

EU-Arab relations at the Crossroads:

Responding to challenges with a new narrative by the South

In a recent Regional Civil Society Dialogue¹, civil society representatives from both shores of the Mediterranean acknowledged that since the Barcelona Process in 1995 to the revised European Neighborhood Policy in 2011, the EU-Arab partnership has evolved significantly; yet, there is a long way ahead to achieve a prosperous and peaceful Mediterranean.

The need to assess the partnership and adopt a new vision is reiterated in the EU discourse². Yet, the revised approach to the region--focusing primarily on deepening trade liberalization, improving climate for business and investment and facilitating access to lending through European financial instruments--was not perceived as the relevant “new vision”. It is mainly qualified as doing “business as usual”.

Accordingly civil society representatives from the Arab region³, believe **that people’s aspirations should not remain as a big “challenge” for the EU⁴, but catalyze a genuine assessment of the EU’s obligations towards policy coherence for development.** We join **the call by the South for a new narrative⁵** which clearly indicates that the **EU-Arab relations are at the crossroads with several items on the table that require adoption of a new vision by the EU for its “partners”.** We present in this document reflections and recommendations, emanating from a vast number of research work and workshops conducted at national and regional levels, and tackling different social, economic and political aspects of the partnership in an attempt to contribute to a new narrative in the EU-Arab partnership.

1. Addressing socio-economic inequalities at the heart of the new development agenda

Arab countries are witnessing high levels and different types and forms of inequalities. Discussions emanating from the Regional Civil Society Dialogue and CSO focused on the need for a new development model with a strengthened developmental role of the State in order to address inequality in its various forms in the Arab region. This model requires reforming the distributive policies including taxation and fiscal policies, and implementing universal and effective social protection measures. The developmental role of the state must be monitored by the empowered, enabled and independent civil society organizations.

Inequality and redistribution lie at the heart of the development agenda and are considered as key priorities for the post-2015 development framework. In this regard, it is highly recommended that the EU put into action **the toolbox on a rights-based approach adopted in May 2014** and advocate for a development cooperation addressing inequalities through supporting reforms in the redistributive measures of Arab governments.

Tax Systems:

¹ The Regional CSO Dialogue around EU-Arab Partnership (Beirut, 6-8 November 2014); <http://www.annd.org/english/eventId.php?eventId=55>

² Speech by Commissioner Füle, http://europa.eu/rapid/press-release_SPEECH-14-725_en.htm?locale=en

³ List of signatories annexed

⁴ Speech by Commissioner Füle, http://europa.eu/rapid/press-release_SPEECH-14-725_en.htm?locale=en

⁵ http://www.concorditalia.org/wp-content/uploads/2014/07/140-copie-colore-DISCUSSION-PAPER-_EUROMED_FV-copia.pdf

- The outcome of the paper analyzing the tax policies in six arab countries issued by ANND in 2014⁶, indicated that tax collection from individuals greatly exceeds tax collection from companies, due to numerous legal flaws, in addition to corruption and the nature of the relationship between the public administration and private companies. Exemptions provided to foreign and domestic firms in various fields are not in line with developmental priorities.
- The income tax constitutes the bulk of direct taxes in some countries, which negatively affects the purchasing power and standard of living of the employees.
- The economic liberalization and the diminishing role of the state, as well as the market oriented agreements, reduce protection on many essential local products, and allow for highly unfair competitive foreign products. This led to a drop of revenue from customs to very low ceilings of 3-5% of revenue. This deficit was compensated by imposing new taxes or increasing tax rates, paid primarily by the poor and people with low incomes.
- Alarming decline in resources allocated to social sectors of public expenditure, particularly education, health and scientific research sectors and that because of the dictates of the international financial institutions that prefer to finance sectors designated as "productive sectors" at the expense of social expenses.
- The growing phenomenon of smuggling money out of their countries of origin to the banks in both Europe and America, which specifically prohibits the Middle East and North Africa to take advantage of an important part of their wealth.
- Tax evasion is a widespread phenomenon in most Arab countries and this is mainly due to the ability of some taxpayers (companies) to commit tax evasion and fraud.

In this regards, the EU is called: 1) Not to undermine the policy space for government due to the trade and investment agreements which influence the capacity to design adequate policies including tax reform, 2) To reconsider policies promoting indirect taxation which burden is predominantly borne by poor people. 3) To take a leading role in the fight against corruption, tax havens and illicit financial flows, ensuring the European businesses and private companies' regular reporting on tax payments, along with their impacts on sustainable development and human rights. 4) To facilitate a social dialogue between the various key economic and social actors and the state in relation to tax systems and their reform.5) To adopt human rights based approach and UN charters and conventions during the programs and public policy development.

Social Protection Policies

The outcome of the regional report reviewing social protection policies in 13 Arab countries published by ANND in December 2014⁷, showed that social protection systems are not inclusive or universal and that the related institutions are facing huge structural and financial constraints. Those systems do not emanate from a rights based approach to social protection but from an approach that meant to mitigate the implications of the economic policies through targeting programs and cash transfers.

⁶ <http://www.annd.org/english/data/publications/pdf/35.pdf>

⁷ <http://www.annd.org/arabic/data/publications/pdf/55.pdf>

Another feature of the social crisis resides in the increasing size of the informal sector which operates outside economic regulations and frameworks set by the state, which does not ensure any legal protection for the workers in this sector.

In this regards, the EU is called to: 1) Promote a human-rights based approach to social protection and support universal coverage to all people by appropriate and effective social protection mechanisms. 2) Promote and support the full implementation of the ILO recommendation 202 on National Floors of Social Protection to which governments from all around the world have committed to. 3) To shift from a narrow approach of targeting very poor people to a universal one through creating jobs, insuring the protection of the unemployed, and the inclusion of the right of children and the elderly or disabled. 4) The need to include social protection policy as part of the broader strategy of social development.

2. Binding the Private Sector with Human Rights standards and aligning trade and investment policies with development priorities:

The role of the private sector has evolved within the EU-Arab partnership. The EU is promoting **more active engagement of the private sector in development cooperation**. This role is perceived to be at the implementation level but **also in resource mobilization**. Promotion of the private sector by the EU is crucial, yet should be with **a clear mandate that includes enhancing productivity** and competitiveness in partner countries as well as **the improvement of productive sectors** with added-value production. In regard to the EU's trade and investment policies, which are rooted in further liberalization of trade and finance, privatization, and attraction of foreign direct investment, socio-economic indicators reveal the fact that they will not bring about the kind of reforms that would promote equity, jumpstart development and generate sustainable job opportunities in the Arab region. Moreover, these agreements reduce the policy space of partner states to decide the orientation of their economic system, with potentially far-reaching social, economic and development implications.

Accordingly and with this regards to its trade and investment policies, the EU is called to: 1) Enhance development-oriented trade and investment policies, through protecting policy space of developing countries and ensuring the integration of human rights and development considerations in decision-making, policy formulation, design, and implementation of these policies, 2) establish a clear and effective mechanism to ensure transparency and disclosure of necessary information during the course of negotiations on Deep and Comprehensive Free Trade Agreements- given that these negotiations address areas that are at the heart of the structure of national economic sectors (such as investment, government procurement and services) and may directly affect the states' ability and sovereignty in terms of regulating the economy in line with national development goals. 3) The DCFTA negotiations should consider the high risk of liberalization of sectors of basic services related to economic and social rights of citizens, including the sectors related to the right to healthcare, education, social security and water supply. 4) A comprehensive public consultation should be undertaken through publishing the proposed EU texts in the areas of negotiations that have crucial regulatory implications, particularly in regards to investment protection given the problematic with the current ISDS system, unduly constraining domestic regulatory prerogatives.

With regards to the role of the private sector, the EU is called to take into consideration that:

1) Private sector engagement in the region should contribute to decent job creation and increasing productivity and EU's support to SMEs should be in line with the national development strategy of the partner countries. 2) Domestic and foreign private sector receiving grants or loans from EU, should abide by social standards (including decent labor) and environmental sustainability. These social and environmental standards must be agreed upon with the participation of civil society and trade unions. 3) European member states' duty in protecting human rights through proper oversight and regulation of private actors should be enhanced and the EU is called to play a key role in the adoption of an international binding framework for the private sector to ensure its respect for human rights and social justice according to the UN Guiding principles on Business and Human Rights. 4) Due to the weakened public institutions in Arab countries, CSOs in the Arab region raise concerns about the high risk from public-private partnerships (PPPs) and their potential to strain public budgets while simultaneously threatening peoples' rights to access to public services due to high cost and low quality.

3. A CSO Enabling Environment :

The EU recognizes that the **shrinking space for civil society** is a key challenge in the Southern Neighborhood, alongside inequality and mobility⁸. Responding to this challenge requires strong political will and commitment, reflected by adopting a series of measures, policies, strategies and plans. At the forefront comes ensuring **an enabling environment** for civil society which includes, besides the relevant legal framework, access to resources and information, respect of fundamental freedoms including the freedom of association and assembly and expression as key elements for the democratic enhancement of the role of CSOs.

In this regard, the EU is called to support the following : 1) The Structured Dialogue Process lead by the previous Commissioner of Enlargement and Neighborhood Stefan Fule should be advanced at national and regional levels, enhancing and supporting existing initiatives, networks and bodies; and creating coordination mechanisms and efficient communication strategies among them. The scope of the dialogues with CSOs and local actors should be widened to tackle all policy areas including trade, environment, security; peace processes. 2) Financial assistance for civil society should be used as a tool to empower civil society without framing its work or limiting its independence. Moreover, it should be used as a tool to promote cooperation and coordination amongst CSOs but not be the reason for further competition. Developing a funding modality that respects CSOs' right of initiative, in order to be relevant and to respond to the local needs identified by CSOs and their constituencies. Furthermore, there is a need to simplify and harmonize administrative requirements with regards to funding. 3) The EU should reduce aid fragmentation by fully implement the international aid and development effectiveness commitments made in Paris, Accra and Busan as noted by the European

⁸ <http://www.enpi-info.eu/files/publications/Public%20report%20-Tunis%20Regional%20Civil%20Society%20Seminar.pdf>

Parliament⁹. EU donor coordination should contribute to the objective of ending all formal and informal tied aid and to turning the "Aid Effectiveness Agenda" into a "Development Effectiveness Agenda".

4. Enhancing Peace and Security in the region:

Enhancing peace and security in the region is a key concern and must be given priority. This necessitates the recognition of freedom, dignity, justice, participation, citizenship and the right to self-determination as key components of stability. Whereas steps taken towards officially recognizing the Palestinian state by Sweden and symbolic steps by Britain, Ireland and Spain are welcome, the EU should take a clear position towards its respect to the right to self-determination. ***In this regard, 1) the EP resolution to be voted in December 2014 in recognition of a Palestinian state is critical but such decisions should be further strengthened with measures adopted to ensure Israel's compliance with international law. Accordingly, we join the call of the BDS movement that is also supported by hundreds of European citizens, CSOs, trade unions, social movements and call EU to Suspend the EU-Israel Association Agreement which is sending Israel the message that it does not have to abide by international law and adding to the impunity and lack of accountability of Israeli violations. 2) The alerting situation in Syria and Iraq, as well as in Libya, requires a comprehensive approach tackling the root causes of these conflicts including the weak state and public institutions, the lack of democracy and freedom, the violation of human rights standards, inequalities and the absence of justice, unemployment, marginalization and the restrictive environment for civil society and accountability. 3) In order to be able to find a relevant solution for conflict resolution, the focus should be on the empowerment of the local communities, to enhance citizenship and to promote the culture of Human Rights including the right to self-determination. This also requires a political will at all levels that includes the different actors and partners; the will to look for a political solution, avoiding the escalation of the military actions, ending all forms of arm trafficking and allowing the different parties involved in the conflict to create their own enabled space for peaceful and constructive negotiations. 4) The proper Humanitarian interventions to respond to the immediate needs of the refugees as well as the internally displaced people. These interventions might have a long term vision by empowering the targeted communities and developing their potential social capital.***

The CSO represented in the delegation to the EU in December 8-12, 2014, believe in the peaceful and prosper future of our region. They call for the enabling environment for a constructive, inclusive, dynamic and open dialogue aiming at promoting the Human Values, the respect of Human Rights and the promotion of democracy.

Brussels December 12, 2014

⁹ <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A7-2013-0393+0+DOC+XML+V0//EN>

List of signatories

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