

The European Union and its neighbourhood in a changing world. Defining a new strategic relationship with the Eastern and Southern neighbours.

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Introduction

In the period of the last few years, the European Neighbourhood Policy has become **one of the EU's most established flagship projects**. There is hardly a session of EU foreign ministers which does not touch in one way or the other on the ENP. There is a commissioner responsible for external relations and the European Neighbourhood Policy. It is a top priority of a number, if not a majority, of the member states. Heavily criticised at times for not living up to its expectations, the ENP seems to have been around since the time immemorial. And yet the policy is only several years' old and by definition in *statu nascendi*. In a short time, it has become **a trademark for the EU's engagement with its Eastern and Southern neighbours**. Having said that, **it carries a DNA code of a different historical period**. Born in the context of the EU's most extensive ever enlargement to include 12 countries of Central and Southern Europe, the ENP was a policy designed to avoid new dividing lines between members of the club and the less distant outsiders. As such, **it was a policy for the calm waters of a simple world** in which the EU would continue to exercise influence in its immediate proximity by virtue of its unique prosperity and model of cooperation. **Several years later, the world is a different place**. The European Neighbourhood Policy must begin to reflect that new reality if it is to remain relevant on the global "market of power" which is emerging in front of our eyes.

European Neighbourhood Policy – born in a different era

The initial proposals for the EU's policy towards its "future" or "new" neighbours were tabled in 2002 when the most extensive ever enlargement of the EU was under way. The British "Wider Europe" non-paper and the Polish "Eastern Dimension" proposal referred explicitly to Belarus, Moldova and Ukraine while the parallel Swedish one covered also Russia and the Mediterranean states. After the "Rose Revolution", the concept of "wider Europe" was extended to Armenia, Azerbaijan and Georgia. Subsequently, having been re-branded as the European Neighbourhood Policy (ENP) and elaborated in detail by the European Commission, it covered 17 countries to the East and to the South of the European Union. **The ongoing negotiations of the Constitutional Treaty and the final phase of the accession of new members dominated the political agenda at the time. They both brought a range of new questions and uncertainties**. A framework was needed to ensure that the internal consolidation of the EU and its historic enlargement would be accompanied by the creation of a zone of stability in the immediate proximity. As a result, **the ENP emerged as a function of the EU's internal evolution and had the objective of cushioning the Union against any unwanted turbulence beyond its borders**. The intention was more to protect the EU and its achievements than to expand its ability to project influence into new geographical zones.

The context of the early years of the current decade differed from today's also in the sense that **the neighbours of the European Union had no other real friends to embrace in the wider world**. China was already engaged in third countries but took relatively little interest in the EU's neighbourhood. Russia was only beginning to revive its economy helped by the rise of the price of oil. **The EU had been for years a natural centre of gravity for most of the Southern neighbours and it became a pole of attraction also for the Eastern neighbours after the end of the Cold War**. Economic ties were particularly strong between some of the Southern neighbours and the EU with a great majority of exports from Libya, Morocco and Tunisia going to the EU, with

Eastern neighbours reorienting their trade patterns in a slower fashion (see Table 1). Not surprisingly, **trade became one of the most important aspects of the ENP** and was included into Action Plans. The EU proceeded to set an ambitious goal of establishing free trade area with the Mediterranean partners by 2010. Despite much political capital devoted to the project, the goal has not been achieved for a mixture of reasons, having to do both with protectionist instincts inside the EU and the administrative capacity of the neighbours.

Exports and imports to EU-25 (% of total), 2005

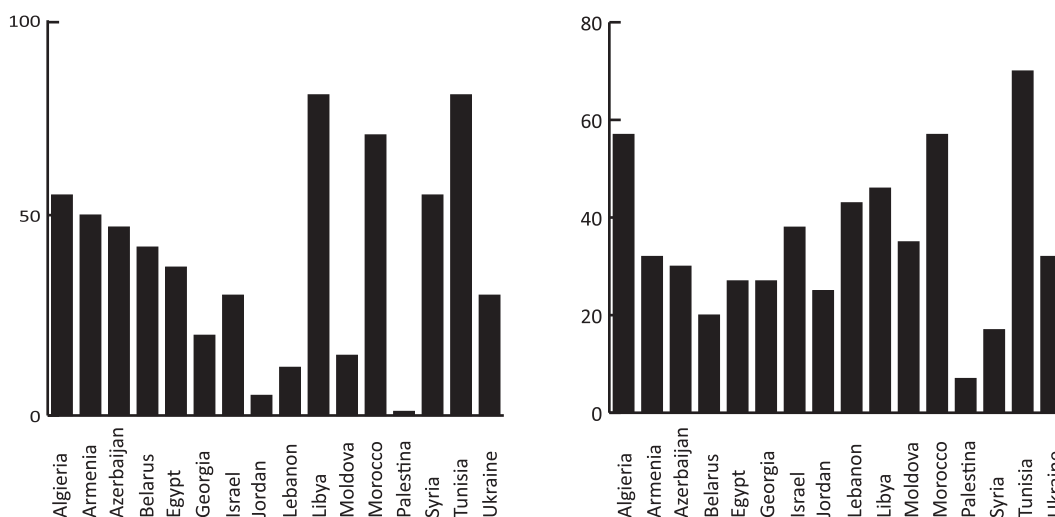


Table 1. Source: *The European Neighbourhood Policy. Key indicators – a comparison with the European Union, European Commission, Eurostat, February 2007.*

The ENP in a nutshell

The EU and each ENP partner reached agreements (Action Plans) on reform objectives across a wide range of fields within “common” areas of interests for the Union and its neighbours. The ENP has covered cooperation on political and security issues, economic and trade matters, mobility, environment, integration of transport and energy networks, and scientific and cultural cooperation. To steer the implementation of the Action Plans from the outset, the European Commission has prepared country reports which have proved to be a useful instrument guiding the progress of the ENP. **Respectable progress has been achieved in the field of trade and economic integration.** Embarking on the most far-reaching frame of cooperation with a third country, the EU has launched negotiations with Ukraine on a deep free trade agreement.

The Council has approved regulations introducing autonomous trade preferences for Moldova. Trade agreements with Georgia and Armenia are also on the agenda. Negotiations on the liberalisation of trade in services, the right of establishment and trade in agricultural products continue with Egypt, Israel, Morocco and Tunisia. Although trade exchange has been and remains one of the most important aspects of the ENP, the neighbours are still secondary partners to the EU in terms the volume of economic exchange. Although the EU’s exports to Ukraine have increased from 1.1% in 2004 to 1.8% in 2007 and imports from Libya from 1.3% in 2004 to 1.9% in 2007, trade with other ENP countries, with the exception of Algeria, does not exceed the level of 1% and has not dramatically changed since 2004.

Most ENP partner countries have registered high economic growth in the recent period (see Table 2), although **the real test of their**

Real GDP growth (% change)

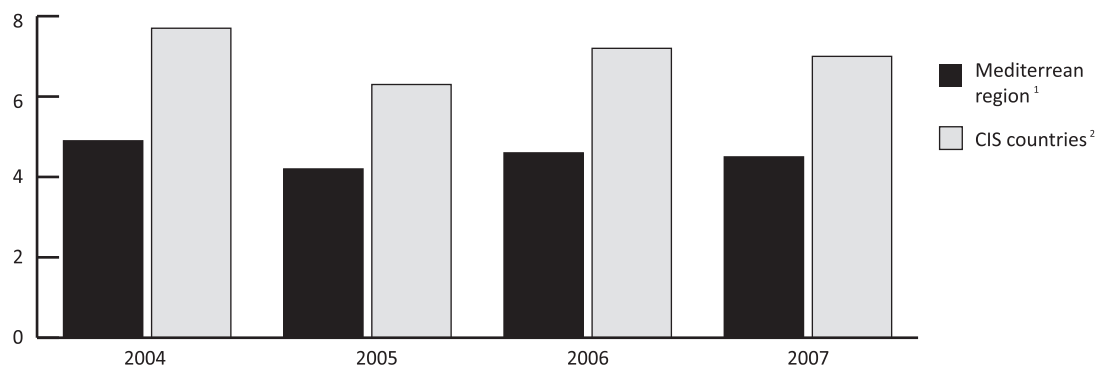


Table 2. Source: *European Neighbourhood Policy: Economic Review of EU Neighbour Countries*, Directorate general for Economic and Financial Affairs, European Commission, June 2007.

¹ Mediterranean region: Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, OPT, Syria, Tunisia

² CIS countries: Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russia, Ukraine

economic credentials will come with the impending global slow-down. Structurally, the economies of the neighbouring states are ill-prepared for globalisation with enormous underinvestment in human capital and backlog in energy efficiency. The EU's adapted vision of its relations with the neighbours must encompass efforts towards preparing them to face the challenges of globalisation. Just as the neighbours would be wise to make themselves irresistible to the European Union in the context of the newly accelerated global competition, the EU in turn should address the question of the readiness of the neighbours to function in the global market.

Seeking to foster protection of **human rights and fundamental freedoms**, the ENP has since its inception sought commitments from its partners with regard to implementing and respecting the principles of democracy and the rule of law. Although the ENP Action Plans outlined reforming electoral legislation, supporting democratisation reform, modernising the justice system and its underlying principles, **progress on this path has been mixed.** Similarly, the record in the area of **democracy and human rights** in the majority of partner countries leaves much to be desired. In strategically important states such as **Azerbaijan** or **Armenia** particular concerns refer to violent clashes with the opposition in the former and rapidly deteriorating media freedoms in the latter. In **Ukraine**, despite substantial advancement of the freedom of media, threats and physical attacks against journalists criticising the government remain

a problem while the principle of equal access of women to employment is not respected. In **Jordan**, the human rights chapter agreed in the 2005 Action Plan has in practice delivered no concrete and measurable commitments. Acute problems have been registered with respect to freedom of association, use of torture, abuses of intelligence service and women's rights. A mixed picture in this respect may be found in **Morocco** where a visible progress in public rights has been achieved but the country uses repressive procedures against the opponents of the monarchy. Not to mention the case of **Libya**, a state without free press and independent organisations, where continuing arrests and tortures of those who dare to criticize the government are common.

In some countries, however, **tentative improvements** have been made **towards the strengthening of democratic institutions** with **Moldova** undertaking legislative measures to reform the parliamentary system, **Armenia** increasing powers of the National Assembly and improving local self-government and **Morocco** making progress on the transparency of the electoral process and on allowing political contesters access to the media. When it comes to qualified success stories, **Ukraine** should be clearly distinguished as the most advanced of ENP partners, with a strong, although not always consistent, commitment to consolidating democratic procedures.

More progress than meets the eye has been achieved with regard to migration and visa facilitation, one of the most

sensitive issues in relations with the neighbours. This is particularly the case with the Eastern neighbours where Ukraine and Moldova have concluded readmission and visa facilitation agreements with the EU. There are more difficulties in talks with the Southern neighbours where readmission agreement negotiations with Morocco have stalled while Algeria declined to even get them started.

Generally, **the ENP has been a helpful but not a decisively influential frame of reference for the reform processes in the neighbouring countries.** Part of the reason lies in the EU's **inability to apply the conditionality principle effectively** in its relations with the neighbours. Although association agreements with the Mediterranean countries allow the EU to withhold assistance in the case of disrespect of human rights, the instrument has never been evoked in spite of plenty of good reasons for doing so. On the other hand, incentives offered to the neighbours have never been of sufficient magnitude to persuade ENP partners to carry out the far reaching reforms they need to undertake. Another factor has been the fact that very often the **spectrum of policy areas covered by the ENP has been too extensive.** Areas from solving conflicts and consolidating democracy, through transport and infrastructure to combating terrorism and securing energy supply have been the subject of ENP, making it difficult to address many of these issues effectively. This structural deficit of the ENP remains to be addressed. **Finally, the ENP has been largely about a bilateral relationship,** stemming

from the fact that progress of the respective partners was always to be judged on an individual basis. As a result, little has been achieved to strengthen regional cooperation which remains a key tenant of a stable and prosperous EU neighbourhood. The latter deficiency is likely to be addressed in the newly launched Union for the Mediterranean and Eastern Partnership.

Clearly, the ENP has not managed to inspire the interest of European citizens. Neighbouring countries tend to be perceived as a source of numerous problems such as unemployment, poverty, internal conflicts, terrorism and people-trafficking. Communicating the ENP to the public remains a challenge with most EU citizens not even considering non-EU Mediterranean states as neighbours of the EU. Only 28 percent of the EU citizens believe that Morocco is a neighbour, the best figure for any Mediterranean state. The Eastern neighbours enjoy a higher recognition of their status with 57 percent reading for Ukraine, 49 percent for Belarus and 37 percent for Moldova¹. When asked about how interested they are in what is happening in countries neighbouring the European Union, 45 percent of EU citizens answer that they are not very interested or not interested at all. What is more, only 20 percent of the EU public has ever heard about the ENP. Finland gets the highest score (36 percent) and the United Kingdom the lowest (7 percent).

¹ The EU's relations with its neighbours. A survey of attitudes in the European Union. Eurobarometer 285 (2007).

New setting for relations with the neighbours

Since the launching of the ENP, **there have been fundamental changes in the context for the EU's relations with its neighbours in at least three key areas.** The first of them has to do with the **growing commonality of interest** between the neighbours and the EU. The second is about the **impact of the globalisation** process and the third has to do with the **sharpening competition with the emerging powers**, at least part of which will inevitably concern the neighbouring area.

The new commonality of interests has to do above all with **energy**. The EU will continue to see a growth in its demand for energy, with that for oil growing by up to 0.3 percent per annum until 2030 (see table 3). The EU's nei-

ghbourhood is abundant in energy resources. Almost 80 percent of the world's hydrocarbon resources are to be found in Europe's immediate proximity. It is also an international hub for energy transport. The intensifying global competition, with world-wide demand for energy expected to increase by 50 percent by 2030 and double by 2050, will inevitably translate itself into a growing desire to become ever less dependent on individual suppliers and transit routes. **The notion of energy security is likely to be elevated to the prime position as energy becomes the fuel for the emerging global power game.** Constructing alternative transportation routes for oil and gas from Turkmenistan, Kazakhstan, Uzbekistan and Azerbaijan to Europe is key to reducing the monopolistic position of Russian companies and stabilizing the supply of energy resources.

EU-27 – Average Annual Growth of Oil Demand – 1995-2030 (% per annum)

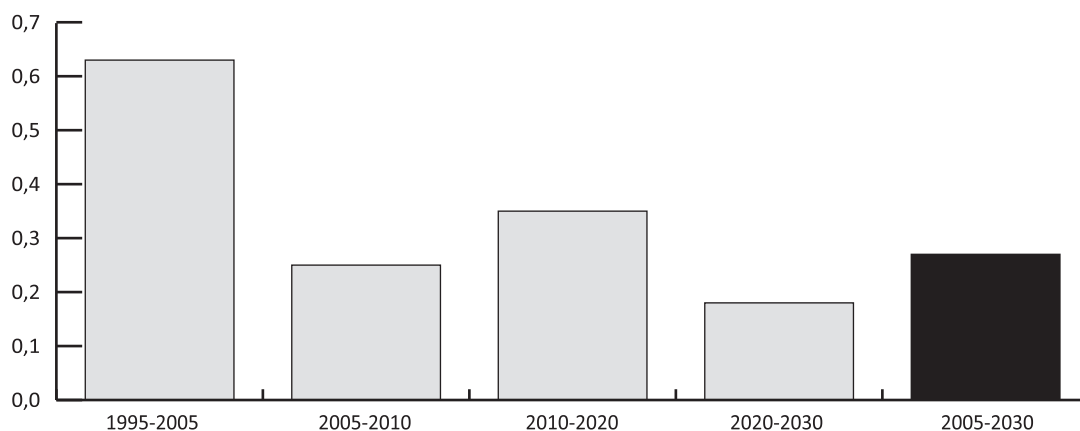


Table 3. Source: *EU Eastern Neighbourhood: Economic Potential and Future Development*, CASE, 2007.

As important as the growing commonality of interest between the EU and its neighbours is the **impact of the globalisation process** which can be felt in at least two dimensions. One of them has to do with the **reaction to globalisation inside the European Union** and the implications it has for the openness that the EU is willing to display towards its neighbours. Given the rapid social, economic and technological transformation which globalisation has unleashed, **the neighbours have increasingly been seen as part of the challenge, rather than an element of the solution.** The EU has been closing in on itself with little enthusiasm for embracing wholeheartedly its immediate proximity. It has not been sufficiently receptive to the calls of the non-EU Mediterranean countries which would like to see an extension of the share of their agricultural production which is exported to the EU free from duty. The issue is particularly important in the light of poor harvests which are due to dry weather in the past years. However, some EU Member States, competing with similar products on the EU market, have been opposed to the raising of the quotas.

The second reason concerns the **growing competition that the neighbours themselves are facing in the context of globalisation** which they have not always been able to address adequately. The frozen strawberry from Morocco is now struggling to fend off the Chinese frozen strawberry where it otherwise might have had a reassured place on the European market. A lot of the non-EU Mediterranean countries have

had strong textiles industries until recently. Following the expiry of the Multi-Fibre Agreement at the end of 2004 which had restricted worldwide textile exports, the Southern neighbours especially felt a chill sent down their spine. It is not surprising that sceptics about the free trade area in the non-EU Mediterranean countries point to the competitive advantage of the European industry which could pose a risk to the local producers. In reality, the impact of relocation of industrial and service centres, especially to Morocco and Tunisia, is a more important phenomenon. Outsourced production and services play a significant role in the economies of both countries. Clearly, however, the EU could help the neighbours better prepare for the global competition of tomorrow in a more organised and pre-programmed fashion.

Enter the emerging powers

Apart from the deeper commonality of interest and the growing impact of globalisation, the **most important new feature in relations between the EU and its neighbours is the arrival of the emerging powers in Europe's immediate proximity.** The United States and the European Union continue to be best placed to exercise global leadership but they are not alone on the stage any more. The emerging or re-emerging powers, together with powerful economic agents, non-state and cross border actors constitute a dispersion of power on a scale which is unprecedented in modern history.

Economically, and increasingly politically, there is more than one centre of gravity for entire groups of countries which have previously not faced such stark choices. Investment flows into the non-EU Mediterranean states are no longer dominated by the European capital. The most important players are the Arab Gulf states, investing strongly in telecommunications, and to the lesser extent East Asian countries, especially China.

The European Union's proximity is therefore quickly becoming a theatre in which these overlapping influences are being played out. **Emerging powers are increasingly exploring ways of tightening their ties with countries of the region.** Russian political interests in what Moscow calls the "near abroad" have not disappeared with the Soviet Union's demise. Punitive moves to cut off imports or gas supplies have proven to be an effective tool in making life difficult for the Soviet republics which have preferred not to fall into the fold. In the Mediterranean area, Russia is increasingly intensifying contacts with Libya, concluding military contracts there and discussing a gas cartel with Algeria. Companies from China are increasingly involved in the infrastructural construction projects in northern Africa, often supplying their own labour force. They sometimes tend to be favoured for public contracts given the wide-spread corruption among the local industry. It is clear that balance of power considerations are more and more important points of reference for policy-makers. As a result, **a stake in the respective countries is becoming a value**

in itself. The EU's approach to its closest neighbours is therefore gaining a strategic importance.

From the geopolitical perspective, the situation of the East and that of the South are fundamentally different. In the East, it is primarily, although not exclusively Russia who takes a keen interest. In fact, just as Moscow had once invented what Gennadi Gerasimov, the Soviet foreign ministry spokesmen called the "Sinatra doctrine" towards the former Soviet satellites in Central and Eastern Europe, letting them decide on their locus of belonging, the same has not been true about its attitude to the former Soviet republics. This has been Russia's strategic error. **If instead of speaking tough language and carrying a big stick, it had opted for a charm offensive towards its proximity, it might have been altogether more successful.** Instead, Russia considered even the obvious loss of the Baltic states as a major traumatic experience.

The Russian military offensive against Georgia marks an altogether different situation, at least in the Eastern neighbourhood. If there was ever to be the end of history, it seems a distant cry in the hills of Tbilisi. For all intents and purposes what we have seen in the war with Georgia is a Russia that is remembered in the region from its less attractive side, to say the least. **This is a change of the paradigm. We have a reality in which a re-emerging power is prepared to intervene militarily against a sovereign state to protect its interests.** It is for this reason that the reaction to the events in Georgia will be of formative importance for the future global order.

Having the biggest gas reserves in the world and the second biggest reserves of oil, Russia is well placed to pursue a confident, open and engaged foreign policy. Instead, it has chosen a disillusioning path of arms-twisting in its immediate neighbourhood. This will be detrimental to the country's image for years to come. **Russia cannot claim to be a pole of the new world order if its followers are to be recruited by the barrel of the gun.** A pole is a source of attraction for others to follow, not a source of fear and trepidation. Russia exposed itself in the Georgian conflict as an ugly, unscrupulous pre-modern power. It needs to understand that no-one will fall for that offer, not even the Belorussian dictator Lukashenko who is increasingly sending signals to the West that he wants to establish closer ties, including by releasing the opposition leader Alaksandar Kazulin. **Not surprisingly, there seems to be little, if any, strategic reassessment in Russia itself of the reactions Moscow has provoked across the region.** The belief is getting stronger that the world has conspired to rid Russia of the jewel in its crown. All the more so, the EU and the West as such need to help Russia examine its mirror image and draw the conclusions.

The events in Georgia only serve to underline what would in any case hold true, namely that a change of attitude is needed with respect to the neighbours. Countries of the neighbourhood should no longer be treated as unstable "troublemakers" or "laggards" at the gates of the Union but as potentially vibrant and self-confident

partners. **The EU needs to make a determined effort to place relations with its neighbours on the highest possible level. This is one of the necessary conditions of its continued influence in the world.** The EU has recognized the importance of the neighbourhood in the Treaty of Lisbon, article 8 of which envisages that the Union "shall develop a special relationship with neighbouring countries, aiming to establish an area of prosperity and good neighbourliness, founded on the values of the Union and characterized by close and peaceful relations based on cooperation". Given the changes in the international environment which have taken place since the formulation of the Treaty language, a more intimate and strategic relationship needs to be developed with the EU's neighbours.

The thorny frozen conflicts

Brought about by the demise of the Soviet Union and almost simultaneously "frozen" between 1992-1994, the conflicts in Moldova (Transnistria), Georgia (Abkhazia and South Ossetia), Armenia and Azerbaijan (Nagorno-Karabakh) have attracted an increasing attention of the international community in the post-cold war era. However, **an overloaded agenda of the early 90s made the international engagement weaken,** causing the unresolved conflicts to hamper not only developments of each individual country but equally progress in the whole regions concerned. Never high enough a priority, the conflicts were mana-

ged but never solved despite the international efforts involving the OSCE, the UN, the United States and several countries of the region in the quest for solution.

The EU's involvement has grown as the changes on the global agenda have progressively proven an increasing geopolitical and strategic importance of its vicinity.

The EU has provided financial aid for economic rehabilitation in Abkhazia and South Ossetia, it has appointed its representatives to South Caucasus and Transdnistria, acquired an observer status in the "joint control commission" managing the conflict in South Ossetia and launched a rule of law mission in Tbilisi in 2004 together with a twelve-persons-large border support team.

With the aim of gaining more substantial role in the region, the EU had to deal with the main player, Russia, which acted as the broker of ceasefire agreements in 1992 and 1993. Although the **tentative political agreements** put an end to the bloody disputes, they **did not tackle, let alone resolve, the underlying question of the status of the conflict areas**. The ceasefires have proved successful for almost ten years. They have, however, failed to deliver progress or a tangible political solution. **Russia has used the conflicts as levers to prevent the countries concerned from establishing closer links with the West.**

Although the disputes remained frozen, Russia has progressively fanned the flames of the underlying tensions. With the Rose and Orange Revolutions in Georgia and Ukraine, the situation has shifted to a new phase. The US and the EU proved vividly engaged

and strongly supported the Ukrainian and Georgian leaders on their path to democratization. President Saakashvili vowed restoring Georgia's territorial integrity his top political priority whereas the Ukrainian counterpart Yushchenko proclaimed a new strategy for the Transdnistria conflict. This could hardly be ignored by Russia which was slowly regrouping and reemerging on the global stage as an assertive power. The more active EU policy in the post Soviet area was followed by the toughening of the Russian position towards the newly independent countries. In 2006 Moldova suffered from gas price increases, import bans were imposed on Moldovan and Georgian wine and water and Russians reacted strongly to the Georgian expulsion of Russian military officers. With NATO summit conclusions confirming prospects for Georgia and Ukraine to join the Alliance, **the common neighborhood has slowly become a litmus test of the West's relations with Russia. The test turned into a clash**, starting on 7th August 2008 with Georgia's reaction to the incidents in South Ossetia and the overwhelming Russian reaction. With tanks, troops and aircraft crossing the Georgian border, Russia has made clear its tolerance for its neighbours' geopolitical realignment has stopped. It moved on to put its flag out across the region.

Resolving this conflict may be a virtue or a curse for the EU's fledgling foreign policy. However, Russia's excessive use of force against a sovereign state is a phenomenon whose dimension will be more likely to contribute towards consolidating the EU's ranks more than ever before.

Eastern and Southern neighbours – two different worlds?

From the shores of the Mediterranean to those of the Black and the Caspian seas the **political, cultural and economic character of the EU's neighboring countries could hardly be more diverse**. Since its inception, the underlying goal of the ENP was to create a "ring of friends" surrounding the Union's external borders. The task was challenging as in practice it meant not only dealing with non-homogenous vicinity as a whole but also with an extremely individual set of national entities. This has been reflected in the composition of the regional blocks the ENP consists of: the Eastern (Ukraine, Moldova, Belarus); the South Caucasian (Georgia, Armenia, Azerbaijan), the Mediterranean (Algeria, Libya, Morocco, Tunisia) and the Middle Eastern neighbors (Israel, Lebanon, Jordan, Syria, Palestinian Authority and Egypt). **Differences between these countries range from field of economic governance on to their record in respecting the rule of law, democratic standards or relations with the Western counterparts**. Furthermore, by comparison to the Eastern neighbors which more or less share a historic and cultural background and achievements, the Mediterranean states have very little in common. And unlike Eastern Europe which managed to build trade links during communism, **the Mediterranean countries barely carry out any significant exchanges between themselves**, clearly losing the benefits of economies of scale. On top of that, there is the **difference in political**

systems. We have a looming crisis of succession in Egypt, seeds of fundamentalist Islam in Morocco, unpredictable Muammar Quaddafi in Libya, persisting deadlock in Israeli-Palestinian conflict, divided Lebanon and political squabbles in Turkey.

Aimed at providing favorable conditions to expand the area of democracy and prosperity at its borders, the ENP has been considered the best guarantee for peace and security. But offering neither a prospect for the EU membership nor an alternative to accession, **the new policy by default has influenced the level of the neighborhood countries' involvement in the EU project** and eventually lacked preconditions for successfully employing the conditionality principle. Hence, the efforts undertaken by the ENP countries within the framework of mutually agreed Action Plans have differed as much as the countries between themselves. The Eastern neighbours remained focused entirely on their aspirations to full EU membership which, on the basis of the treaties, they cannot be denied (Art 49 of the Treaties states that any European State (...) may apply to become a member of the Union). This enhanced their level of commitment. Positive signals, essentially on economic ground could have been registered in Morocco, Tunisia, Jordan and Israel. In contrast, Egypt, Algeria, Lebanon or Azerbaijan have been less involved and remained essentially preoccupied with their internal and regional affairs. The underlying motivation of each country involved is a combination of geo-political and security concerns, economic needs and prospects,

the country's status in the region, its wealth and size and international preconditions in which it operates.

Although formally considered equal, **the countries eventually fell almost naturally into two categories – Eastern and Southern.**

As the first one referred to the EU direct neighbors, the latter embraced not only the EU's but also Europe's neighbors situated on a different continent. Aimed at bringing together the East and the South under one umbrella, the ENP attempted to create a holistic approach of an integrated neighborhood policy with tailor-made strategies embracing needs and requirements of each country concerned. Initially, the cooperation within each dimension was different in nature and the EU found itself balancing the bilateral, multilateral and regional relations hitherto developed. Initially, relations in the South elaborated within the Barcelona Process were essentially multilateral and regional while the links with the East were entirely based on a bilateral framework of cooperation. Eventually a common strategy has emerged, providing the South with a bilateral dimension through the Action Plans and boosting multilateral and regional activities such as Black Sea Synergy or energy and transport networks in the East.

The two recent initiatives, the Union for the Mediterranean and the Eastern Partnership tackle an important issue raised since the ENP's inception **whether one integral policy can be applied to such a diversity of states concerned or it shall rather focus on Eastern and Southern dimensions separately.** Both proposals may render the

existing policy more flexible and better adjusted to each region in the medium term. Furthermore, the relevance of both projects will depend on the neighbors' themselves and their willingness to engage in filling them with substance.

Going strategic with the neighbours

The experience of the European neighbourhood policy, the different records and future requirements of the Southern and Eastern neighbours as well as the changed strategic considerations imply the need for a new set of ideas. The emerging global order will force the European Union to examine the question of its borders. Just like the 2004-2007 enlargement was about overcoming the division of Europe after the end of the Cold War, closer relations with the neighbours should **be about the EU preparing itself for the far more intensive global competition with the emerging powers, including in its immediate vicinity.**

The European Union has developed a number of sub-regional cooperation frameworks, including the Black Sea Synergy which have all contributed to the much needed dynamics. However, a more coherent platform is now needed to ensure that the Eastern and Southern neighbourhood gains a strategic orientation. **Two organizing umbrellas** have been proposed recently in the form of the **Union for the Mediterranean and the Eastern Partnership.**

They arrive as **new devices in the succession of initiatives** that recently featured the “ENP Plus” concept elaborated in Berlin. It is all the more important for them to gain real substance and to attract genuine commitment on the part of the member states. In that sense, they are still to be tested in practice.

From the point of view of the objective they intend to meet, the Union for the Mediterranean and the Eastern Partnership are two sides of the same coin. **They are about ensuring that the Eastern and Southern neighbours find themselves firmly on the European orbit.** Methods should be found to enhance both at the same time. Instruments tested in the context of one policy arena should serve as a source of inspiration to the other. A Neighbourhood Investment Facility, which was launched in 2007, will for example complement the successful Facility for Euro-Mediterranean Investment and Partnership (FEMIP) addressed to the private sector in the Mediterranean region and aimed at creating an investment-friendly environment.

Putting flesh on the bones of the Eastern Partnership

The Eastern neighbours – Ukraine, Moldova, Georgia, Armenia and Azerbaijan – tend to be more advanced in reforming their economies and consolidating their democracies than the Southern ones, although clearly there are tangible examples of success stories in the Mediterranean as

well. The Eastern neighbours are European countries and therefore may apply for membership in the European Union in line with the treaties. They have consistently reaffirmed their European choice. They share with the EU strategic interests in the field of energy, economic cooperation and trade as well as internal and external security. As a result, **they require a different status to the one that Neighbourhood Policy offers to all countries in the vicinity of the European Union.** The spectrum to be filled is that between the current status and that of a candidate country – one which can be called “enhanced association” or “association plus”.

The strategy to be pursued has to be based on the principle of conditionality. If the EU had entirely put it aside, it would be denying its very nature. It would also be shooting itself in the foot as the outcome of such an approach would inevitably prove counterproductive. **The new “strategic” conditionality must be about offering more and demanding more.**

Clearly, the Eastern neighbors do not all come from the same walk of life. They are not of equal size and their specific problems are different, both politically and economically. However, this is exactly why bringing them together on the same platform could serve a useful purpose. As countries differ among themselves, an individual, tailor-made approach should be applied. This would not only encourage the Eastern Partnership countries to act but could also serve as a benchmarking tool leading to the achievement of higher standards.

The Eastern Partnership which was discussed by the European Council in June 2008 should serve as an umbrella for all the instruments used *vis-à-vis* Eastern European ENP countries. **It should also create a platform for the EU to conduct political dialogue with its Eastern neighbors to discuss the prospects of the region.** Such meetings could take the form of Annual EU Eastern Partnership Summits with the participation of all EU Member States and the Eastern neighbours, coordinated by the President of the European Council with the support of the High Representative on the EU side. On the part of the Eastern neighbours, the process should be coordinated in a rotating fashion. A strategic dimension of the relationship requires as well that an agenda of ministerial meetings should be elaborated with dialogue envisaged in key areas such as energy and the environment. **They should form part of the new Eastern Partnership Council – a grouping of ministers of the EU and the Eastern Partnership countries.** To facilitate the process, sessions of the Eastern Partnership Council should coincide with the meetings of the respective EU council formations. The objective of this arrangement will be to ensure **the closest possible association of the Eastern neighbours of the European Union in the policy-making process of the latter.** A framework for intensive consultations in key policy areas should be instituted at both the political and expert level. Eastern Partnership countries should be able to express their points of view on the draft EU legislation throughout the legislative process.

A **small secretariat** would be desirable to liaise between the Eastern partners, the Brussels institutions and the member states with a high level figure, ideally a former Prime Minister or President appointed as the **Eastern Partnership Coordinator.** Separate coordinators might be appointed to oversee the implementation of the most important projects. An Institute for Eastern Neighborhood Studies (IENS) should be created with independent analysis and recommendations.

The Eastern Partnership should be open to Belarus once the country makes progress towards democratic governance.

The higher level of political interaction must be accompanied by tangible progress in mutual relations in key areas. The most important project in that category is the **new generation agreement with Ukraine** on which negotiations are ongoing. It will have the format of a deep free trade agreement and as such it will constitute the most advanced form of relationship between the European Union and a non-member country, apart from the European Economic Area, the Schengen association with Norway and association with Turkey which includes a customs union and far reaching provisions on the movement of workers. It will have all the characteristics of an association agreement. **Strong institutions need to be created within that framework, including an Association Council** with the competences to allow for binding commitments on behalf of both partners. The European Union should live up to the promise it made at the outset of the negotiations when it

suggested an **extensive legal harmonization** to take place in Ukraine with the EU's assistance. **There should be no backtracking on that offer.** The EU should not yield to the temptation of watering down the Association Agreement, so as to make the framework more easily transposable in other neighbouring countries. It is in the European Union's interest to achieve the most far-reaching convergence of legislation with the Eastern Partnership countries.

The Eastern Partnership should look ahead to the implementation of the Association Agreement with Ukraine and subsequently with other Eastern neighbours. It ought to launch **a process by means of which the progress of the relationship will be consistently reviewed and appropriate decisions taken in due course.** In 2011, a review should be conducted of the Association Agreement on the basis of an assessment prepared by the European Commission. **All options should be open to Ukraine and the Eastern ENP countries on the basis of that review.** Should Ukraine or other neighbors decide that they have reached the level of preparedness and political readiness to envisage applying for membership in the European Union, they should not be discouraged from doing so. Clearly, this decision should be based on tangible evidence and positive track record in implementation of the new generation agreement with the European Union.

An adaptation of the neighbours' regulatory regime to that of the European Union remains the most important part of the association agreements being negotiated.

A cost-benefit analysis will indicate the value-added of that "deep" aspect of free trade both with the EU and other countries in the region. Limiting barriers to trade and achieving higher regulatory convergence would result in boosting growth and investment and contribute to enhancing the overall business environment. However, policy adjustments will not be easy to undertake and therefore the neighbours should receive every possible assistance in the process. If Ukraine and others are expected to adopt the EU's environmental legislation, including such costly frameworks like the urban waste water directive, they have to be offered tangible financial assistance. The process has to rely to a large extent on external anchors.

A special training facility should be created for the civil servants of the Eastern Partnership countries to help the absorption of know-how about the implementation of *acquis communautaire*. This should be done on two key levels. Firstly, technical assistance could be delivered at the administrative level whereas members of the civil society should be trained through practical workshops and comprehensive training programmes. The facility should also be open to the nationally and locally elected representatives as well as for the judiciary.

A number of sector-specific issues should be identified as strategic with more far-reaching commitments on both sides as a result. **Energy and climate** change belong to this category with the Eastern Partnership countries being an important hub for the transit of energy as well as an area

where enormous progress is needed from the point of view of energy efficiency. The Eastern Partnership process should cater for that purpose. Specifically, the scope of the Energy Community Treaty should be extended to all countries of the Eastern Partnership. Particular attention should be devoted to the modernization of the EP countries' energy infrastructure which should receive priority under the new Neighbourhood and Partnership Instrument. EP countries should also be progressively integrated into the European distribution networks of gas and electricity.

A joint area of justice and home affairs cooperation should be created to follow up on the important work that has done in this field as part of the Action Plan implementation.

Cooperation in the area of security and defence should be enhanced, especially in the area of crisis management and non-proliferation. The European Defence Agency should gradually engage EP countries in close institutional dialogue. The contribution of EP countries to EU missions abroad should be duly recognized. A crisis management watchdog comprising experts in the field would help to streamline resolving problems and mitigating the risk of conflicts spreading within an entire region.

If there is part of the public which the European Union can “win over” with its post-modern identity and way of life, it is the younger generation. They should be made to believe that the European Union is their moral and psychological home rather than a distant and fortified partner. The best way of going about it is to **offer the citizens of**

Eastern Partnership countries to pay home fees at universities of the EU Member States. They should also be welcomed to the Erasmus programme, rather than Erasmus Mundus which is addressed to citizens of all the third countries. This would be a sizeable investment on the side of the EU but one worth undertaking. A special scholarship scheme should be created aimed at attracting talents in such disciplines as hard sciences, engineering and mathematics - majors in which a progressive decline is being observed within the EU. The new balance of global economy reveals the shortcomings of educational systems non adjusting to the shifting economic trends.

People-to-people contacts are always important in times of transformation and change. They are made easier by conducive travel regimes. Some countries of the Eastern neighbourhood have already benefited from an unprecedented willingness of the EU to offer flexible conditions of entry and visa liberalization. Ukraine and Moldova have signed visa facilitation agreements. Two problems remain, however, even among those neighborhood countries with a relatively easy access to the European Union. They have to do with the cost of the Schengen visa which remains high for many people in Eastern Europe as well as with the processing of visa applications. The answer to the first concern should lie in the **gradual elimination of the visa fee for citizens of countries participating in the Eastern Partnership.** This should also be applied to the citizens of Belarus. In addition, the Chisinau practice of the joint collection centre for

visa applications should be used elsewhere in the region. Genuine progress in the handling and processing of visa applications would be very important from the point of view of communicating the EU to the citizens of the neighboring countries.

A facilitated visa procedure for the citizens of EP countries willing to undertake seasonal jobs in the EU countries should be incorporated in the Eastern partnership agenda. EU enlargements have demonstrated that the economic impact of migration flows on EU labour markets have had relatively little and largely positive and complementary impact despite a widespread fear of cheap labour inflows. Dialogue should also be launched with EP countries on the abolition of the visa requirement in the long-term.

The emergence of the multi-polar world has brought about new strategic challenges. Their new dimension, assisted by a new distribution of power, requires an innovative approach. Given that the emerging powers are rarely good examples of democratic governance, **one of the priorities of the Eastern Partnership should be to consolidate democracy in the EU's closest vicinity.** This should be achieved above all at grass roots' level through activities aiming at enhancing pluralism, rule of law, free and fair elections and minority rights. Building democracy through support of social movements and upward pressure on dialogue and pluralism is a long process. It requires not only wisdom and experience but above all determination. However, stable and thriving democracies with close links to the European Union would increasingly

become immune to coercive and assertive policy of some of the emerging powers.

The EU should also make an effort to increase its **visibility in the EP countries.** New EU delegations should be created in the countries of the Eastern Partnership without delay. They should be tasked with carrying out an intensive information campaign. Members of Parliament from the EP countries should be invited to the selected sessions of the European Parliament to present their views.

Getting the most out of the Union for the Mediterranean

Just as the Eastern Partnership is the new umbrella concept for more strategic relations with the Eastern neighbours, the **Union for the Mediterranean (UfM) is meant to achieve the same objective with respect to the Southern neighbours.** As pledged by the 43 partnership nations in a Joint Declaration of the July 2008 Summit for the Mediterranean, it aims to 'transform the Mediterranean into an area of peace, democracy, co-operation and prosperity'. This is an ambitious task given that the South Mediterranean, although not a region of failed states, has been one of smart authoritarianism, where a degree of political pluralism is allowed but serious opposition movements are ruled out from the outset.

In order to make UfM a collective forum and to 'improve the balance and the joint ownership', the Heads of State and Govern-

ment established **co-presidency**, which will consist of one co-president from the EU and one from the Mediterranean partner countries. Although the concept aims to enhance the political dimension of the project, **it will have to be tested against the range of political animosities and underlying tensions abundant in the region.** Generally, overcoming the enormous cultural and economic diversity of the Mediterranean area will be a key challenge for the UfM. Clearly, a lot of political will needs to be generated for the co-presidency concept to operate effectively.

If the UfM is to gain genuine momentum, it needs to address the deficiencies of the Barcelona Process in terms of insufficient means, lack of structures, weak governance and shortcomings in trans-Mediterranean market integration. It must also tackle the political question of addressing the tensions between southern partners which keep the political establishments preoccupied and less able to embark on the process of integration, necessary for the economic reform. In addition, the project-based method cannot be an end in itself but rather a starting point to a closer economic partnership, embracing the fundamental tenets of macro- and microeconomic policy.

The way it has been planned so far, the Union for the Mediterranean will be based on **six major fields**: environment and sustainable development; transport (notably the maritime highways development plan); a Mediterranean civil protection network; alternative (particularly solar) energy sources; higher education and research; an

initiative to encourage the development of micro, small and medium sized enterprises, and a few sector-oriented projects: water access and management, professional training, youth exchanges, modernisation of public health services, agriculture, urban development and regional planning.

The key areas of the UfM have to do with the tangibles such as protecting biodiversity, managing the growth in the Mediterranean traffic with the impact of congestion, greenhouse gas emissions and pollution, security, civil protection and the solar energy plan. Hence the specific projects include modernising the “trans-Maghreb” railway and creating the Western Mediterranean motorway of the sea. **The Solar Energy Plan could well become a flagship project of the UfM** given the current four percent share of renewables in the energy mix of the Mediterranean countries and the extremely favourable sunshine conditions in the area. The Solar Energy Plan would provide for the construction of solar energy generation capacity, involving private investors and launching export of renewable energy to Europe. Although concentrated solar power is not technologically advanced to the point of being applied across the board, a number of power stations are currently at the planning stage. The costs of producing energy from solar concentration are decreasing sharply which should be an impulse for investors to be interested in enlarging commercial solar energy production. Solar energy should become competitive by 2020.

Ensuring an appropriate level of **funding** for the UfM will be a challenge but a range of

existing financial mechanisms such as the one used within the scope of the Northern Dimension could be a useful source of inspiration. It is clear that the funding will not come from a single source but it will have to be provided by innovative financial engineering combining private sector participation, bilateral contributions from EU Member States, contributions from Mediterranean partners, engagement of the international financial institutions, regional banks and other bilateral funds, the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), the European Neighbourhood and Partnership Instrument (ENPI).

Conclusions

The EU's proximity is no longer its own domain. It is an area where the European Union increasingly competes for influence with other regional and global powers. If it is to succeed, it has to make a more consistent and sustained effort. The Union for the Mediterranean in the South and the Eastern Partnership in the East are the instruments by which the Union should bind its neighborhood more closely to itself. Whatever its unease, the European Union cannot afford to lose sight of this strategic opportunity. **With the recent events in Georgia, the fact that the EU's fundamental interests and global aspirations begin at its frontiers could not have been more revealing.** Whatever the outcome of the South Caucasian crisis may be, there are

important lessons to be drawn. In the new international context, can the ENP be an effective tool to manage and influence internal and regional developments in its neighbourhood? What solutions will be offered to deliver on the promises of consolidating the ring of prosperity, stability and security based on human rights, democracy and the rule of law in the union's neighbourhood? Conceived essentially as a value-based project aimed at creating a prosperous and stable vicinity, the ENP is now facing a more challenging future. The new strategic relationship requires both wisdom, good tactics and clearly outlined goals to be attained.

Created in 2003/2004, the ENP has gained substantial operational experience from conceiving collective and individual frameworks of cooperation to shaping tailor-made programmes aimed at rendering the new policy more flexible and responsive to the regions' needs and requirements. But there is still a lot to be done.

Firstly, **a strategic relationship must mean a substantially higher degree of interaction and commitment.** The EU needs to demonstrate by means of political engagement and economic openness that it wants to see its immediate proximity playing in its own league in the global competition.

Secondly, **the EU must help partners define their priorities.** It has to participate in the shaping of the expectations of its partner states. It must take the responsibility of a reliable and mature advisor who will provide its partners with relevant solutions.

Thirdly, **the strategic dimension of the new relationship with the neighbours cannot mean a weakening of the conditionality principle.** Offering essentially its own method of governance, the EU has so far largely relied on the neighbouring countries' political will and assessment that being closer to the Union is worth taking a major effort. The same logic has been applied in the bilateral Action Plans where no sanctions for failure to comply with the commitments were envisaged. In the new context, the EU has to find ways to make it clear to the neighbours that mutual partnership and consolidation of democratic governance have to go hand in hand.

Fourthly, **the new initiatives of the Union for the Mediterranean and the Eastern Partnership are both project-based and could develop in two directions.** On the one hand, they could prove relevant by means of being more responsive and effective in addressing the needs and conditions of each region. On the other hand, however, they may divert the attention from issues of primary importance such as the economic fundamentals. Therefore de-polluting rivers in Ukraine or constructing maritime highways in the Mediterranean needs to be put in the context of the broader objective of ensuring internal and external stability of the countries concerned.

Last but not least is the security dimension. The emergence of resurgent and assertive new actors in the area is no longer a theoretical possibility but a fact of life. There is no clearer signal that the emerging powers could receive than if the European

Union decided to pursue with utmost determination the project of making its neighbours strategic partners and allies.

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