Why Investment in Civil Society is an Investment in Economic Development: The Case of the Southern Mediterranean

– Ulrich Wurzel –

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Summary

In the context of the Euro-Mediterranean civil society debate, this paper summarises some findings on the link between civil society and the pre-conditions for economic prosperity. There are two major questions related to the role and importance of civil society activities in the Southern Mediterranean Partner Countries of the EU (SMPCs): The first is, why the economic development of the SMPCs is so crucial for the success of the Euro-Mediterranean Partnership (EMP) as a whole. The second –the most important one for the civil society debate– is how civil society activities are linked to economic development in the SMPCs.

The basic assumption in this paper is that the lack of international competitiveness of the economies of the SMPCs is a major stumbling block for the success of the Euro-Mediterranean Partnership and will result in an external shock if the Euromed free trade zone comes into effect before the economic position of the SMPCs is strengthened substantially. The governments of negatively affected SMPCs could be forced to leave the partnership project in response to domestic political pressures. This paper further argues that the international competitiveness of SMPCs can be improved directly and indirectly through the activities of strong and independent civil society organisations. Indeed, there is a strong link between civil society and economic development: because economic competitiveness is the outcome of efficient collective processes of learning and innovation *within* the societies concerned, endogenous knowledge and technology, creativity and involvement are essential. These kinds of foundations for competitiveness can neither be simply bought from abroad nor received through development aid. Knowledge and creativity flourish in societies equipped with the necessary social, cultural and political wealth. The innovative potential of whole societies must be put to use to ensure development and a major feature of a favourable societal environment is a *complex and differentiated civil society*.

The paper gives some examples of how civil society activities in the SMPCs can and do contribute to the creation of an environment conducive to improving international competitiveness. There is a long way to go, however: clearly, in most SMPCs there are neither appropriate levels of international competitiveness nor sufficient room for the civil society activities that are necessary. In this context, the paper highlights how the absence or suppression of civil society institutions, organisations and activities may constitute an obstacle for economic development. In light of the emerging global pattern of knowledge- and innovation-based competition, unless there are fundamental changes that create conditions for increased competitiveness, the economic future of most of the SMPCs will remain rather gloomy. SMPC policy makers must therefore work to improve the conditions for civil society activities in their countries. Encouragement and support must replace distrust and restrictions. In the mid- to long-term there is no feasible alternative to the inclusion of civil society actors in the search for solutions to important social and technical-economic problems in the SMPCs.

Civil society groups in the SMPCs must stress the constructive and creative potential of their activities when engaging with the state. They must seek out promising areas of co-operation with state authorities and entrepreneurs while remaining aware of the dangers of cooptation and corruption. The potential for co-operation between state and civil society in the SMPCs must first be explored in politically less sensitive fields where trust and mutual understanding is easier to develop than for sensitive domestic policy issues.

EU actors should work towards a better standing of SMPC civil society groups and activists. Euro-Mediterranean programmes and projects supporting the activities of civil society groups in these countries should be continued, revived and extended despite recent difficulties. EU state- and non-state actors should further highlight the development potential of the civil society participation in the stronger SMPCs. Further, EU initiatives that aim to strengthen the economic competitiveness of these countries must continue. At the same time, whenever appropriate the issues of economic development and civil society should be explicitly linked in Euromed programmes.

An alternative View of the Importance of Civil Society Activities in the Euro-Mediterranean Partnership Process

The recent debate on the role and importance of civil society activities in the context of the EMP project highlights the need for intense exchange and co-operation between people and civil society organisations from the EU and the SMPCs to achieve major aims of the Barcelona Process as formulated in the Social, Cultural and Humanitarian Chapter of the EMP (Reinhardt, 2002). What is often overlooked, however, is the importance of developed civil society structures within the SMPCs as a pre-condition for the success of the Economic and Financial Partnership that provides the material foundations for the whole EMP approach.

This paper, by analysing the interdependence between the level of civil society activities and the prospects for economic development, attempts to contribute to a new perspective of the Euro-Mediterranean civil society debate. Two main questions are analysed: why the economic development of the SMPCs is so important for the overall success of the Euro-Mediterranean Partnership, and how civil society activities are linked to economic development prospects. It will become obvious that when SMPC governments create obstacles for civil society activities they deter progress in the Euro-Mediterranean Partnership and indirectly undermine long-term economic development prospects.

Why is the Economic Partnership so Important?

Why is the Economic and Financial chapter so important for the success of EMP? The EMP Political and Security Partnership aims to establish a 'common area of peace and stability' in the Mediterranean region, while the Social, Cultural and Humanitarian Partnership aims to develop human resources and promote mutual understanding between different cultures and civil society exchanges. It is the Economic and Financial Partnership (EFP), however, that is focused on creating an area 'of shared prosperity' between Europe and the Southern Mediterranean region (Barcelona Declaration of 28 November 1995). One of its major purposes is to support SMPC economic development in order to create the material foundation for sustainable partnership. The rationale behind this is the recognition that in the long-term Euro-Mediterranean co-operation and integration can only succeed if all the parties involved have an adequate economic resource basis.

The most prominent political outcome of EFP is the Euro-Mediterranean Free Trade Zone (FTZ) to be established by 2010. EU-SMPC economic integration will be the driving force behind a successful EMP, just as economic co-operation was in the early stages of the EU unification process. Without economic integration, the two other EMP 'baskets' will remain rather empty. Thus, failure with the Economic Chapter will lead to a collapse of the project as a whole.

The Potential Failure of the EMP due to Lack of SMPC Economic Competitiveness

One may well ask why the Economic and Financial Partnership should fail at all. The general pre-condition for social or cultural development is the economic viability of a country or region or, in current terms, its international competitiveness. A nation's competitiveness exists to the extent that it is able to produce goods and services that under free and fair market conditions pass the test of global markets and produce an equitable rise of real incomes for its citizens. Clearly, economic development levels and levels of international competitiveness differ substantially between the EU members and between the SMPCs. This has serious implications for the EMP. The external shock of overwhelming European competition in a joint Euro-Mediterranean free trade zone could lead to a massive economic, social and consequently, political crisis in less competitive SMPCs.

There is no doubt that the short-term opening-up of a less competitive economy to the competition of more efficient producers from abroad can have severe consequences. Economic liberalisation can lead to scenarios of a de-industrialisation and even declining agricultural production in the SMPCs, as most are far less competitive than EU countries. The example of changing US-Mexican trade patterns after the creation of the North American Free Trade Area (NAFTA) shows that trade liberalisation can even lead to cheap food imports by less developed agricultural economies from more developed industrial countries. These threaten the livelihood of millions of small-scale Mexican farmers who cannot compete with foreign producers or afford imported food. In the case of Mexico, only the top ten percent of the population benefits from this kind of agricultural trade liberalisation: 80 percent of the rural producers have been affected negatively (Gómez y Paloma, 1997). The example of the dramatic breakdown of industry in the former East German after unification also serves as a warning.

The liberalisation of trade in goods and services is one of the core elements of Euro-Mediterranean economic integration, however. Not only will SMPC balance of payments, fiscal situations, and FDI flows (largely intended to circumvent trade barriers) suffer from the implementation of the free trade agreements, but labour markets could collapse as formerly protected, non-competitive state-owned and private enterprises have to close down or public sector services have to be downsized due to budget problems. Of course, the concrete impact of the Euro-Mediterranean free trade area on the SMPCs' economic situation depends on the structural characteristics of individual economies and trade-specific elements such as the proportion of manufactured versus other goods in total exports. Nonetheless, even if the positive effects overcompensate the first shock over the long-term, and even if aggregate adjustments prevent outright economic catastrophes in individual countries, recessions are to be expected before any signs of prosperity become visible.

SMPC governments will try to avoid social conflicts and related domestic policy problems. Thus, they could be forced to abandon the partnership in response to domestic political pressures. This is another scenario in which SMPC decision-makers anticipate threats to political stability. They would in this case fail to implement agreed economic policy steps from the outset. This would also lead to the failure of the Economic Partnership. As noted above, a failure of the Economic and Financial Chapter, which provides the economic foundations for viable Euro-Mediterranean exchange and integration, could lead to a collapse of the Euromed project as a whole.

It can be concluded, therefore, that building up international competitiveness in the SMPC economies is absolutely necessary. It is the key to the success of both the Economic Chapter of the EMP and the Euromed project in general. The civil society issue, now mainly debated among political scientists, will become relevant in this context. At the beginning of the twenty-first century, international economic competitiveness is as much a social phenomenon as it is an economic one. In order to explain this in more detail and in a broader context, a bit of theory comes in handy.

Competitiveness as an Economic and Social Phenomenon: Some Theoretical Background

Modern, systemic development theories stress that economic development is more of a social phenomenon than a purely economic or technical matter. After more than half a century of development debate, and in spite of the neo-liberal 'counter-revolution' of the 1980s, it is now widely accepted that economies are social systems, first and foremost. Economic and non-economic (social) factors are interdependent. Social factors include attitudes towards life, work, and authority; public and private bureaucratic, legal, and administrative structures; patterns of kinship and religion; cultural traditions; systems of land tenure; the authority and integrity of government agencies; the degree of popular participation in economic and political decisions as well as the flexibility or rigidity of social and /or economic class structures. Hence, most development economists understand that the economic situation in a given country or region is as much shaped by history and social, cultural and institutional features as it is by 'hard' economic factors such as investment and savings, production, prices and international financial transactions. Social or political power structures have a strong impact on the economic development process as a whole. Thus, the functional mechanisms of economies as social systems can only be understood fully if one goes beyond an analysis of seemingly simple economic rationales, causes and effects. Firms and national economies can gain a lasting lead in productivity only if they are able to successfully combine technical, economic and social factors. Time and again, the central determinants of success have turned out to be the control mechanisms and organisational patterns that encourage creativity and innovation in the economy, as well as in society (see Eßer et al,. 1996).

According to systemic theories of economic development, competitiveness, defined as an economy's ability to permanently generate high real incomes in a globalised economic system, depends on continuous productivity growth in companies. However, it is becoming more and more difficult to obtain productivity leads on the basis of the availability of natural resources. This is due to the fact that international competition is increasingly dominated by a new paradigm that makes a knowledge- and technology-based competitive advantage fundamentally more important to companies than any amount of natural resources. In the long-term, even transition and developing countries can, at different stages, move from basic factors of competitiveness (such as cheap raw materials and labour) to advanced factors (such as basic elements of a tangible and non-tangible infrastructure like transport, communications, education and Research and Development – R&D), and finally to a pattern of competitiveness based on specialised factors like the specific, structural and systemic competitive advantages of company clusters (see Porter, 1990; Eßer et al., 1996 and Wurzel, 2000). The successful Asian tiger economies did exactly this.

Productivity gains result from successful innovation activities in relevant fields of technology. Innovation is a complex phenomenon that deals with the production, diffusion and translation of technological knowledge into new products, production methods, organisational patterns and marketing concepts. In this context, the term technology must be defined in the broadest sense to include 'hard elements' such as technological hardware and technical knowledge in the traditional sense and 'soft elements' like organisational and management concepts, co-operation, bargaining and communication skills, relations with external suppliers, and an organisation's ability to learn and to react to the challenges of a turbulent environment, among other factors.

Successful innovation processes are characterised by complex interaction among a wide range of different actors from the private and public sectors such as business enterprises, R&D and educational institutions, transfer and bridging organisations, financial organisations, administrative bodies and civil society organisations (like trade unions and business associations). Apart from traditional techno-economic processes, adequate and efficient regulation, control and organisational patterns in firms and society as a whole determine the success or failure of enterprises, industries and national economies in creating competitiveness through innovation. Productivity is therefore a social phenomenon.

Systemic theories of economic development analyse conditions of international competitiveness on four levels of the global socio-economic system: the meta-, macro-, meso- and micro-levels. To achieve competitiveness, purposive and inter-meshed measures must be chosen

for each level, and a multidimensional concept of competition and co-operation adopted. This includes the optimisation of performance potentials at each level and the highest possible mobilisation of potential creativity within each social sector. The inclusion of the most important groups of actors is essential in this respect.

At the meta-level, the principal decision is whether an economy is mainly regulated by markets or by different kinds of government intervention (central planning would be an extreme case). Socio-cultural factors and the basic pattern of political-economic organisation of a society are of crucial importance. At the macro-level, conditions are determined by government economic policy. At the micro-level, individual economic actors, mainly business enterprises, are the key players. At the meso-level one finds organisations that establish links between micro-level units (such as enterprises) and macro-policies shaped by the central government, with many of these meso-organisations consisting of classic civil society actors such as industrial and professional associations, trade unions, and consumer organisations. Other organisations that also play a role at this level are public and private R&D organisations, educational institutions and administrative bodies at the central, regional, and local level. Examples are specialised technology institutes that target the needs of cluster-specific branches of industry, specialised educational institutes, regional development councils, regional development banks, export promotion centres and marketing co-operations. Thus, meso-level interaction seems to be part of the diversity of links between public and private entities, which challenges the neo-orthodox assumption that there is a dichotomy between state and market.

Conventional economic theories still neglect the importance of meso-level structures. But, it is at the meso-level where the foundations for techno-organisational and social innovation are laid, and they are a crucial precondition for building up international competitiveness. As research on industrial districts and national and regional innovation systems stresses, even in times of globalisation the local environment becomes increasingly important as a source of competitive advantages (Schmitz, Musyck, 1993; Nadvi, Schmitz ,1994.)

In order to establish the systemic foundations for international competitiveness in developing countries such as the SMPCs, a number of social, political and economic reforms must occur. Development should be seen as a complex process, in which both the market and the state (or politics) have a role to play.[1] Understanding innovation, productivity gains and the related competitive advantages as results of the complex interaction between a wide range of different actors from the private and public sectors brings one back to the relation between civil society and economic development.

Since economic competitiveness is the outcome of learning and innovation *within* the societies concerned, endogenous knowledge and technology, creativity and involvement are necessary.[2] National elites must emphatically support economic development, society must reach a consensus on the need for change within a broader framework of a national development or reform programme; motivation must be high and the innovative potential of the whole society must be employed. Knowledge and creativity flourish in societies equipped with the necessary social, cultural and political foundations. And, as shown below, a major feature of such a favourable environment is a complex and differentiated civil society.

[1] Various empirical studies prove that the success of various industrialised European countries and newly industrialised countries in adjusting to a global economic environment is based on policies that develop the overall socio-economic system (see Porter, 1990; Hillebrand, 1991; Eßer et al., 1992 and 1996; Esser et al., 1996, and Messner, 1995). Esser et al. conclude that: "the competitiveness of enterprises is based on a societal arrangement in which the interplay of competition-relevant factors, actors, and policies at different levels plus a frame of reference in which these levels can interact, lead to competitive advantages." (Esser et al. 1996, p. 2).

[2] "The essential condition for development is creativity ... Our essential tool is technological innovation in the widest sense. ... But experience has shown that technology is no commodity that can be bought (by petro-dollars) or be given (through development aid). Instead, it requires active participation in the international process of research, continuous innovation and learning. The recipients must be qualified enough to understand, absorb, adapt and further improve the imported technologies in line with their specific needs. Technology is not a commodity but a process." (Weiss, 1995, p. 3)

Civil Society Activities and the Social and Economic Pre-conditions for International Competitiveness

If one accepts that (1) national international competitiveness is a pre-condition for broader socio-economic development and that (2) competitiveness results from productivity leads and techno-economic as well as social innovation, then it is quite simple to outline the social environmental conditions that favour the establishment of international competitiveness. Any social, political or economic feature that positively contributes to processes of searching, learning and changing will directly or indirectly improve the chances for techno-economic or social innovation and hence competitiveness. Based on this admittedly rather normative point of departure, one can first assess existing social structures in terms of their potential to block or support learning, change and innovation in the social and techno-economic spheres, and, secondly, assess the *potential positive contribution*s of civil society organisations and activities in any given country to the establishment of framework conditions to achieve or sustain international competitiveness. The social environmental conditions favourable to the establishment of national international competitiveness are outlined below, together with the role that civil society activities can play in improving conditions. A number of examples are given. The major issues dealt with are the necessary balance between the state and the non-state societal actors, the identification of development priorities and the importance of a consensus concerning the general pattern of development, communication and peaceful conflict resolution, bottom-up pressure on the state to reform the framework and the provision of group-specific know-how on the necessary reforms, the facilitation of critical and creative thinking and learning and innovation in the society, and finally the need for cultural change.

Balancing the Roles of the State and of Other Societal Actors

Among other factors, the success of national economies or societies in the global economy depends on their ability to develop a shared vision of the general model of socio-economic development (a basic consensus at the meta-level) and to define mid- to long-term development targets implemented through appropriate policies.

(1) Autonomy of Actors and Balance between the State and Other Actors

One pre-condition for communication and co-operation between different sets of social actors in collective processes of searching for new solutions is their autonomy. The autonomy of social and economic actors will be guaranteed only if functioning sub-systems are being established in which the concerned actors can independently (free from heavy-handed government intervention) develop, learn and innovate. Clearly drawn dividing lines between the different actors and the state limit government intervention and protect the state from attempts by privileged interest groups to interfere with its structures and activities. Further, from the point of view of an economist the right balance between the state intervention and room for other economic actors is needed for economic development and international competitiveness. Civil society organisations are advocates of the autonomy of certain groups of social and economic actors *vis-à-vis* the state first and foremost. This is a major starting point for the structural differentiation of societies and a measure of their modernity.

(2) Preventing Social and Political Monopolies

Efficient processes of searching, learning and innovation that produce a competitive advantage can only exist if there is competition among different approaches, ideas and solutions to social and economic challenges in any given society. Apart from actor autonomy, an important pre-condition for these processes is the absence of social and economic monopolies. Economic and social actors, be it individuals, political parties or business enterprises, will be creative and innovative if they have to react to a competitive incentive system and if they have the necessary room to carry out

their activities. In many SMPCs, however, some actors still monopolise economic and political power and force other actors to play according to their rules. This holds true for the authoritarian political regimes as well as for influential businessmen, often closely connected to the political elite. As any monopolisation of resources and decision-making power has adverse effects on national economic development, civil society activities can contribute to the establishment of social and economic checks and balances.

(3) Efficient Public Organisations

Important pre-conditions for successful economic development are efficient governmental institutions and organisations at the macro-level (see also World Bank, 1997). Political decisions must be based on realistic analyses and development priorities. They must involve transparent procedures, protected from lobbyists' attempts to influence actors with their vested interests. Macro-level policies must lay the foundations for future development instead of preserving outdated structures and policy patterns serving the egoistic interests of privileged actors. Apart from a general consensus concerning the path for development, a functioning government and a competent administration have to implement efficiently agreed-upon policies. Criteria for the efficiency of public administration are, for example, the time authorising agencies need to grant licences, the transparency of those procedures, and the extent of corruption, among other factors (Pritzl, 1997; World Bank, 1997). Civil society organisations can raise public awareness of the importance of corruption-free administration and transparency in administrative procedures. They can exert public pressure on government agencies to reduce bureaucracy, to introduce clear criteria for decision-making, to speed-up lengthy bureaucratic processes and to abolish unnecessary restrictions and obstacles. Depending on the more or less authoritarian nature of the state, sometimes they can challenge the decisions of administrative bodies.

(4) Shared Responsibilities of State and Civil Society

The flexibility of established patterns of policy-making depends on the readiness and capability of an administration to place time limits on certain measures (such as protectionist ones), to assess realistically policy results (evaluation) and to adjust policies if undesired outcomes occur. In many policy domains, the inclusion of the concerned actors or target groups via meso-level institutions and organisations seems necessary to design appropriate policies and to evaluate their results (shared responsibilities). In an ideal scenario, macro-level policy bodies are ready to accept the active participation of relevant civil society organisations in proposing and assessing policy measures without fearing a loss of authority and status. In this context, civil society organisations play a dual role: they are active participants in the relevant policy domain and they perform a watchdog role. A clear division between the state and non-state actors and their respective roles in the policy process is important, however, in order to guarantee the integrity and neutrality of governmental and administrative bodies *vis-à-vis* potential egoistic group interests.

Identifying Development Priorities and Building Consensus on the General Vision of Socio-Economic Development

(1) Identifying Development Priorities

Ideally, civil society organisations represent the interest of their members or target groups. They therefore contribute to the identification and definition of relevant socio-economic development issues. A comprehensive global picture may emerge if many different civil society organisations representing various social segments communicate their perception of development needs and priority areas. However, this will only occur in an environment where different social and economic actors can make themselves heard.

(2) Consensus-building and a Shared Vision

The emergence of a widely shared perspective among different groups of actors on the general development model and related priority areas for economic policy-making is a pre-condition for the inclusion of as many social and economic actors as possible in the development process and for the highest possible mobilisation of knowledge, creativity and commitment. Civil society organisations can facilitate the inclusion of a wide range of social segments in consensus building.

Basic questions that need answering are the choice between strategies for far-reaching world market integration and different forms of more or less gradual de-linking from the global market mechanism (as proposed by different advocates of a new Islamic economy or of South-South co-operation in place of economic exchange with the developed, industrialised 'North'). If the world market is chosen as the frame of reference for national economic policy, the question arises as to whether there should be unconditioned free trade or a strategy of selective protectionism as employed by the Southeast Asian 'tigers' in earlier decades. During the process of discussion and consensus-building, civil society organisations can facilitate public debate, provide information and specific expertise, question government decisions (particularly those with far-reaching consequences for socio-economic development) and outline alternative policy scenarios.

Providing Channels of Communication and Facilitating Peaceful Conflict Resolution Between Competing or Opposing Groups of Social Actors

(1) Efficient Communication

One element that makes civil society organisations and their activities within meso-level structures so interesting is their potential to facilitate collective action and social integration. Civil society structures can serve as efficient channels of communication among groups of actors with differing, partly contradicting interests – another pre-condition for consensus building in preparation of efficient economic policy-making and collective action for international competitiveness. By contrast, blocked channels encourage influential groups of actors to corrupt and to instrumentalise governmental bodies in order to pursue their egoistic interests behind the scenes. This undermines the autonomy of the state *vis-à-vis* various lobbies. It also prevents administrative bodies from designing and implementing adequate economic development policies. If there are no channels of communication between competing or opposing groups of social and economic actors, it is likely that there will be violent outbreaks of frustration and extremist action in order to push through demands and to force other actors – primarily the state. "Systemic competitiveness without social integration is a futile endeavour" (Esser et al., 1996, p. 38).

(2) Conflict resolution

Meso-level activities of civil society organisations provide an ideal testing ground for new, co-operative and consensus-oriented forms of interaction between social actors. Independent interest-based civil society organisations in the economic sphere such as labour unions, professional associations, business or investor organisations allow for efficient collective bargaining (such as between capital and labour or between professionals and the state). Established routines of collective bargaining can contribute to peaceful and creative conflict resolution. By contrast, ongoing conflict directs resources and management capacities into unproductive confrontation. In a situation of continued confrontation, social innovation is less likely to engage in a peaceful collective search for creative solutions. Thus, endless conflict and confrontation is an obstacle to development and to the establishment of the foundations for international competitiveness. On the other hand, new ways of interaction which are first tried out in civil society organisations and their mutual and state interaction can help societies to learn that participatory approaches and joint efforts to solve problems are useful and successful, even when different actors may have some conflicting or contradictory interests. In the mid- to long-term, new problem solving strategies may emerge which are based on trust, reciprocity, fair exchange, the ability to agree to compromise and co-operate, and refrain from pushing through maximum demands. As a result, compromise can replace attempts to dominate decision-making processes. Social polarisation can be overcome partly. As has been proven in a number of rapidly developing countries, such meso-level interaction stimulates dialogue and the ability to join efforts.

(3) Fair Distribution

Finding the right balance for sharing the results of the development process must be part of the consensus on the socio-economic development model. Only a fair distribution of economic output (wealth and income) that rewards initiative, commitment and creativity can secure the necessary economic incentives for the further mobilisation creativity and involvement. Civil society

organisations have a great responsibility in defining and protecting the rights of their members or target groups to a share of the fruits of economic development. An extremely unequal distribution of the fruits of economic development (which will mainly stem from relations of economic and/or political dominance and from monopolies of power) will undermine incentives. It will discredit the development model and destroy prior consensus. This can lead to prolonged conflicts over the distribution of benefits, which may cause social unrest. Political instability is both an obstacle to the inflow of Foreign Direct Investment (FDI) and to the domestic establishment of the foundations for international competitiveness in firms, regional industrial districts and nationally. Therefore, civil society organisations such as trade unions and professional associations can play an important role in establishing framework conditions favourable to international competitiveness.

Bottom-up Pressure on the State to Reform Framework Conditions for Development, Provision of Group-specific Know-how for Reforms

(1) Bottom-up Pressure

Independent civil society organisations can exert pressure on the state to change frameworks according to their needs (such as legal conditions or infrastructure, taxation or educational policy). The capacity of a national economy to promote efficient processes of learning and innovation, besides meso-level policies (like education, science, R&D) will be influenced by governmental activities in other policy areas. Thus, any measures in these policy areas must be designed to avoid a negative impact on the ability of the national economic system to promote learning and innovation. The system of regulation, including product standards and technical norm systems, for example, influences the efficiency of processes of searching, learning and innovation at the micro-level. The extent of regulation and the quality of regulating instruments affects the incentives and room for manoeuvre of the different economic actors (the release of techno-economic creativity). If regulation is too far-reaching and inflexible related institutional rigidities prevent market incentives from exercising their innovation-stimulating functions. Wrong or excessive regulation can even prevent the emergence of real markets. A radical liberalisation (as of foreign trade) that ignores the actual adjustment and response capabilities of domestic producers can, on the other hand, be harmful for international competitiveness. As the experience of the Southeast Asian success stories stresses, a gradual increase of competitive pressure, supported by selective and temporary protectionist measures, is positive. Civil society organisations that are active in the relevant fields of economic decision-making can inform the concerned government bodies about the capabilities of firms to react to growing market pressure from international competition. However, it is important to note that the boundaries between this and outright lobbying for continued protectionism can be blurred.

(2) Provision of Specific Know-How

While civil society organisations can exert pressure on the state to change the framework conditions in their fields of activities they can also support related reform processes by providing specific professional or procedural know-how. The more differentiated a society or a national economy is, the more specific knowledge will be accumulated and stored by groups of actors and individuals outside the state and administrative bodies. However, state and administration need to have access to this knowledge in order to be able to design the appropriate policies that could support the build-up of international competitiveness. Without the active participation of the relevant groups of actors – often represented by civil society organisations – the design as well as the implementation of adequate policies and strategies becomes difficult if not impossible.

Some of the associations of investors in the new desert cities of Egypt provide group-specific know-how to local and regional state authorities that is a necessary input for the design and implementation of adequate regional development policies. Depending on the age of the respective city and the personalities leading the organisations, the associations of investors in the new communities differ in size, organisational capabilities and influence, but they all share at least some features of real civil society organisations. The more advanced associations work towards the establishment of efficient communication channels among their members and between their members and other organisations relevant for the economic and social future of the city. They concentrate on improving local conditions. In some cities, together with the municipal administration, they even installed a kind of regional development conference dealing with

medium- to long-term strategies for the development of the communities. Other activities include co-operation with government bodies responsible for economic legislation and initiatives to improve the local educational situation. Often the initiative in these organisations comes from the enterprises already feeling the need to react to world market pressure resulting from the (still limited) liberalisation of Egypt's foreign trade. In some cases, leading entrepreneurs turned out to be the most active group of actors, taking care of the future of 'their' city (Knaupe, Wurzel 1995).

Professional organisations such as bar associations can work towards the improvement of the general environment for the establishment of an economy's international competitiveness. Taking the example of the lawyers' syndicates, they can identify major weaknesses of the juridical and legal systems and, based on their work experience and professional knowledge, propose improvements wherever possible. Intellectual property rights protection comes into play when the attraction of foreign direct investment or the establishment of commercial research and development facilities are debated. If a balanced modernisation of economically relevant juridical framework conditions (including a modern labour code guaranteeing minimum social and political rights and protection to workers and employees) is an outcome of such civil society organisations' activities, this will clearly improve the general business climate.

A Socio-political and Socio-cultural Framework to Stimulate Critical and Creative Thinking, Learning and Innovation

As noted above, apart from techno-economic conditions, systemic competitiveness is strongly determined by the general socio-political and socio-cultural climate. Competitiveness can only be developed, if there exists an appropriate environment for the processes of searching, learning and innovating equally on all interdependent levels of the overall socio-economic system (Porter, 1990; Esser et al., 1996; Wurzel, 2000).

On the one hand, the right balance between the role of the state and the influence of other societal actors, efficient public organisations, the inclusion of the development needs and priorities of different groups of societal actors in policy planning and implementation, consensus-building and a shared vision as well as efficient communication and interaction between the state and non-state actors can contribute to such framework conditions which are favourable to socio-economic development in the broadest sense (see above). On the other hand, however, an innovation-stimulating socio-political and socio-cultural climate has to include more: there is a strong need for the inclusion of a maximum amount of knowledge, creativity and innovation embodied in individuals, organisations and social groups. Therefore, in order to generate successful processes of learning, searching and innovation and in order to facilitate the diffusion of technology, a general social and cultural environment is needed that encourages people and enhances their desire to perform well and to tap their creative potential. This concerns both the socio-political and institutional aspects dealt with here as well as the socio-cultural features such as systems of norms and values which are dealt with separately in paragraph 3.6 below.

(1) Openness

A basic pre-condition for critical and creative thinking as well as for learning and innovation is a general openness towards new ideas, ways of doing things and perspectives. At the institutional level this means that established routines and structures can undergo a critical assessment, and be changed and adjusted to new environmental conditions – or that they can even be replaced by better solutions. This applies to all spheres of activity with a direct or indirect impact on economic development and on the foundations of international competitiveness – from the operations of individual business firms to national ministries, the legal system or the basic orientation within educational and research institutes. Necessary features of the concerned actors include self-reflection, self-assurance (know-why) and self-control as well as the ability to (individually or collectively) change perspectives, to undergo some kind of paradigm shift and to critically reflect on situations and processes. Another feature of successfully learning national economies is a societal climate that supports risk-taking and experimentation on all possible levels.

One positive example is that of Tunisian NGOs and the role they have played in fostering openness and tolerance: "With regard to *civility*, the aim is to inculcate citizens in a culture of

tolerance that enjoins them to respect the rules of the game, no matter the diversity in their conceptions of the good. Associational life can conceivably foster this tolerance in one of two ways: (1) by bringing people of divergent world views together in common cause to solve common problems; (2) by developing associations that are expressly committed to the propagation of the values associated with civility. In Tunisia one finds associations fulfilling both these functions. In the absence of hard data on membership rolls it is hard to say just how many associations bring together citizens of diverse world-views. But clearly many functional associations draw upon diverse populations (e.g., associations to serve the handicapped; regional development associations). And a variety of professional and "general" associations are devoted to the promotion of tolerance and legalism (e.g., the Tunisian League for Human Rights; the Association of Tunisian Lawyers)."

"The goal associated with *civisme* is the goal of imbuing citizens with public spirit, of training them in political engagement and initiative and so practicing them in the skills necessary to manage their own political destinies effectively. Participation in associational life is believed to foster *civisme* because it practices citizens in collective problem solving and nurtures in them the habit of public engagement. In Tunisia there are certainly many associations that nurture these habits and skills in citizenry. From environmental associations that monitor industrial pollution in the Mediterranean to associations for the handicapped that manage social centres for the deaf and blind, from a woman's organisation that runs a battered women's shelter to a consumer advocacy group that monitors price and quality standards in every major domestic market, Tunisia boasts hundreds of associations that mobilize citizens' initiative and engage them in collective problem-solving and self-help" (Compiled from Bellin, 1995, pp. 137-138).

(2) Exchange between social and economic subsystems

Openness is also a pre-condition for the exchange between different sub-systems of the society (the political sphere, the economy, education, research, arts and culture, among others). Within the various sub-systems, further divisions into sub-sub-systems can be made. Only if information, knowledge, experience and expertise can freely float between the different segments of society or the overall national economy, can efficient and successful processes of searching, learning and innovation occur, which will help to build-up competitive advantages. This also implies that information is not to be considered by the involved actors primarily or even exclusively as a strategic weapon in the struggle over economic and/or political power in potential battles with competing groups of actors – as is often the case in many SMPCs. Adequate patterns of communication and interaction are necessary to facilitate the transfer of information and knowledge within the overall system. Another aspect is the sub-systems' ability to act efficiently, which is a function of their autonomy and independence, and of the behavioural norms and standards in place.

(3) Education and Science

For systemic competitiveness to be established and economic development to be possible, education and science as well as research and development (R&D), i.e. investment in human capital, play a key role. For example, inflows of foreign direct investment (FDI) are determined by the socio-political and socio-cultural framework conditions, too. A major precondition for the attraction of FDI in medium- and high-technology industries is an environment that facilitates creative processes of learning and innovating (Wurzel, 2002). Human capital development has to be based on a concept of education and learning that explicitly emphasises critical thinking, creativity and change, otherwise the essential orientation of individuals and groups of social and economic actors towards searching, learning and innovation will be missing. Repetition of traditional wisdom, learning by rote and the transmission of unquestioned dogmas to new generations of pupils and students will create the opposite of an innovative spirit, of openness to experiments and of exploring new ways of thinking and acting. The concept of life-long learning is only compatible with a perception of reality that acknowledges change, turbulence and continuously emerging new challenges.

With the increasing role of internationally available knowledge and technology, the importance to absorb, adjust and further develop this knowledge increases. For institutions of higher learning and research, an international teaching and scientific work orientation is a must, so that performance criteria should be derived from the international state of the art in the respective

fields of work. This is also a pre-condition for fruitful international co-operation. The diffusion and adaptation of new knowledge from the international arena as well as its economically successful exploitation is impossible if a society or national economy lacks the capabilities to explore the potential of new technologies and best practices for the improvement of its competitive position. However, this crucial capability can only be developed if there exists an updated and deep knowledge in the relevant fields of activity. The transfer of highly trained staff in areas such as education, science, research and development and the business sphere within a country allows for the generation, adaptation and transfer of new knowledge and new technology in the broadest sense.

However, in the SMPCs public education and research institutions are still often in a state of neglect and decline. In addition to a lack of financial and technical equipment and to rather out-dated teaching methods with a focus on uncritical memorizing of unquestioned 'truths', there is an enormous lack of incentives for dispensing high quality education, which is a condition for top scientific performance. Adverse socio-cultural conditioning (norm and value systems), as well as authoritarian patterns of political rule that do not grant the freedom of teaching and research has a major role in this.

But, how is all this linked to civil society organisations and their activities? If the authoritarian state is not contributing to environmental conditions favourable to successful processes of searching, learning and innovation (or is even blocking attempts to create such conditions from below), civil society organisations can exert public pressure on governmental bodies to change this attitude and the related policies. On the other hand, they can fill the vacuum that the state has created. By establishing alternative organisations and institutions from below, they can contribute to an – albeit partial – improvement of the situation. Independent, non-profit research centres, educational facilities, and awareness campaigns are some examples of this.

Another good example is the Higher Technological Institute in the new Egyptian desert community called Tenth of Ramadan City, which now ranks as a university, and is the direct outcome of an initiative of the city's Association of Investors (AI) to improve the educational situation at the local level.[3] As the traditional Egyptian educational system is not able to provide sufficiently skilled workers such as engineers and managers suitable for the needs of the new private Egyptian industry, the local AI strongly supported the idea of founding privately funded institutions of higher learning in the city. There had also been ideas to establish a technical vocational school tailor-made for the needs of the local enterprises. The co-operative activities of the investors, outstanding reformers in education and a number of concerned government agencies to establish the institute are remarkable. Even more important, the institute explicitly aims to educate graduates, who internalise new ways of thinking (a new work ethic, and new approaches towards innovation and change) and develop social capabilities (such as the delegation of responsibilities, participatory leadership, and teamwork) which are new in Egyptian industry. The production and diffusion of new norms is part of the students' timetable. Taking into consideration the situation in most Egyptian (public and private) enterprises, this is a step in the right direction. Being part of the Higher Technological Institute, an Open Education, Training and Industry Services Centre was established to offer additional education to entrepreneurs and managers already working in the city's enterprises. An important aspect of the training programs for managers and engineers are new organisational approaches. The introduction of new organisational patterns is based on modern concepts of work relations in factories, differing massively from the 'traditional Egyptian style' (Knaupe, Wurzel, 1994).

Contributing to Cultural Change

The logic of the global economy with its new patterns of knowledge- and innovation-based competition imply that *social change* is often necessary for achieving or sustaining economic success. Civil society organisations can support such processes. Their activities can, for example, contribute to the change of systems of norms and values that have turned out to be obstacles to economic development. Further, the capacity of a society to integrate different interests, views and

[3] For a comprehensive description of the HTI in Tenth of Ramadan City, including a comparison with a governmental higher technological institute, see: Knaupe and Wurzel, 1994.

perspectives and to absorb new knowledge and technology is influenced by socio-cultural factors such as traditions, institutions (rules about how things are done or considered to be done well), behavioural patterns as well as historically determined organisational and power structures which are only changing slowly (Weiss, 1985 and 1986; Clegg, Redding, 1990; Cornelssen, 1991; Redding, 1993; Weiss, 1993 and 1995). In this context, it should be stressed that cultural features in the narrow sense are often closely interlinked with behavioural phenomena resulting from the prevailing political structures.

Cultural dimensions which can exert particular influence during the development process can be the dominant attitudes towards work and achievement, conceptions of time and attitudes toward the future, patterns of decision-making and attitudes towards authority, ways to express disagreement, responsibility and loyalty to family and other communities, individualism versus collectivism (rights and obligations), social structure (such as interclass mobility, determinants of status, and patterns of education) and social dynamism, social or power distance, activism versus passivity, strategies of uncertainty avoidance (including acceptance of or resistance to change) as well as sources of aspirations and motivation (see von Keller, 1982, for example). The following paragraphs deal with some features which can be found in a number of SMPCs and that result mainly from the cultural context. This list is not comprehensive and it is rather meant to illustrate the possible impact of cultural variables on the framework conditions for the establishment of international competitiveness than to derive concrete conclusions for policy-makers or other social and economic actors.

(1) Authoritarianism versus Participation

The general cultural orientation determines the attitude of individuals and groups towards authority (for example, hierarchical versus participatory modes of co-ordination and regulation), be it in the private life of the family, the business world or in the political sphere. In internationally competitive nations, cultural orientations can be found often that stress the importance of participation and inclusion. Vertical relations are increasingly replaced by horizontal communication and interaction. In daily operations, co-operative, problem- and solution-oriented relations replace patterns build on status, prestige and power positions. Teamwork and networking are instruments to overcome information barriers and to encourage actors to share their knowledge and expertise. Attitudes towards authoritarian modes of co-ordination and regulation will have an impact on accepted role models and the kinds of behaviour of groups and individuals in social interaction (in the private as well as economic and political sphere) that will be supported or suppressed. The dominance of hierarchical, authoritarian modes of regulation in many SMPCs leads to inadequate management principles in factories, ministries and even in many civil society organisations. Throughout the Southern Mediterranean observers find for example that promotion schemes are based on seniority rather than merit. Both organisation theory and management research prove that the use of power in decision-making or conflict situations (the prevalence of the hierarchy principle) is a substantial obstacle to creating and implementing adequate solutions, be it in business enterprises or any other organisations (Scholl, 1999, 2001).

(2) Activism versus Passivity

The general attitude of individuals, groups of actors as well as of whole organisations (such as business enterprises, political parties or national and regional ministries) in internationally competitive nations is mainly shaped by a *spirit of activity* that encourages people to look for opportunities and chances to be exploited. In these societies, individuals grow up in an environment where pro-active strategies of problem identification and problem-solving are rewarded, be it by parents and teachers during the early individual enculturation process, by career patterns in business enterprises and administrative bodies, or by the commercial success of entrepreneurs pursuing active, sometimes rather aggressive business strategies. Passive behaviour, in the perception prevailing in these societies, means to lag behind or fail. This 'culture of activity' supports techno-economic innovation in that it makes people search for new technological solutions, new products and organisational and marketing concepts. However, it is also a necessary pre-condition for social innovation, which is as important as techno-economic change. As mentioned above, in societies where rather passive attitudes dominate, this is often less the result of culture or the 'national character' than of existing political structures that prevent

people from activities challenging the established system. However, the negative consequences for social as well as techno-economic innovation are the same.

Therefore, any civil society activities that encourage people to take their affairs into their own hands, which teach people that they can change their living and/or working conditions as well as their positions in society through their own activities improve the environmental conditions for this society's future economic development. Deeply-entrenched attitudes of passivity, often resulting from earlier negative experience with the almighty state or other representatives of authority can be overcome, for example, by grassroots environmental initiatives on the neighbourhood or community level, through education and work programmes for marginalized segments of the rural or urban population (e.g. young poor unemployed, illiterate girls), through the encouragement of rotating savings schemes or of female micro-entrepreneurship.

A good illustration of this is the process of shifting from "fighting wars to fighting germs", a neighbourhood initiative in a Cairo city district. "Mr. Mustafa Haridi is a retired army general. Being a long-time resident of the Cairo district of Zaytun he saw this formerly middle-class neighbourhood becoming more and more crowded. ... The newcomers to Zaytun were a mix of lower middle and working class with little if any civic spirit or memories of how well groomed the neighbourhood used to be. General Haridi, Hagg Madani (an old grocer), and Professor Gamal Ghazi (a historian) noted an empty lot near their own residence that had turned into a garbage dump, infested with flies and germs. Along with a few other old-timers, General Haridi and his friends began cleaning the lot of the accumulated garbage. The sight of these elder men sweating on a Friday morning prompted a score of youngsters to give a helping hand. … It was time for Friday prayer. Hagg Madani suggested that instead of going to a mosque they should pray there. About two hundred people gathered instantly, partly moved by curiosity… After the prayer, General Haridi explained what had been going on. Before sunset, the garbage dump had become a clean, empty lot. General Haridi proposed that to avoid a new accumulation of garbage there or anywhere else in the neighbourhood, they should place large garbage containers on the street intersections. Within a week, there was more than fifty such garbage containers distributed on street corners, supplied by the neighbourhood merchants. A week later, after a discussion following the Friday prayer, it was decided to build a small mosque on part of the lot and a soccer playground on the rest of it… As it turned out, the owners welcomed the initiative and donated not only the land but also an additional sum of money. Ten years later, the site of the garbage dump had become a six-floor multiple-purpose complex with a mosque on the ground floor, an outpatient clinic on the first floor, and a full-fledged hospital on the next five floors. Interestingly enough, this popular effort was fully financed by donations from the neighbourhood, and all construction was done without official permits. It was only in late 1992 that the original initiators thought of formally establishing an association" (Compiled from Ibrahim, 1996, pp. 232-234).

In other cases, "seemingly neutral urban development and water supply projects have been tied … to the introduction of an efficient decentralized community management responsible for maintenance, repair, and tariffs, thus strengthening local government and giving real substance to the concept of political participation on the village level" (Weiss, 1995, p. 11). In the political realm, people can become involved in campaigns for local elections by choosing and supporting 'their' candidates, in initiatives to avoid vote-rigging or in regional or nation-wide movements to achieve particular aims (a new hospital, more school buildings, a paved road to the regional capital etc.). Only in an environment where active behaviour is learned, supported and rewarded, individuals and groups of actors can be expected to get ready to face the need of continuous change, adjustment and innovation resulting, among others, from the challenges of the global economy.

(3) THE ROLE OF WOMEN IN SOCIETY

Prevailing cultural features such as norm and value systems may result in unequal chances for particular segments of the society with respect to health, education, employment, income and promotion as well as participation in the overall social and political life of a society. In the SMPCs, this applies to the opportunities and roles available to girls and women first and foremost. Social development indicators for the SMPCs clearly show that on average girls are less healthy, educated and have less access to the various "blessings of modernity". The United Nations Gender Development Index (GDI) for many SMPCs proves that women play a marginal role in business and

politics. Societies which exclude about 50 percent of their human potential (knowledge, creativity, commitment, responsibility) from actively taking part in the economic development process should not be surprised to find themselves lagging behind other societies when it comes to overall socio-economic development. Again, any activities of civil society organisations attempting to change the traditional norm and value system with respect to the role of women in the SMPCs and to empower women can only improve the framework conditions for the strengthening of these countries' international competitive positions. This, of course, holds true for any kind of discrimination against particular social segments, such as on religious or ethnic grounds. Whenever groups of members of the society are excluded from fully participating in social, economic and political life, the concerned society wastes human resources and indirectly weakens its long-term competitive position and development prospects.

A positive example here is that of the Jordanian Women's Association and its programme to educate the female electorate. "The 1993 elections were also of concern for women, and tens of public meetings, panel discussions, and lectures were held to consider the role Jordanian women might play in them, whether as voters or candidates. The Professional and Business Women's Association, a group of some of Jordan's wealthiest and most powerful women, sponsored voter-awareness workshops throughout the kingdom during the registration period in late July and early August in very much a League of Women Voters style. And final statistics indicated that female voter registration increased significantly throughout the kingdom during this period. Perhaps more important, unaffiliated to political party or women's union, Toujan Faisal, whose campaign in 1989 had been severely damaged by charges of apostasy levelled by Islamists, was elected as the first woman to serve in the lower house of parliament" (Brand, 1995, p. 175).

(4) Closed Clientele and Patronage Networks vs. a Culture of Inclusion, Openness and Creative Competition

Closely related to the above mentioned issues of authority and hierarchy, phenomena such as nepotism, clientele and patronage networks and the respective modes of communication and interaction as well as the resulting mentalities must be transformed to or substituted by organisational and institutional settings, which facilitate the inclusion of a wider spectrum of social actors into the design of problem-solving strategies and their implementation. If this kind of change that inevitably would be rooted in the emergence or diffusion of new norms and values (or the re-shaping of existing ones) would occur, it would be on the meso-level, in particular in civil society organisations (e.g. trade unions or business associations), where change would become visible first.

There is a good negative example of some business associations in the SMPCs. Analyses of economic reform attempts which took place in the Southern Mediterranean during the 1990s indicate that in times of economic liberalisation certain decision-makers in important policy areas prefer organisational and institutional arrangements, which exclude the majority of actors concerned and thus create additional obstacles to learning, change and innovation. They resort to corporatist-clientelist structures and modes of interaction, which are principally contrary to the establishment of international competitiveness. Examples are the business associations, which usually are considered civil society organisations that could and should be advocates of transparency and openness. However, business associations in SMPCs often turn out to be instruments for the monopolisation of power and for the exclusion of non-privileged actors (actors which could contribute to problem definition and problem solving, too). Some presidents and chairmen of business associations have been running the organisations as their personal domain. In these organisations, modes of interaction are determined by the more or less authoritarian approach of the leaders. Decision-making processes are centralised, and even the acceptance of new members often lies solely in the discretion of the president or chairman and is subject to power politics.

This is a reflection of both powerful actors' influence and of the norms and values in place. It also has, of course, dramatic consequences for the shaping of norms and values in general: If the reaction to growing adjustment pressure is a cementation of 'old-style' authoritarian patterns of clientelist regulation and exclusive decision-making, new norms and values, which would be adequate regarding the new dynamics of competition and innovation cannot find their way into society (Wurzel 2000).

To answer the question of why some of business organisations do not contribute more to the necessary change of the internal modes of action and of the respective norms and values one has to analyse the structures of the private enterprises and the perceptions of businessmen in the SMPCs: most of the enterprises are fully occupied with day to day operations to secure the immediate survival of the business. Only a minority has the resources to explicitly deal with medium- to long-term strategies of business development and to become involved with any kind of civil society affairs. To a large extent, operations are still based on cheap labour, relatively cheap inputs and comfortable market positions rather than on advanced factors of competitiveness (knowledge, technological competence, and innovation). A conscious development of knowledge- and technology-based competitive advantages cannot be found.[4] Developed industry clusters, technology networks or industrial districts may emerge in a limited number of export oriented industries in some of the SMPCs in a couple of years (e.g. in new free trade zones) but not among the majority of private and public enterprises.

In some SMPCs there is a general feeling of distrust concerning other companies and administrative structures (local, governmental), which hinder the establishment of co-operative relationships based on trust and reciprocity. Therefore, many entrepreneurs in SMPCs still react to growing market pressure that results from a number of incomplete economic liberalisation measures with the forming of closed networks (usually dominated by a strong actor and hierarchically structured) as a means of protecting their interests and securing access to their privileges. Additionally, in some SMPCs leading businessmen are closely linked to or co-opted by the respective regimes. They enjoy economic (and sometimes also political) privileges granted by the state in exchange for the businessmen's support on the domestic policy front. Entrepreneurs who are well connected to the top leadership do not feel the need to change the clientelist patterns of regulation and intermediation. On the contrary, while their governments are announcing economic liberalisation, they are seeking to defend the lucrative niches offered by the economic (and political) system in place that they are exploiting. Paradoxically, the leading entrepreneurs, who often have the knowledge of how developed economies function, in such cases have no incentives to contribute to a more substantial social change (or social innovation). The answer to economic liberalisation and globalisation for them, as well as for a number of political decision-makers, seems to be entrenchment - also in terms of new influences, thoughts, approaches, norms and values.

(5) On "Western" Values

What has been outlined above by no means implies that the creativity and innovative potential of societies could only be fully realised in the socio-economic, socio-political and socio-cultural environment that can be observed in the advanced industrial countries of "the West". On the contrary, the examples of economically successful technology and innovation strategies in a number of Southeast Asian countries prove that quite different basic patterns of societal organisation and regulation can lead to internationally competitive structures and systems.

Despite the emergence of one *global* pattern of knowledge- and innovation-based competition, there are different ways for societies or economies to react successfully to the new challenges of the global economic environment. With respect to culture, this means that a complete *assimilation* of one's own culture to the cultural standards of a society that is perceived as technologically or economically superior would neither be necessary nor advisable. A promising strategy would rather be a kind of *acculturation* – the selective inclusion of particular cultural features into one's own culture –, which supported social as well as techno-economic innovation in other, internationally competitive countries. "Japan has demonstrated how to build successful development on core elements of revered old values and virtues. Similar phenomena can be studied in other parts of the world. The message is that only if the timeless essence of creativity is tapped *within one's own culture*, modernity is *not* paid by a loss of identity. … Culture has never

[4] Although there is some change in industrial organisation (resulting from the debate on EU-Mediterranean co-operation and GATT) many still fail to see the world market as the future playground for national economies or industries. International competition does still not determine strategies of the majority of SMPC enterprises. Optimising the division of labour between companies (interaction of industrial producers, suppliers, industry-related services and specialised R&D enterprises) or intensifying producer-user-relations is not understood as state of the art in industrial production.

been a static concept. Its strength lies in its adaptive capacity. Man is adaptive to technical and institutional innovations." (Weiss 1992, p. 8 f.).

The question does arise, however, as to how far various modes of co-ordination and regulation – including basic cultural features – that have emerged in different countries and world regions can differ in their real essence. Obviously, there must be some common denominator among environmental conditions that allow for the establishment of international competitiveness. The most important lesson that can be drawn from empirical findings so far is that "political oppression is not compatible with more sophisticated levels of development" (Weiss, 1995, p. 5).[5]

A Word of Caution: Are Civil Society Organisations in the SMPCs Always What They Ptretend to Be?

In the Southern Mediterranean, as elsewhere, there is the tradition whereby influential individuals literally 'take over' or at least strongly dominate organisations that should serve the broader interests of a whole social group. Such organisations are used as platforms to attain the immediate, egoistic interests of just a few powerful actors. This results in the exclusion of all social actors that are not part of the respective dominating clique that is contrary to the needs of social integration and to the inclusion of a maximum amount of knowledge, creativity and ability to innovate embodied in individuals, organisations and social groups.

Business associations and chambers of commerce in SMPCs are usually seen in a very positive light, and are often presented as important civil society organisations. A number of authors point out that business associations can play a very positive role for economic development if certain conditions are fulfilled by the organisations (see, for example, Doner and Schneider, 2000). However, a majority of these associations in some SMPCs still fit the image of a typical clientele structure shaped by the rules of the authoritarian political system they work in. After 10 to 15 years of economic reforms in the SMPCs, there are many hints that influential leaders continue to use organisations as personal power bases and instruments to expand their clientele networks. In turn, the regimes in various SMPCs still use many of these associations to exert influence and control over businessmen and enterprises being their members. Many of the business associations do not work in the interest of all their members but merely for the interest of their leaders (Wurzel, 2000, Gräfe, 2002).

In many SMPCs, high-ranking bureaucrats still use trade unions to get access to privileges or to establish their personal networks (see Waterbury 1993). Their role as strong autonomous negotiation partners for these trade union bureaucrats in conflict with the government and private companies ranks second. For example, the independent trade union movement of the late 1980s and early 1990s in Egypt was a reaction to the miserable state of the state-controlled unions (El-Shafei 1995). However, it was not strong enough to change Egypt's union landscape, even if important features of real interest-protecting organisations for workers were to be found in these alternative unions.

The same clientelist and exclusive pattern applies to a number of other civil society organisations in the SMPCs. In such cases, an influential leader (mostly the founder of the NGO) dominates the organisation, and treats volunteers or employees in an authoritarian way. The beneficiaries are usually seen merely as objects of charity, and are not involved in the planning and implementation of the civil society organisations' projects. Many organisations were founded solely to get access to foreign funding or to support the leader in establishing clientele networks. The transformation of civil society organisations into platforms for influential actors to pursue their own interests that can be observed in a number of SMPCs also shapes the actions of these organisations. Thus, these organisations do not represent the interests of the majority of their members or target groups, but those of the dominant individual actors or networks who managed to seize them. Observers should not be surprised when union leaders collaborate with the governments in progressively limiting public sector workers' rights (El-Shafei, 1995; Wurzel, 2000). What counts in such cases is not the workers' rights but the union bureaucrats' interest in being rewarded with prestigious positions (such as a seat in parliament). For businessmen who dominate associations as outlined above, it is

[5] "Fairly rigid regimes in the Far East have learned the lesson that advanced levels of economic development cannot be managed by top-down command structures" (Weiss, 1995, p. 5).

their personal political or economic interest (or the economic interest of their own and their fellows' networks) and not the will of the majority of the members that shapes action.

Conclusions and Policy Recommendations

An important aspect of the interrelation of economic development and civil society in the context of the Euro-Mediterranean Partnership is the need for accelerated economic restructuring in the SMPCs as a precondition for the overall success of the partnership project. First of all, the still insufficient international competitiveness of the SMPC economies must be improved substantially. The lack of competitiveness in the Southern Mediterranean would lead to severely negative economic and social effects if the plans of a Euro-Mediterranean free trade zone would be rapidly implemented in spite of a still rather weak economic position of the SMPCs. The predictable political risk resulting from such a scenario would prevent the governments of the respective SMPCs to fully commit to the partnership. However, the framework conditions for a strengthening of the SMPCs' international competitiveness can be improved directly and indirectly through the activities of strong and independent civil society organisations. Investment in civil society is thus an investment in economic development.

The relation between civil society and economic development is obvious: today economic competitiveness results from efficient processes of collective searching, learning and innovation. Therefore, the most critical inputs for successful economic development are the knowledge and technology, creativity and involvement of the concerned societies themselves. But, such social foundations of competitiveness can neither be bought from abroad nor "imported" through international aid. Sufficient knowledge and creativity, innovativeness and commitment can only develop in societies that provide the necessary social, cultural and political environmental conditions. For the reasons outlined in the paper, civil society organisations and activities must be understood as an important element of such an environment.

In spite of the fact that civil society activities in SMPCs already have some positive impact, empirical research proves that in most SMPCs governments still restrict and sometimes bluntly suppress civil society activists and organisations (see e.g. Norton, 1995 and 1996; Faath, 2003). However, the absence or suppression of civil society institutions, organisations and activities has negative effects not only on the social, but also on the economic development process. SMPC governments that create obstacles for civil society activities, therefore, undermine the economic development prospects of their countries. This also has, of course, negative repercussions on the Euro-Mediterranean Partnership. For these and other reasons, there is a strong need for fundamental change in state-civil society relations in a number of SMPCs.

Recommendations

(1) SMPC Policy-Makers

For policy makers all this means that they have to improve the framework conditions for civil society activities in their countries. This often requires a completely new perspective from high-ranking politicians, but also new thinking about the role of civil society organisations beside technocratic, economic and intellectual elites. What is needed is not suppression of civil society activities but encouragement and support so that they contribute to social as well as techno-economic innovation. Being aware of the traditionally deep distrust between political leaders and many civil society groups in SMPCs, this might sound naïve. However, in the mid- to long-term there is no feasible alternative for any policy-maker committed to the successful development and economic prosperity of his country.

The potential for co-operation between the political leadership and civil society activists should be explored and practiced first of all in policy areas which are not perceived as particularly

sensitive or dangerous for regime stability and domestic security. Mutual understanding and trust can only emerge through continued communication and interaction while undertaking joint efforts, possibly in rather 'technical' fields (such as co-operation of legislative bodies with trade unions and bar associations in drafting new labour codes or industrial safety regulations). SMPC governments should be aware of the huge potential that results from the civil society groups' specific knowledge and know-how with regard to problem definition and strategy design in their areas of work. The inclusion of knowledge and know-how as well as manpower and experience embodied in civil society groups should be rather attractive for a number of SMPC governments facing numerous social, environmental and economic challenges and threats.

This potential can only be realized if communication and co-operation replace the traditional attitude of confrontation between state and civil society organisations. The outcome could be better policies which are more effective in tackling the most pressing problems, more efficient, and closer to the people which – in an ideal world – should be the final beneficiaries of both the politicians' and the civil society activists' efforts. SMPC governments should also terminate strategies of undermining civil society activities in their countries by establishing from above regime-controlled organisations and 'movements' that aggressively compete for influence among the target groups of real civil society organisations'. Such strategies pursued in order to limit activists' room for manoeuvre will be counterproductive as they could lead to more problems, confrontation or social ossification and paralysis. Only grassroots activities will have the credibility and creative potential necessary to substantially contribute to the solving of socio-economic problems. Artificial, state-initiated NGOs lack these features.

(2) Civil Society in SMPCs

Representatives of civil society in SMPCs should stress the constructive and creative potential of their organisations *vis-à-vis* the state. This could be done by coordinated public relations activities such as awareness campaigns or projects with high visibility, convincing results and positive symbolic value. Civil society organisations in SMPCs should also actively search for promising areas of co-operation with state authorities and business people. However, co-operation and joint efforts of civil society groups with government and business circles should not lead to unilateral concessions or unlimited acceptance of the rules of the game as defined by the state authorities or business tycoons.

(3) Actors from the EU

Actors from the EU should actively contribute to a better standing of SMPCs civil society organisations and activists in their home countries. EMP programmes and projects oriented towards the development of civil society activities in the SMPCs and a stronger acceptance and impact of civil society organisations should be continued and extended. This should be done in spite – or just because of – the difficulties recently encountered during such efforts (Reinhardt 2002). Setbacks in co-operation under the Social, Cultural and Humanitarian Partnership should be understood as an additional drive for future initiatives. With regard to the suggested strategy innovations for SMPC civil society groups, EU state- and non-state actors could highlight the development potential for the SMPCs that may result from a more active participation of civil society organisations in policy design and implementation on the national, regional and local level.

Attempts of EU actors to convince SMPC governments of the value of civil society for national development imply that the link between civil society and economic competitiveness as outlined in this paper has to be clear to SMPC policy-makers. In order to promote a new, positive role model for civil society activities in the Southern Mediterranean this general approach should be actively advertised. By the same token, EU actors could encourage civil society activities in particular in policy areas of higher relevance for economic reforms and restructuring in the Southern Mediterranean, and which seem to be less 'disturbing' for governments (for example, supporting junior businessmen's associations' representation of small- and medium-scale enterprises in national and regional policy-bodies, regional development initiatives, education, participation, labour unions, industrial safety regulations, industrial and agricultural environmental protection, overhaul of outdated laws and administrative routines). This does not mean that support for other civil society activities should be neglected.

EU actors willing to support civil society activities and to promote the exchange of people should focus the co-operation of civil society actors from Europe and the Southern Mediterranean on some priority areas such as the exchange of experiences and joint learning on successful strategies for civil society organisations in difficult environments (for example, how can NGOs and other civil society groups mobilize public support in order to achieve maximum impact during a campaign? How can one mobilise national and international public opinion in order to be effectively protected from heavy-handed state intervention and to obstruct strategies of blunt suppression? How to cooperate successfully with other civil society groups at the national and international levels in order to attain particular aims? How to design strategies of co-operation with state authorities and business circles without becoming corrupt or being co-opted?)

A number of EU initiatives already aim to strengthen the foundations for SMPC economic competitiveness (see, for example, Löwe and Wurzel, 2002). Such initiatives should be broadened and continued in their own right. However, if the participation of civil society in the social and political sphere is more actively promoted by EU actors, both issues – economic development and civil society – could be explicitly linked: civil society issues, originally dealt with under the Social, Cultural and Humanitarian Partnership, should be linked with issues traditionally in the Financial and Economic Partnership 'basket' and vice versa.

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