledge the relatively concerning unemployment rate of 9.9%, but they find especially worrying is the high unemployment rate among young people, 20.1% (European Commission, 2015, p. 9). The report further states that the authorities seek to tackle these problems with two strategies that have finalization dates in 2015 and respectively 2016 (ibid). When comparing these numbers with the present-day data, it is evident that these strategies have not begun to pay off yet. In November 2018, unemployment was estimated to be at 10% and youth unemployment was at 27.5% (<https://tradingeconomics.com/>). Both have increased when compared to the Progress Report, but what is more worrying is that both values, for the past five years, have been on an ascendant trajectory (see figures 1& 2). In spite of the investments and employment strategies, they have not converted into genuinely beneficial policies. These numbers suggest that there is a lack of functional spillover, as there is no concrete evidence in the statistical employment rates that new businesses are developing or older ones are using their new wealth to significantly further increase their employee numbers. It is either that, or the pace at which new businesses are developing is not able to cope with the increase in workforce. Either way, it may be that the trainings, increased standards, exports and aid absorption rather converts into infrastructure development, improvements in manufacturing sectors and most importantly an increase in quality of the existing employees, but not of the new ones.



Figure 1: Morocco Unemployment Rate (tradingeconomics.com)



Figure 2: Morocco Youth Unemployment Rate (tradingeconomics.com)

Matters that still require attention

As one of the largest recipients of financial assistance from the EU, (European Commission, 2015) Morocco is a good example of a country that has recorded good economic and political progress under the ‘more for more’ principle. Since 2011, Morocco has received from the EU €2.8 bn to undergo political and economic reforms (Arroyo, 2015). In terms of political and administrative reform, the most important change is perhaps the 2011 constitutional reform that even the EU called a clear of signal of their commitment to democracy (“Moroccans approve king’s reforms,” 2011).

However, the 2014 review of the ENP implementation highlights how despite their show of willingness to reform, Morocco's efforts to implement democratic principles and respect for human rights need to accelerate (European Commission, 2015, p. 2). The report records that progress has been in areas of justice reform, with regards to rights of defence and principles of a fair trial (ibid. p. 5); press code, which no longer will lead to deprivation of liberty (ibid, p. 5) and also promoting the fight against discrimination (ibid. p. 7). These reforms show that there is evidence of external spillover in term of adopting some democratic principles and trying to reach some convergence in terms of respecting human rights norms and principles of fair justice.

Nonetheless, there has been some regress in regards to other aspects as well. While journalists are not subject to deprivation of liberty, they can still be prosecuted under anti-terror laws (ibid. p.5). A bill concerning the rights of access to information has also been subject to criticism from civil society groups and the World Bank for limiting the scope of the law, giving discriminatory access and also the possible punishment of applicants (ibid. p. 8). This latest measure does nothing else but reduce the transparency of the government and continue to allow the restriction of liberties of citizens. According to historical data from the Freedom House and Transparency International, since the year 2002, the general ranking of Morocco has been almost the same throughout the years (freedomhouse.org; transparency.org). The 2017 report, remarks that “the state uses advertising and subsidies, as well as aggressive financial harassment, to repress critical media coverage” (freedomhouse.org, 2017). According to the Transparency International 2017 report, Morocco is ranked as 81st out of 180 countries. The biggest issues continue to be in regard to human rights and civil society. This report finds the Rif region protests as particularly worrisome because one person died and 39 others have been sentenced to prison, and the leader of the movement himself was sentenced to 20 years in jail for his connection to the movement (transparency.org; reuters.com). Reported Without Borders also corroborate this information and mention that “the authorities deliberately obstructed the national and foreign media that tried to cover the so-called Hirak protests in northern Morocco's Rif region” (“Morocco / Western Sahara,” n.d.). The problems regarding freedom of association and intimidation of the press are issues that were highlighted even since 2012 by the European Commission Progress Report (European Commission, 2012, p. 2-3).

Socialization

On matters related to elite socialization, this has been occurring through a number of gateways. Firstly, the UfM Parliamentary Assembly represents one such opportunity, where representatives of different European and Mediterranean countries gather for discussions and the enactment of multilateral cooperation agreements. Circa six members from each UfM partner countries participate in yearly plenary sessions (“PAUFM | Parliamentary Assembly – Union for the Mediterranean,” n.d.). The last three sessions took place in Morocco (2016), Italy (2017) and Egypt (2018). The next session is scheduled from February 2019 in France. Secondly, opportunities for discussions also occur through framework of regional agreements. The latest progress report of the Commission also encourages such agreements, as they are generally viewed as beneficial for

both countries and regions (European Commission, 2015). The main regional agreements that Morocco is part of are the Agadir Agreement and the Greater Arab Free Trade Area (GAFTA). GAFTA is a pan-Arab economic agreement covering 17 countries (<https://www.bilaterals.org/>). This agreement aims to develop trade and economic cooperation in the area, with the final objective being the elimination of tariffs. By 2005, most tariffs among GAFTA members were eliminated (ibid). Morocco has recently been welcomed back in the African Union, after being absent for 33 years (“Morocco re-joins the African Union after 33 years,” 2017). The reason why they abandoned the organization is due to the status of the Western Sahara and the continued dispute concerning the independence of the region. Thirdly, socialization has occurred also through the ENP regional programs. Between 2006 and 2014, almost 2200 participants had taken part in TX programs that created opportunities for dialogue, training and exchanges between Moroccans and Europeans (European Commission, 2014, 2015). In concrete terms, the effectiveness of the aforementioned processes is unclear. The high absorption rate of EU aid, the increased commitment towards regional integration and cooperation, the reforms enacted in fields related to human rights, the economic reforms and adherence to more democratic principles do suggest that there is a link between socialisation and loyalty shifts. At the same time though, Algeria has had a similar number of participants in TX projects, has been part of the African Union for longer than Morocco, it is also part of the UfM and lastly it is also a member of GAFTA, yet their progress on the indicators mentioned before is nowhere near as great. Therefore, it is unclear whether or not high socialization significantly contributes towards the shift of political ideals from the national to the supranational arena.

Conclusion

Morocco is a country that is hard to decipher using the NF framework. They are generally praised for their commitment and this aspect is made evident by their high absorption of EU aid. At the same time though, in spite of the external spillover through democratic norms, EU acquis and economic reform, issues that have been highlighted in the years before have not gone away, but have in some cases actually worsened. Unemployment has remained stable, but youth unemployment has skyrocketed, although the environment for businesses has dramatically improved in the past years. Elite socialization may have had an effect on political loyalties, but it is unclear because similar levels of socialization have been detected in Algeria and yet the progresses that Morocco has registered, are not present in Algeria. Overall, there is evidence of functional spillover and its effects on the economy, however, the effects do not manifest directly by reducing unemployment and creating a knock-on effect in the society, but rather we see economic development through other mechanisms, such as better economic conditions for businesses, development of the manufacturing industry and liberalization of regional and external trade.

6.1 Cross-case analysis

Introduction

The cross-case analysis reported in this chapter is built upon the data on the already discussed case studies plus two additional cases that will be introduced in the following paragraphs. In this instance, the cross-case analysis refers to study of the Southern dimensions and the Eastern dimension of the ENP. If the main RQ of this research posits the idea that ENP policies have not been successful in the South, then to better understand this negative outcome, a comparison is made with two additional countries from the Eastern dimension: *Moldova* and *Azerbaijan*. This chapter will be looking at the third hypothesis of this research paper:

The effects of the ‘resource curse’ contribute significantly to the development of a country and impede its development and the adoption rate of EU acquis and standards.

The main variable that will be used when analysing these four cases is the presence/ absence of the ‘resource curse’ and how the effects associated with it impact the implementation of ENP agreements. The premise of this analysis is that resource dependant countries are less inclined to opening up to the governance style that the EU acquis lead to.

In order to conduct this analysis, firstly there will be a section describing the ‘resource curse’ and the effects associated with it. Secondly, there will be two sections that each go into describing the two additional Eastern dimension countries. These two additional sections will not be going as in depth as with Algeria and Morocco, however each section will provide information on the states’ relationship with the EU (agreements signed, Twinning, Taix and Sigma projects, amounts of funds received). Other indicators included concern the perceived levels of corruption, democratic index and economic diversification . Following these two sections, the concrete analysis will ensue and then finally the results will be discussed followed by the conclusion.

Research rationale

The theoretical rationale behind employing a cross-case analysis with the ‘resource curse’ as the independent variable is due to the particularities of both Algeria and Morocco. Despite both being countries sharing similarities in many respects. The countries share a similar culture (predominantly Arab with a French speaking majority), they also have colonial past with France, neighbours, same starting point in their development with the EU, the EU is their biggest trading partner and both countries are involved in the same regional organizations (GAFTA, UfM, AU). Yet, Morocco has been more successful in undergoing reforms, they have been more receptive to the demands of the EU and they also received far more EU aid than Algeria. In order to reiterate the difference between the two countries, between 2011 and 2014 Algeria received only €247 million, compared to Morocco’s €2.8 billion (Arroyo, 2015, p. 12). Considering as well the factors associated with the resource curse, then a cross-case analysis with countries from the Eastern dimension will provide an understanding whether the lack of success is due to the high dependence

on mineral extraction and the factors associated with the resource curse, or is due to some others unforeseen factors.

As far as the case selection for the studies for the Eastern dimension is concerned, Azerbaijan was selected due to its similarity to Algeria in terms of exports and resource dependency. Whereas **Moldova** was selected due to its proximity to the EU, (which enables them easier access to the EU market), they have agreed to a DCFTA and similarly to both Morocco and Algeria, it has a direct neighbour with whom it shares a direct history, Romania. **Ukraine** was disregarded from the selection process due to the ongoing conflict in the Eastern part of the country, the Crimean annexation and the general unstable political situation. These factors play such an active role in the Ukrainian society, that it is too difficult to isolate them in order to draw clear conclusions. **Belarus** was also disregarded due to its complicated relationship with the EU. In 2004 the EU introduced a set of restrictive measures against the country due to the unresolved disappearances of four people. Since then, Belarus has been subjected to embargo on export of goods and additional measures were applied on individual cases. Therefore, the Belarussian case would be too difficult to analyse in this instance, as none of the other countries included are subjected to such measures and the results would be then harder to generalize for the rest of the cases. In the case of **Georgia**, the Russo-Georgian War was the main factor that convinced me not to consider it as a viable case. Despite the conflict ending in 2008, overall it has destabilised the country and similarly to Ukraine the variables derived from such a conflict are too hard to account for. Lastly, **Armenia** was also not selected due to its preference to develop relations with Russia, rather than the EU. Their direct preference to join the Eurasian Economic Union in 2015, over the Association Agreement with the EU signalled their disfavour for engaging in deeper economic relations with the EU (The Moscow Times, 2015). Thus, their rejection of integration within the EU precludes them from being an appropriate case for studying.

6.2 Background information

The following paragraph will present some background data on Azerbaijan and Moldova. After which, this information will be compared and contrasted with the Algerian and Moroccan cases. This will be then succeeded by a discussion section and conclusion. The data used for the case studies covers the period from the 1990s and until 2016. The used data refers to: economic diversification and exports, perceived levels of corruption and transparency, the UN Human Development Index (HDI), life expectancy, individual agreements with the EU, financial aid received from the EU and the number of implemented TaieX, Twinning and Sigma projects. Out of all the proposed indicators, the less obvious indicator is the UN HDI. This indicator is composed of three parts: long and healthy life, knowledge and a decent standard of living. Each of these is then assigned a score and the final score between the three and accordingly the final results are meant to give a general idea of the development of a country. As a reference, in 2018, Norway ranked first with a value of 0.953 and bottom of the list is Niger with a score of 0.354. (hrd.undp.org). The reasoning behind using this indicator is based on the fact that the formula behind it and the final score give a more abstract understanding of development but at the same time the indicator

does not only refer to vague economical development aspects, but also more specific aspects, such as education, that genuinely affect the life of people. Therefore, this indicator can help build a fuller image of the overall development and the differences between the four countries.

6.2.1 Azerbaijan

EU-Azerbaijan relations date back to 1991, when the Partnership and Cooperation Agreement (PCA) was signed and in force since 1999. This PCA covers matters related to economic affairs, trade, investment, legislation and political dialogue (eeas.europa.eu). Since then, the relations have been gradually upgraded by incorporating Azerbaijan in the Eastern Partnership in 2003 and in the ENP scheme in 2004 (ibid). Additionally, in 2006, there was an agreement for an Action Plan that aims to tackle issue related to territorial dispute (the Nagorno-Karabakh conflict), strengthening democracy and human rights, customs, trade, economic development and the convergence of legislative and administrative practices (EU-Azerbaijan Action Plan). Currently, the EU is Azerbaijan's most important trading partner, but the current PCA does not grant either party tariff preferences. Nonetheless, the EU accounts for almost half of their total trade (ec.europa.eu). Since 2017, the EU and Azerbaijan have begun negotiations on upgrading their PCA in order to advance their political priorities and economic interests relations, considering the new global, political and economic interests we share and challenges we want to face together." (Donald Tusk, European Council, 2017).

Since the independence of Azerbaijan in 1991, the EU has been an important actor in the country. It has invested since, over 500 million AZN (cca. €256 million) in grants and is the principal donor of grants and civil society aid (eeas.europa.eu). Some of these funds are directed at TW, TX and SG finance initiatives. By 2017, 45 TW projects had been initiated, 239 TX projects and 15 SG projects had been implemented (pao.az/en/). One of the most important projects introduced in recent times aims to increase the quality of the accreditation system so that local products and services are able to meet the European standards (eeas.europa.eu). Concerning trade and exports, the main exports of Azerbaijan are oil and gas and since 1999 over 70% of their exports are petroleum and petroleum derivatives. However, the dependency on mineral exports has gradually increased. For the period between 2010-2016 they account for 90% of their exports. Furthermore, historically, their exports tend to range between 22% and 68% as a total share of their GDP. Since 2010, and until 2015 the share has been gradually dropping from 54.3% to 37.7% (see figure 1). This high dependency on exports and especially mineral exports highlights the lack of a diversified economy and leaves them open to the fluctuations of oil prices. Some of the most severe issues concern democratic reform and human rights (European Commission, 2014). The 2013 Progress Report remarks that civil society has been restricted following a set of legislative changes, political opponents are harassed, while the media and the public discourse are subjected to control of the state (ibid, p. 2). Furthermore, there are concerns regarding the use of torture on activists by police and security forces. The authorities are actively working against the press by suffocating it, instead of liberalising it (ibid, p. 9). The same report does mention, though,

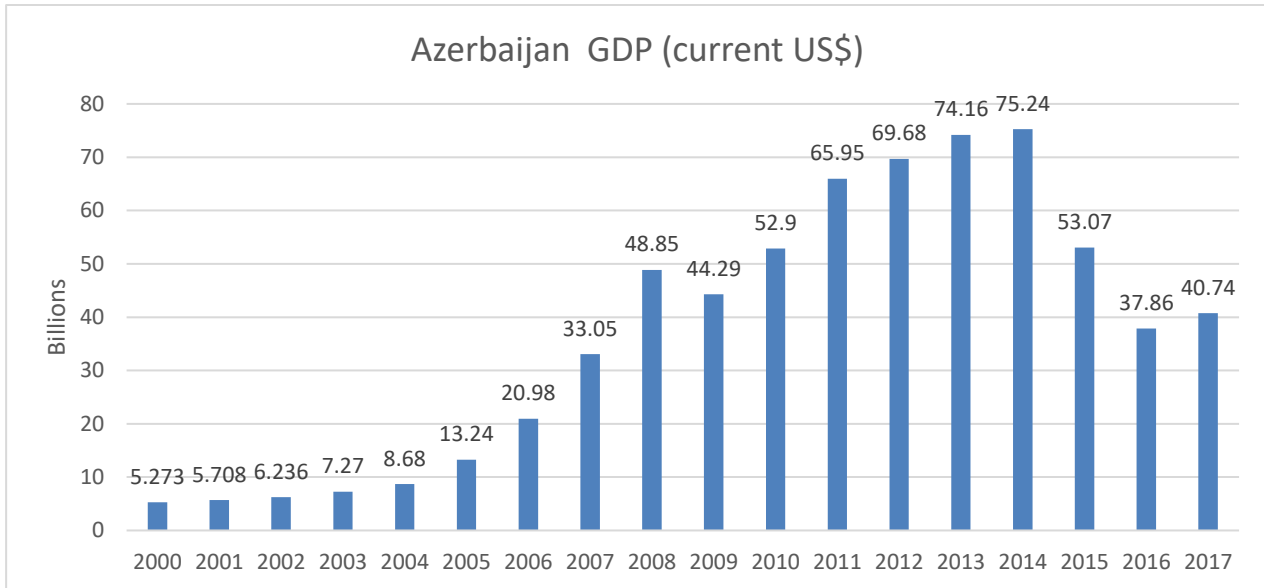


Figure 2 (<https://data.worldbank.org>)

that their single accomplishment concerning democracy and human rights is the signing of an action plan that prevents child labour exploitation (ibid, p. 9). One of the reasons for lack of commitment towards democratic reform may be due to the role of oil revenues. The fact that since 2000 the GDP has increased even up to 15 times (see figure 2), there is no actual need for the financial aid that the EU provides. Several scholars also propose this idea and that this may be one of the reasons for their lack of commitment (Kobzova et al., 2012; Alieva, 2014). In 2017 Transparency International ranked the country as 122nd (out of 180 countries) Azerbaijan and they were also given a score of 31 (0 – highly corrupt and 100 – very clean). Many issues continue to trouble the Azeri society with the so called ‘Azerbaijani Laundromat’ constituting one of the most recent and significant instances. This is a secret fund of the Azeri political elite. They used approximately €2.9 billion, over a period of two years, to purchase luxury items, launder money through shell companies and pay off European politicians (www.occrp.org). “During this period, the Azerbaijani government threw more than 90 HR activists, opposition politicians and journalists into prison on politically motivated charges” (transparency.org).

Lastly, regarding the social aspects, the life expectancy has been on an upwards trend since the 1990s where it was at 64,827 and in 2016 this was 72,026. Concerning the HDI, in 1995 they were assigned a score of 0.612, whereas in 2018 this was at 0.757 (hrd.undpr.org). Overall, since its independence in 1991, Azerbaijan has been undergoing many changes that have improved the life expectancy and the general quality of life of its citizens, they have developed closer relations with the EU and also their industry has been developing at a great pace. But issues related to corruption and human rights abuses are the norm and overshadow some of these achievements.

6.2.2 Moldova

The Republic of Moldova and the EU enjoy an intricate and wide-ranging relationship. Currently, the EU neighbour benefits from a DCFTA, an Association Agreement, and visa free travel since 2014 (eeas.europa.eu). However, prior to these agreements, they first signed a PCA in 1994, and an AP in 2005 (EU-Moldova Action Plan, 2005; European Community, 1994). The EU is also their largest donor of aid. Moldova receives so much aid that among the neighbourhood countries, they are the largest recipient of aid per capita (eeas.europa.eu). Between 2007 and 2014, aid increased from €40 mil. to €131 mil. (eeas.europa.eu). In 2017 the Council and the Parliament agreed to further finance a €100 mil. macro-financial assistance program to help with economic reform (ibid). Moldova has benefited from developing relations with the EU directly through the use of the pre-accession tools, but also indirectly through job creation. Between 2004-2013 19 TW projects and 4 SG events had been completed and also over 350 TX events organised and between 2013-2016, (European Commission 2012, 2013, 2014, 2016; sigmaweb.org). It is estimated that the cooperation projects in Moldova have created 20000 jobs countrywide. Some of the most notable examples of such projects concern the installation of biomass heating systems in over 225 schools and kindergartens, developing public transport in Chişinău and Bălţi and also the modernisation of a forensic centre for the police (eeas.europa.eu). The aid allocated in 2014 was meant to help the implementation process of the DCFTA, and additional €410 mil. allocated for 2014-2017 period sought to help with reforms in areas of public administration, agriculture and rural development (European Commission, 2015).

In spite of these results, the biggest issue that Moldova faces is corruption. Transparency International ranked them in 2017, 122nd with a score of 31. This score indicates that the country still struggles with high corruption and issues within the judicial system and freedom of the press. The most striking recent example of high corruption is from 2014, where a bank fraud saw more than \$1 billion disappear from three Moldovan banks. Among those jailed is the former prime minister Vlad Filat and former *Banca de Economii* (Savings Bank) chief, Ilan Shor (RFE/RL, 2018; Vlas, 2017). The 2014 ENP Progress Report also remarks that corruption continues to be an issue and that reforms concerning public prosecution, the judiciary and granting independence for the General Prosecutor's Office should be prioritised (European Commission, 2015, p. 4) According to a US Report on HR Practices, „68% of general public respondents believed that the right for a fair trial existed to a small extent or not at all. Many of the respondents also believed that justice was selective and affected by corruption” (US State Dept., 2017, p. 11). This feeling among the citizens is reflected by the way that the 2014 bank fraud has been treated, with only a limited number of arrests and sentences been given (ibid, p. 1). The report further indicates that the feelings among citizens are within the boundaries of real life, as the reports highlights that abuses by security force rarely get successfully prosecuted and prosecution of official for political reasons continues to affect Moldovan society (ibid). Other issues concern transparency, pluralism and media freedom. (European Commission, 2015, p. 2, 5) Despite all these issues, the media enjoys

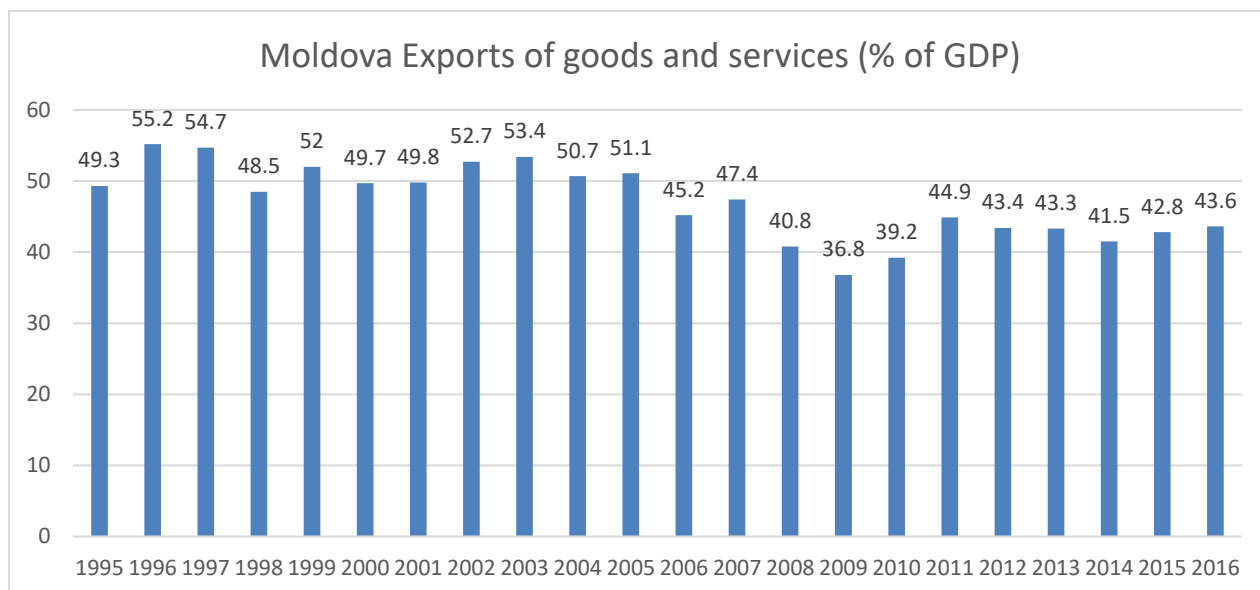


Figure 3 (<https://wits.worldbank.org>)

a higher degree of freedom when compared to other countries in the area. Although most of the media still continues to be in the control of a handful of interest groups (ibid, p. 5). The public administration system is also brought into question, by the Commission, for the fact that it is still highly politicised and there is a lack of professionalization of the profession (ibid, p. 9).

In terms of trade and economic diversification the AA and the DCFTA govern the import/ export sector. These agreements establish the necessary framework that allows access for Moldovan products on the EU market, at either reduced tariffs or simply none at all. The benefits of these agreements are also reflected in regards to their main export destination, as the majority of their products are destined for the EU. Starting from 2007, over 50% of their exports are headed to the EU market (atlas.media.mit.edu). The main exports are usually agricultural products, textile and machinery and electrical equipment. Throughout the year, the share of each product has been varying and there is a visible trend towards more diversification. The exports of goods and services still plays a critical role in the Moldovan economy, as they account for roughly 40% of the GDP (see figure 3) (<https://wits.worldbank.org>). Moldova has also reformed its tax system, so that its VAT is in line with EU acquis and international standards. (European Commission, 2015, p. 13). As part of their Association Agreement, they will be also gradually increasing their excise duties, until 2025, on tobacco products, alcohol and energy to reach minimum EU rates (ibid). Other progresses were recorded in regards to adopting EU acquis and approximation of food safety standards (ibid, p. 12).

On matters related to social progress, life expectancy has been increasing since 1990, as then it was estimated to be at 67.643 and in 2016 it was at 71.61 years (wdi.worldbank.org). The HDI has been also increasing, but at a much slower rate. In 1990, Moldova was given a score of 0.651,

whereas in 2016, 0.697 (<http://hdr.undp.org/en/composite/HDI>). The score has barely increased, but more so, it has improved only after falling for a number of years and only recently has it been growing once again.

Since its independence, Moldova has been working towards reforming the economy, enjoying closer ties with the EU and its neighbours and generally improving the country overall. However, there are still many issues in the field of transparency, media freedom, corruption, civil society participation and increasing the pace of human development. Despite being such a small economy, with the help of EU aid and a more pragmatic approach towards democratic principles, they should be able to enjoy a faster development rate.

6.3 Data analysis

This section contains the analysis of the resource curse's effects and its impact on the integration process. Does the resource play a significant role in impeding development, or is it just a myth and simply the effects associated with mediate the relationship between a country's ability to open up and engage in deeper integration? Algeria and Azerbaijan are the prime suspects of this relationship, whereas Moldova and Morocco will help confirm the validity of the supposition.

In a number of respects Algeria and Azerbaijan show some degrees of similarity: they are similar in terms of economic diversification; type of regime; commitment to EU reforms. Most importantly, however, they are both strategic partners for the EU in that they are major exporters of mineral resources. Both of them together supply the EU with circa 15% of their entire gas demands (ec.europa.eu; Eurostat, 2018). Hence, their importance to the EU is twofold: on the one hand each of them constitutes a strategic economic partner and on the other they contribute significantly towards the diversification of the energy supply. Mineral exports (petroleum gas, crude petroleum and refined petroleum) from Azerbaijan to the EU have been gradually increasing since 1990. In 1996 they accounted for 66% of exports, in 2000 for 85%, 2005 76%, 2010 94% and 2015 87% (wits.worldbank.org). It is an obvious trend that minerals have become a central pawn of the Azerbaijani – EU trade relationship. In the same time period, Algerian exports of mineral products have not dipped under 92%. In 1996 they were 92%, 2000 98%, 2005 98%, 2005 98% and 2015 95% (*ibid*).

Furthermore, the two countries also show similarities in terms of type of regime currently in function. The 2019 version of The Economist's democracy index rates both countries as 'authoritarian' (The Economist, 2019). The report remarks that in such countries, political pluralism is heavily restricted in such countries. Democratic institutions often lack substance and repression of criticism and censorship of the media is the norm (The Economist, 2019, p. 49). The Transparency International corruption index also supports this conclusion. Both countries are ranked quite low with Algeria ranking 112 and Azerbaijan 122 (Transparency International, 2018).

As regards the two countries' bilateral relations with the EU, neither country has signed or developed notable advanced bilateral arrangements or association treaties. Algeria has only signed

an Association Agreement in 2002 which is considered a first step towards reaching a DCFTA. In the period 2004-2017 they completed 46 TW and 128 TX projects (European Commission, 2014, 2015, 2016, 2017, and 2018). In terms of received aid, since 1995 it is estimated that they have been given circa €700 mil. (European Commission, 2014, 2017). Azerbaijan on the other hand has received only €256 million since 1991. They have signed a PCA and an AP and have completed 59 TW and 201 TX projects. The HDI for both countries is similar in 2018, 0.754 Algeria and 0.757 for Azerbaijan. Both of them have been developing, according to this index, at a similar pace.

Moldova and Morocco can perhaps be regarded as two of most promising countries in the EU's external environment. Formally starting their relationship with the EU, Morocco signed an AA in 1995. Furthermore, in 2005 they signed their first AP and in 2008 they were granted the 'Advanced Status', in 2013 they signed their second AP and since 2013 they are negotiating towards establishing a DCFTA. Moldova signed a PCA with the EU in 1994, an AP in 2005, the citizens enjoy visa free travel since 2014 and also since 2016 they benefit from a DCFTA with the EU. They are the largest recipient of aid per capita among the neighbourhood countries, albeit out of the four countries they also are the smallest both in population and size.

Due to the lack of concrete data concerning the exact amount of aid that Moldova has received, EU documents generally indicate that between 2007 and 2014 aid in Moldova has gradually increase from €40 mil. to €131 mil. In the 2004-2017 period they have also completed 42 TW and 533 TX projects. Morocco, is highest beneficiary of aid in the neighbourhood area, having receive only since 2011 €2.8 bn. In the 2004-2017 period, they have also completed 66 TW and 141 TX projects. Concerning exports to the EU, neither of the two countries is dependant in mineral resources and therefore enjoy a diversified economy.

The primary exports of Moldova in the period between 1996 and 2015 were food, textiles and vegetable products (wits.worldbank.org). In the same time period, Morocco has mainly exported textiles, machine& electrical equipment but also chemicals (ibid). The Economist's democratic index rated both countries this year as having a 'hybrid regime'. According to the methodology, for this type of regime corruption tends to be widespread, democratic weaknesses are much more common, harassment of journalists is quite typical and the judicial suffers from a lack of independency (The Economist, 2019, p. 49). Lastly, the HDI indicator places Morocco just above Moldova. In 2018 Moldova had a score of 0.667, whereas Morocco of 0.7. However, considering that in 1990 Morocco scored 0.458 and Moldova 0.651, the difference between the two is less substantial and actually obscures the fact that Morocco's position has increased by 0.209 over twenty-eight years, compared to Moldova's increase of only 0.049.

6.4 Discussion

Considering the comparisons, a number of inferences can be made about the cases. First of all, the cases suggest that there is a correlation between an absence of natural resources and deeper

integration. Resource dependency may indeed be hampering deeper integration. Countries that are under the influence of the resource curse are more reluctant to open up and share their resources with other members of the integration process (Fouquin et al., 2006, p. 2), thus this can serve as an explanation as for why in the resource dependency prevents from entering a deep integration process. Nonetheless, the comparisons conducted do seem to suggest that there is indeed an association. The resource dependent countries have a more closed type of regime, they often lack economic diversification. Their economies are heavily dependent on natural extraction and as a consequence other industries of their economy are underdeveloped. This leads them to undergo the process of market integration at a much slower pace than the non-resource dependent states.

Moreover, they have a much more reduced absorption rate of EU aid. What is counterintuitive though is that despite the resistance from Azerbaijan and Algeria to reform, all four countries have similar levels of completed TX and TW projects. Only Moldova has completed more TX projects, but TW the number of TW projects are not radically different. This perhaps may suggest that countries may be willing to reform only in certain regards and only at their pace. To further elucidate this question a deep analysis of the distribution of the TW and TX projects in each country could give a much clearer answer whether or not these types of projects play a significant role in the reform process. Another interesting inference from the analysis concerns the HDI.

The most improved country over the twenty-eight-year period is Morocco, followed by Algeria (0.177), Azerbaijan (0.145) and then last Moldova (0.049). Potentially, one of the possible explanations for Morocco's jump in the HDI may be due heavy investments from the EU and creating in turn positive overall effects. Nonetheless, it is not exactly clear why this is the case, and may need further research to understand this relationship. However, it may be due to the declining population, size and resources of Moldova, when compared to the other three.

Overall, the results indicate that the hypothesis is confirmed and that the resource curse contributes to the development and process of integration. Hence, we can infer that one potential alternative explanation for the reduced success of ENP policies may be due to the resource curse. Moldova and Morocco are neither resource dependent and yet one has already signed a DCFTA and the other is in the process of negotiating it.

7.0 Conclusion

The overall purpose of this thesis has been to explain the lack of success of the European Union's European Neighbourhood Policy in Northern Africa. In order to explain this effect, I employed two case studies, Algeria and Morocco, and I have examined using a neofunctionalist framework. The framework was based on three main variables, functional and external spillover and socialization. The main conclusion that can be drawn from this analysis is that failure in the North African ENP policies is dependent on the country. Overall, neither of the two countries have managed to achieve deep integration and become part of a DCFTA with the European Union. However, that does not mean that the policies have completely failed.

As shown in the previous chapters, the effects of external spillover on functional spillover are weak. In the case of Morocco, they have been much more successful than Algeria in embarking on the ENP process and have benefited greatly. This effect is reflected through the effects of functional and external spillover.

The main limitation of this research is the small number of used case studies (n=2). In this sense it is understandable that the generalization of the conclusions of this research is limited. Although, the advantage that comes from the limited number of case studies is that it grants the opportunity for a much more in-depth analysis of the cases. Furthermore, the cross-case analysis will also increase the value of the research and final conclusions because the comparison with two additional cases from the Eastern dimension will verify the conclusions of the case studies. It is to be noted though that additional issues may stem from the chosen theoretical framework. Neofunctionalism is a theory that has been subjected to critique in the past (Hoffmann 1963, 1964, 1965, 1966, 1982). As such, some aspects of the theory may well translate into the current research. This may concern for example, the effects related to spillover and even its existence, the understanding of the relationship between economic & political interests and the overall role of non-state actors.

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