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ANA E. JUNCOS

University of Bristol

RICHARD G. WHITMAN

Global Europe Centre, University of Kent

Correspondence:

Ana E. Juncos
School of Sociology, Politics and International Studies
University of Bristol
11 Priory Road
Bristol BS8 1TU, UK
Tel +44(0)1179288829
email a.e.juncos@bristol.ac.uk

Richard G. Whitman
Director, Global Europe Centre
School of Politics and International Relations
Rutherford College
University of Kent
Canterbury
Kent CT2 7NX UK
Tel +44(0)1227 827888
r.whitman@kent.ac.uk

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ANA E. JUNCOS

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Global Europe Centre, University of Kent

Introduction

The irrelevance of the EU to shape, or influence, its European neighbourhood was fully apparent throughout 2014, marking a continuation of the downward trajectory of the EU's influence which has become the characteristic of the last half-decade in the region (Whitman and Juncos, 2011, 2012, 2013, 2014).

The EU now confronts an arc of crisis running from its neighbourhood to the east through and across its southern borders in which it is being confronted by multiple security challenges. To its east it faces a direct challenge from Russia which is willing to use state power to alter borders and impose its will on its neighbours. In the Mashreq,¹ the emergence of Islamic State (IS) has changed the dynamics of Syria's civil war and impacted on the wider Middle East. An Israel-Palestinian peace process remains absent whilst the blockade of Gaza by Israel, entering into its seventh year, escalated into a seven week direct military intervention by bombardment and the deployment of ground forces by the Israeli Defence Forces from July 2014. Libya descended into civil war and state collapse, whilst in neighbouring Egypt military rule established in July 2013 was consolidated amidst rising political violence. The EU appears hapless and ill-equipped to confront these challenges. Only the eastern Maghreb offered the EU some consolation with Tunisia as the only state to have come through the Arab Spring with a democratic government replacing authoritarianism.

¹ This comprises the countries to the east of Egypt (i.e. Egypt, Jordan, Lebanon, Palestine and Syria).

If there is an area where the EU is expected to play a role as a regional actor and as a regional leader is in the case of enlargement. Enlargement has been hailed by policy-makers and academics alike as one of the most powerful tools of EU foreign policy (Rehn, 2006; Vachudova, 2014). Enlargement is said to have extended peace and security to other areas of the continent through the democratisation processes fostered by the adoption of the *acquis communautaire*. In this way, the EU has been able to shape the perceptions and expectations, but also the behaviour of candidate and potential candidate countries. However, over the last few years, EU policy in the Western Balkans and Turkey has remained atrophied and a state of economic and political malaise holds back the enlargement of the EU, with the exception of Croatia, which was already quite well advanced on the path to membership.

The EU's Regional Diplomacy

The EU's response to the challenges in the neighbourhood in 2014 has demonstrated three characteristics. First, the EU's structural diplomacy – its milieu, or region-shaping, role – has proven to have considerable weaknesses. Second, the EU's capacity for crisis management diplomacy has been enhanced since the Lisbon Treaty reforms, but it remains a work of considerable imperfection. Third, distinctions need to be drawn between the roles that different Member States and the different EU institutional actors such as the European External Action Service (EEAS) and the European Commission are able to play, with the Member States still dominating issues of high politics.

The EU as a regional actor in the Southern neighbourhood

2014 was another sobering year as far as relations with the Southern neighbourhood is concerned. The high expectations that followed the Arab Spring revolutions failed to materialise for another year, with a new war in Gaza in the summer, the crises in Syria and Libya worsening and Islamic terrorism on the rise. Libya exemplified many of the problems in the region. International intervention failed to bring any peaceful and sustainable change in the medium term, with the country even more divided between two rival coalitions: 'Libyan Dignity' and the 'Libyan Dawn'. Although the Muslim Brotherhood and

other Islamists parties lost in the general elections in June, they refused to accept the election results and forced the newly elected House of Representatives to flee Tripoli. Libyan Army General Khalifa Haftar then sought to oust the Islamists from power by launching 'Operation Dignity', which then led to the rise of the opposition in the so-called operation 'Libyan Dawn'.

The EU's ability to influence events on the ground has been very limited. Its strategy in Libya has focused on medium and long-term reconstruction and democratisation, and as a result, the EU does not have the capabilities necessary to deal with the deterioration of the security situation in Libya (Konstanyan and Blockmans, 2014). Its only CSDP instrument in the country, an Integrated Border Management Assistance Mission (EUBAM Libya), launched in May 2013, is not a crisis management instrument and was forced to relocate to Tunisia in the summer of 2014. Its EU Delegation, one of the newest Delegations opened after the entry into force of the Lisbon Treaty, was forced to repatriate its staff due to the security situation in the country. What is more, according to Konstanyan and Blockmans, Member States have put commercial interests before an effective collective response to the Libyan crisis. In their words,

Rome, Paris and London competed with each other to secure contracts with Libya for their own defence industries. Other European countries simply stood by and watched how, instead of disarmament, demobilisation and reintegration, Libyan armed forces received training from Egypt and its partners to counter successful attacks by fundamentalist militias (Konstanyan and Blockmans, 2014).

In relation to the Middle East Peace Process, the EU has also failed to become a regional leader, although there are some recent developments that might change the perceptions of the actors in the region and their willingness to cooperate in the future. First, the EU was again a spectator to another Gaza war during the summer of 2014. The latest Gaza war followed a similar pattern to previous conflicts: Israel claimed that Hamas had started it by firing rockets over its territory, while Hamas argued that Israel was to blame for arresting hundreds of people in the West Bank and firing air strikes against Hamas members. The conflict left over 2,000 Palestinians dead, most of them (around 70 per cent) civilians, including over 400 children. Israel also used this offensive as an opportunity to dismantle

underground tunnels in Gaza. The EU did not play a role in the negotiation of the ceasefire, which was brokered once again by Egypt.

However, positions in Europe vis-à-vis Israel hardened throughout 2014, and especially, after the conflict in the summer. Member States and EU institutions have become increasingly frustrated by Israel's settlement policy, with some Member State governments more inclined to use the recognition tool as a way to influence Israel's policies. As a result, 2014 witnessed a series of non-binding votes in key Member State Parliaments recommending the recognition of Palestine, including the British, French, Irish, Portuguese and Spanish Parliaments. The European Parliament also held a vote on a non-binding motion at the end of 2014 supporting the recognition of Palestine. Moreover, Sweden was the first EU Member State to formally recognise the Palestinian state in October. France was also very active within the UN context trying to table a UNSC resolution to re-launch the Middle East Peace Process (MEPP) with a new international conference on the matter, including a threat to recognise Palestine if Israel did not cooperate and retreat to the 1967 borders by 2016. However, although some EU diplomats suggested the possibility of threatening Israel with sanctions,² this possibility continued to be rejected by some Member States that prefer the use of incentives fearing that a tougher line on Israel might actually boost the far-right in the upcoming Israeli elections. Another issue that might challenge existing EU policy towards the Arab-Israeli conflict has to do with the European Court of Justice's decision to declare void 'on procedural grounds' a 2003 Council decision to impose an asset freeze on Hamas.³ While it is likely that the decision will be appealed in 2015, this puts more pressure on the EU to negotiate with the Palestinian militant group to find a solution to the conflict.

While the EU has a long history of involvement in the MEPP, the fight against the Islamic State in Iraq and al-Sham (ISIS) emerged as a new and pressing security issue in the Southern neighbourhood for the Union in 2014. Although many European countries did not consider ISIS to be a direct security threat, there were growing concerns about EU nationals travelling to the Middle East to join ISIS and coming back to their home countries as radicalised jihadists. The EU, however, was not expected and did not take a leadership role

² *EUobserver.com*, 18 November 2014.

³ *EUobserver.com*, 17 December 2014.

in military efforts to counter the threat posed by ISIS in Syria, Iraq and the wider region. Instead, the US led the fight against ISIS through an international coalition which carried out air strikes in Syria and Iraq, with most EU countries pledging support to the US's global coalition.

The EU's response to the crisis in Ukraine

Throughout 2014, the EU's activities on Ukraine were undertaken through three main strands. First, with the recognition of Ukraine's new government and providing political support for its consolidation. Second, pursuing a 'rebooted' Association Agreement through the pressing ahead with the signing and preliminary implementation process with Ukraine. Third, diplomatic and sanctions responses to Russia for its invasion of Crimea and military role in Eastern Ukraine.

Supporting the revolution

The year opened with the hangover from the November 2013 Eastern Partnership summit in Vilnius still dominating the EU's Eastern European agenda. The domestic political consequences in Ukraine of the decision not to sign the Association Agreement continued with the Euromaidan – Euro Square protestors – still in occupation of central Kyiv. At its December 2013 summit, the EU's Heads of State and Government made clear their sympathy for the protestors and the departure of President Yanukovich from power as the key to reviving the Association Agreement that he declined to sign at the end of 2013 (European Council, 2013).

The Euromaidan protests were visited by the High Representative/Vice-President (HR/VP) Baroness Ashton on several occasions and together with a steady stream of foreign ministers of EU Member States and members of the European Parliament. The Foreign Affairs Council made clear in its conclusions of 10 February that it was monitoring abuses of human rights and cases of violence, intimidation and missing persons, expressing its readiness to react quickly (although the manner was unspecified) to any deterioration of the situation on the ground (Council of the European Union, 2014).

The peaceful protests first turned violent in January after the Ukrainian Parliament legislated to repress the protests. EU condemnation and the imposition of sanctions on Ukrainian officials who were deemed to have ordered the violence against the protestors swiftly followed. A more violent turn of events took place from 18-22 February 2014, which witnessed clashes between protestors and riot police and killings by unknown snipers as demonstrators occupied government buildings in Kyiv. At the Foreign Affairs Council meeting on 20 February, the EU's Member States maintained their vocal support for the demonstrators, called for political dialogue and agreed on targeted sanctions measures, but were in disagreement as to who should be sanctioned and from when sanctions should commence (Council of the European Union, 2014a). Events moved quickly over the next few days. The HR/VP visited Kyiv on 23 February as President Yanukovich was relocated to Crimea (and then departed for Russia) via helicopters supplied by the Russian Federation and while the formation of a new interim government was in progress. The crisis situation in Ukraine was marginally lightened by the leaking of recordings of U.S and EU diplomatic telephone conversations in which U.S. State Department officials were less than flattering about EU diplomacy.⁴

An extraordinary meeting of the Council on 3 March 2014 used strong words condemning the 'clear violation of Ukrainian sovereignty and territorial integrity by acts of aggression by the Russian armed forces as well as the authorisation given by the Federation Council of Russia on 1 March for the use of the armed forces on the territory of Ukraine' (Council of the European Union, 2014b). The EU called on Russia to withdraw immediately its armed forces to the areas of their permanent stationing, in accordance with the Agreement on the Status and Conditions of the Black Sea Fleet stationing on the territory of Ukraine of 1997. With political power and state control in a condition of flux in Ukraine on 5 March, the Foreign Affairs Council also adopted sanctions focused on the freezing and recovery of misappropriated Ukrainian state funds. In a statement of the Heads of State or Government following an extraordinary meeting on 6 March, the EU underlined that a solution to the crisis must be found through negotiations between the Governments of Ukraine and the Russian Federation, including through potential multilateral mechanisms. Having first

⁴ *EUobserver.com*, 6 February 2014; *EUobserver.com*, 7 February 2014.

suspended bilateral talks with the Russian Federation on visa matters and discussions on the New (EU-Russia) Agreement, as well as preparations for participation in the G8 Summit in Sochi, in the absence of de-escalatory steps the EU set out a second stage of further measures and additional far-reaching consequences for EU-Russia relations in case of further destabilisation of the situation in Ukraine.

In Ukraine the new interim government faced formidable problems in establishing its authority across the country, including the outbreak of secessionist demonstrations in Eastern Ukraine. Russia's response to the political events in Kyiv was both hostile and belligerent and is examined below. In contrast the EU continued to lend its political support to the interim government in Ukraine and subsequently to the Presidential elections held on 25 May and the parliamentary elections held on 26 October 2014. It gave rather shorter shrift to the presidential and parliamentary elections in Donetsk and Luhansk 'People's Republics' on 2 November describing these as illegal and illegitimate.⁵

Rebooting the Association Agreement

Following the change of regime in Ukraine the EU moved swiftly to re-establish the momentum for the EU-Ukraine relations with the signing of the political provisions of the Association Agreement on 21 March. The remaining parts of the agreement, following technical preparations, were signed in Brussels on 27 June. While awaiting the completion of the ratification process on both sides, parts of the agreement came into force on 1 November 2014 covering the respect for human rights, fundamental freedoms and rule of law; political dialogue and reform; justice, freedom and security; economic and financial cooperation. On 15 December 2014 the EU and Ukraine held the first meeting of the Association Council under the new Association Agreement. Work progressed on an updated version of the EU-Ukraine Association Agenda to guide the process of reforms and economic modernisation in Ukraine, with a view to securing its endorsement by the EU-Ukraine Association Council on March 2015. The EU continued to apply autonomous trade measures granting Ukrainian exporters continued preferential access to EU markets without awaiting entry into force of the trade provisions under the association agreement. Provisional

⁵ http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/cfsp/145644.pdf

application of the Deep and Comprehensive Free Trade Area (DCFTA) part of the Agreement was delayed until 1 January 2016. This was intended to allow for consultations on its implementation with the Russian Federation and with both Ukraine and Russia in a trilateral format. The EU also acted as moderator in discussions on energy security between Ukraine and Russia in bilateral gas talks, leading to an agreement on 30 October 2014 on outstanding energy debt issues and an interim solution that enabled gas supplies to continue throughout the winter.

Just as important as the Association Agreement process were the financial support measures intended to support the new government in Kyiv. On 5 March 2014 the European Commission announced that €11 billion could be available over the next years, both from the EU budget and international financial institutions for economic and financial support measures as part of the support for Ukraine's economic and political reforms.⁶ In the short term these funds were intended to stabilise the economic and financial situation in Ukraine and assist with the transition and encourage political and economic reform. One component of this support was to temporarily remove customs duties on Ukrainian exports to the EU (the legislation adopted on 14 April and entering into force on 23 April) and anticipating the tariffs-related section of the Association Agreement's provisions on a Deep and Comprehensive Free Trade Area without waiting for its entry into force. The temporary tariff cuts entered into force on 23 April. On 9 April the Commission also decided to create a Support Group to ensure that the Ukrainian authorities have all the assistance they need in undertaking the political and economic reforms necessary to stabilise the country.

The Russian reaction and the EU's response

Russia's response to the events in Ukraine was to invade, occupy and annex Crimea to the Russian Federation and to pursue military intervention in Eastern Ukraine through proxy forces. Following the annexation of Crimea by the Russian Federation, on 18 March demonstrations by pro-Russian groups in the Donbass area of Ukraine escalated into an armed conflict between the separatist forces of the self-declared Donetsk and Lugansk People's Republics and the Ukrainian government.

⁶ http://europa.eu/rapid/press-release_MEMO-14-159_en.htm

The Russian Federation's military intervention in Eastern Ukraine was both direct and indirect with military personnel and equipment entering the region without insignia and with Russian government denials that its forces were present. Russian intervention in men and material increased markedly in August, Russia also massed significant forces near the Ukrainian forces. These interventions were seen as responsible for the defeat of Ukrainian forces in the region early September. Despite the best efforts of the German-led peace initiatives the Russian military involvement in Eastern Ukraine increased through the final months of 2014.

The EU sought to respond to this situation throughout via diplomatic initiatives as it quickly became clear that there was no appetite for direct military intervention in support of the Ukrainian government by the United States, NATO or Ukraine's Western neighbours. The EU's diplomatic response to Russia's involvement in Ukraine was led by Germany. For many commentators this represents a marked departure for Germany's post-second world war diplomacy in that it has sought to take a high profile leading role on a major issue of international security (Pond and Kundnani, 2015).

The main goal of the Berlin-led EU policy over Ukraine was to move the situation with Russia away from its military intervention and to establish a diplomatic process. This effort resulted in the Minsk Agreement of September 2014. The agreement was reached through considerable efforts on the part of Merkel, through her personal communications and meetings with President Putin, and considerable diplomatic efforts with Ukraine, Russia, the U.S. and EU Member States by Walter Steinmeier, Germany's foreign minister. This provided a framework through which the EU sought to contain and to dampen down the conflict in Eastern Ukraine. The HR/VP and the EEAS were bystanders to this diplomacy as the Member States, via Germany, drove the EU's diplomatic response.

A key component of the EU's response to Russia's intervention was sanctions. A first set of sanctions was agreed by the EU following Russia's annexation of Crimea on 17 March 2014. These adopted 'measures against persons responsible for actions which undermine or threaten the territorial integrity, sovereignty and independence of Ukraine as well as persons and entities associated with them.'⁷ These measures were further strengthened on

⁷ http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/141603.pdf

four separate occasions over the following two months expanding the number of individuals covered by the sanctions.

A second set of comprehensive 'tier-three' sanctions was agreed by the member states on 25 and 30 July 2014. These followed the downing of the Malaysian Airlines Flight MH17 in Donetsk on 17 July. The Foreign Affairs Council of 22 July concluded that those directly and indirectly responsible for the incident must be held accountable and brought to justice, calling on all states and parties to cooperate fully to achieve this end (Council of the European Union, 2014c). The EU urged Russia to use its influence over illegally armed groups to allow full access to the site and cooperation to recover remains and possessions and with the independent investigation. The EU also adopted further trade and investment restrictions for Crimea and Sevastopol, as part of the EU's policy of not recognising the illegal annexation. The EU announced on 29 July that it had agreed on a package of significant additional restrictive measures targeting sectoral cooperation and exchanges with Russia. Following a request of the European Council, the Commission and EEAS proposed further steps to be taken against Russia which entered into force on 12 September concerned access to EU capital markets, defence, dual use goods and sensitive technologies.

The agreement on these different rounds of sanctions between the Member States required considerable discussions to broker a common position that was acceptable to all Member States. Maintaining consensus between the Member States, with a divergent set of views on how to respond to Russia, was a major achievement for the EU. It was also a strong signal to Russia of the willingness of Member States to subsume their differences to allow for an unambiguous position on the annexation of Crimea and Russia's military involvement in Eastern Ukraine.

Newly appointed High Representative Federica Mogherini, who had been perceived in some quarters as pro-Russian, chaired her first Foreign Affairs Council on 17 November 2014.⁸ Against the backdrop of heavy shelling and reports of heavy weapons convoys in separatist held areas with, the Council urged all parties to implement fully the Minsk Protocol and

⁸ See also Dinan's contribution and Pomorska and Vanhoonacker's contribution to this volume.

Memorandum without further delay. On 28 November the EU reinforced its sanctions targeting separatists in Eastern Ukraine.

Beyond sanctions the EU's Member States were more cautious in their interventions. In July 2014 the Council established a Common Security and Defence Policy mission to assist Ukraine in this field. The EU Advisory Mission for Civilian Security Sector Reform (EUAM) was intended to provide strategic advice for the development of sustainable, accountable and efficient security services that contribute to strengthening the rule of law in Ukraine. EUAM Ukraine, headquartered in Kyiv, is an unarmed, non-executive civilian mission with a budget of €13.1 million launched on 1 December 2014. The EU and its Member States were also the biggest contributor to the OSCE Special Monitoring Mission (SMM), contributing about two thirds of both the mission's budget and monitors and the EU contributing €7m to the SMM budget through the Instrument contributing to Stability and Peace.

There is recognition in a number of quarters that the EU demonstrated a major systemic failing in its lack of comprehension of Russia's thinking, and willingness to take direct action, against the deepening of the Eastern Partnership, and most especially on the direction that EU policy was developing on Ukraine (House of Lords, 2014). Russia's active contestation of the EU's role in its Eastern neighbourhood will require a major policy recalibration by the Member States and the EU's institutions. It also fits into a more general pattern of the EU's international relations that Menon characterised in last year's *Annual Review* as 'hard powerlessness' with 'normative delusions' (Menon, 2014, p. 14).

Regional actorness and enlargement

2014 marked the tenth anniversary of the so-called 'big bang' enlargement of 1 May 2004, which saw the accession of ten new Member States to the EU. This momentous date provided a unique opportunity to reflect on the achievements and failures of the EU's enlargement policy in this part of the continent and lessons learned for future enlargements (Grabbe, 2014). According to the Commission, '[a]ccession benefited both those countries joining the EU and the established Member States. Trade and investment have increased. The quality of life of citizens has improved as EU environmental, consumer and other

standards apply more widely.’ (European Commission, 2014, p. 1). In their assessment of the EU’s enlargements to Central and Eastern European countries, the volume edited by Rachel Epstein and Wade Jacoby concluded that

on balance the EU has had stronger economic effects since eastern enlargement than political, and that all NMS [New Member States] have had significant problems with aspects of democratic consolidation. Moreover, although the EU gained 100 million new citizens and consumers through its eastern enlargements and has claimed a number of achievements through its enlargement policy, it is not clear the EU’s power has grown in global politics. (Epstein and Jacoby, 2014, p. 3).

There have been important lessons learned from previous waves of enlargement that have led to changes in the enlargement strategy over the years, in particular, after the accession of Romania and Bulgaria in 2007. While the importance of the meritocratic nature of the process remains, recent enlargement strategies have placed more emphasis on the rule of law (see Whitman and Juncos, 2013) and more recently on economic governance and public administration reform as three key inter-related pillars (European Commission, 2014, p. 1). The changes introduced into the enlargement strategy reflect the different nature of the challenges that the EU faces in the new candidate and potential candidates of the Western Balkans and Turkey, which have generally weaker rule of law and administrative structures and poorer economies than those of Central and East European countries. It also reflects a different opportunity structure than that of the 1990s and early 2000s. The 2004 enlargement took place in a permissive international context, with Russia still debilitated by the end of the Cold War and where liberal democracy and Western economic models were seen as a panacea for progress. The current international climate is a rather different one. While Russia did not openly oppose enlargement to the CEEs, as its economy has strengthened, it has become politically more assertive and it has become increasingly weary of the EU’s enlargement agenda. This is particularly the case in the EU’s Eastern neighbourhood, as discussed in the previous section, but Russian geopolitical influence can also be felt in the Western Balkans (Bechev, 2012). For example, Russia abstained from a UN Security Council vote on the extension of the mandate of EUFOR Althea (Merdzanovic, 2014). Because of traditional political ties but also economic and energy dependence, some governments in the region began increasingly turning to Russia (Bechev, 2012). The war in

Ukraine also meant that countries in the region were being forced to take sides, for instance, when it came to sanctions against Russia, which Serbia did not adopt (Bechev, 2014). The close relation between Serbia and Russia is also illustrated by the fact that Vladimir Putin was the guest of honour at Serbia's military parade marking 70 years since liberation from Nazi occupation, with Serbian President Tomislav Nikolić stating that Russia was his country's 'big ally'.⁹

It is also important to note that Western sanctions against Russia might also have a negative effect in the Balkans given the level of Russian investment in the region. The decision to stop the construction of the South Stream Pipeline will also have serious implications. Hence, if the EU wants to balance Russian influence, it needs to start thinking about how to better use economic incentives and the promise of membership in the Western Balkans. According to Grabbe (2014, p. 54), 'the EU faces a major strategic choice now: preserve the current Union by continuing to prioritize internal consensus over external effectiveness, or respond to the new external challenge by exerting its transformative power across the European continent to strengthen its neighbours and counter Russian influence'. It is interesting, for instance, that in the Commission's 2014 Enlargement Strategy, there is a mention of the need to address earlier in the accession process the negotiating chapter on Foreign, Security and Defence Policy (Chapter 31) with a view to strengthen foreign policy cooperation between the EU and the candidate countries (Fouéré, 2014, p. 8).

The opportunity structure has also changed because of the international financial crisis and its impact on the Eurozone countries (Whitman and Juncos, 2012, 2013). This has had an impact on the EU's willingness and capacity to act as a regional leader and how the EU is perceived by the candidate countries. Although there are signs of recovery in some EU countries, the recovery is likely to be a slow one and the effects of the eurozone crisis will still be felt in the medium and long-term, in particular, in terms of the erosion of the EU's transformative power in the neighbourhood. The Greek crisis, in particular, has had a very negative effect in the Western Balkans, not just because of the economic ramifications of the crisis given Greek investments in the region and the reduction in diaspora remittances (O'Brennan, 2013, p. 40, Pangiantou, 2013). The Greek crisis has also had two other crucial impacts on the region. First, it has damaged the role of Greece as a champion of the

⁹ BBC News, 16 October 2014.

Western Balkan countries' accession¹⁰ as the country is absorbed by how to solve its economic and political crisis. Second, it has damaged the image of the EU as promoter of prosperity. If after three decades of EU membership Greece is still struggling to achieve economic growth, modernisation and fighting corruption, how can the Western Balkan countries expect to overcome similar challenges? As summarised by Panagiaotou (2013, p. 89), 'the EU's hitherto undisputable symbolic role as an 'anchor' of stability, as a one way path to prosperity and as a goal to be aspired to, may be losing its credibility and appeal for some of these countries.' The eurozone crisis has thus damaged the EU's presence in the Western Balkans and Turkey and possibly their acceptance of the EU's regional leadership.

In terms of capabilities, the EU's enlargement process relies on one of its strongest tools: the promise of membership. However, as argued before, this incentive might have been somewhat eroded by the effects of the economic crisis and the increasing competition from other structural powers in the EU's periphery. The main elements of the EU's enlargement strategy have remained unchanged over the last decade (conditionality and a meritocratic approach). As summarised by the Commission in its most recent enlargement strategy: 'The accession process is rigorous, built on strict but fair conditionality, established criteria and the principle of own merit. This is crucial for the credibility of enlargement policy, for providing incentives to enlargement countries to pursue far-reaching reforms and for ensuring the support of EU citizens' (European Commission, 2014, p. 1). This strategy is supported by the screening processes and progress monitoring of candidate countries carried out by the Commission. However, this reporting mechanism is also not without faults. For some observers, the Commission needs to change its way of reporting to incentivise reforms, following the model of the visa liberalisation process: with precise roadmaps (clear criteria and similar criteria for all the countries), benchmarks, fair assessments with experts' visits to the countries and clear (public-friendly) reports. This would facilitate regional competition by providing comparable data about the achievement of different benchmarks by each country (Knaus, 2014). Monitoring prior to accession is all the more important given that the EU lacks effective monitoring and implementation mechanisms after accession and that the Cooperation and Verification Mechanism set up in

¹⁰ Note, for instance, that it was at the Thessaloniki European Council when the EU first referred to the countries' potential EU membership.

the cases of Romania and Bulgaria has not proven to be an effective one. The EU has been unable to prevent democratic backsliding in new Member States as illustrated by the case of Hungary (Sedelmeier, 2014) or a deterioration of the rule of law in Romania and Bulgaria. As far as financial instruments are concerned, the bulk of the assistance is delivered through the Instrument for Pre-Accession (IPA). In 2014, the EU launched IPA II which will provide €11.7 billion for the period 2014-2020. According to the Commission strategy report, IPA II 'increases focus on priorities for EU accession in the areas of democracy and rule of law as well as competitiveness and growth, IPA II also introduces a sector approach, incentives for delivery on results, increased budget support and prioritisation of projects.' (European Commission, 2014, p. 3). Although this is an important incentive for candidate countries, it still remains insufficient in view of the economic challenges affecting most countries of the region such as high unemployment and fiscal deficits.

Another aspect to consider in terms of the EU's actorness and leadership in the region refers to the EU's willingness to act as a regional power and a regional leader. While the EU remains officially committed to further enlargement, in recent years however, there is evidence of 'enlargement fatigue' eroding support for expansion on the part of the Member States. Support for enlargement within the EU remains low. For example, according to a recent survey, a higher percentage of respondents within the EU is now against further enlargement (49 per cent) than those supporting enlargement (37 per cent) (Eurobarometer, 2014, p. 143). In the past, 'enlargement fatigue' signified the view that the increasing widening of the EU would have a negative impact on deepening, undermining the functioning of the EU. The notion of 'absorption capacity' was coined to capture the need to take into account the later objective when proceeding with future enlargements. Today, it would seem that both widening and deepening are seen with suspicion among some policy-makers and the public. These dynamics have been accentuated with the rise of Eurosceptic parties in the majority of EU Member States, as illustrated by the results of the elections to the European Parliament in May 2014¹¹, and debates about migration coming from new member states and candidate countries (Grabbe, 2014, pp. 51-53). To paraphrase Hooghe and Marks (2009), this symbolises the end of a 'permissive consensus' on enlargement, with domestic politics expected to have more of an impact in the making of the policy in the

¹¹ See Hobolt's contribution to this volume.

coming years (Grabbe, 2014). It is arguably in response to these domestic pressures that enlargement has disappeared from the new Commission's list of priorities. In his opening speech to the European Parliament in July 2014 the newly designated President of the Commission Jean-Claude Juncker stated that the EU 'needs to take a break from enlargement' and that 'no further enlargement will take place over the next five years'. (Juncker, 2014, p. 11). There were even rumours that the new Commission would not have an Enlargement portfolio.¹² Although such reports proved wrong - Johannes Hahn was appointed as the Commissioner for European Neighbourhood Policy and Enlargement Negotiations in the autumn 2014 – these developments could undermine the credibility of enlargement by putting into question the long-standing commitment of the EU to further enlargement.

This enlargement fatigue is also likely to have an impact on the transformational power of the EU (O'Brennan, 2013; Grabbe, 2014) and undermine its leadership role in the region. Enlargement fatigue has an impact in candidate and potential candidate countries reducing their willingness to implement conditionality-related reforms as uncertainty about the process increases. While Croatian accession might have provided some needed stimulus to the process, problems remain. An illustration of this is the declining support for EU membership among the candidate countries. While Macedonian citizens are still largely pro-EU membership (56 per cent considered EU membership a 'good thing'), support for membership has continued to decline in Turkey, where only 38 per cent considered accession to the EU a 'good thing'; in Iceland, too, only a minority of respondents (24 per cent) consider membership to be a positive thing (Eurobarometer, 2013, pp.: 67-8), which explains why the new Eurosceptic coalition government decided to put negotiations on hold after coming to power in 2013.¹³

Candidate countries will only be willing to adopt painful reforms if the EU offers credible and sizeable rewards which outweigh the costs of adaptation. The credibility of the enlargement process becomes even more significant in the case of the Western Balkans and Turkey given the set of domestic political challenges faced by these countries. This is compounded by the fact that new 'hurdles' have been erected in order to reassure the Member States that

¹² *Euractiv.com*, 5 September 2014.

¹³ Iceland officially withdrew its candidacy in March 2015, after six years of negotiations.

conditionality is being applied strictly and that the problems encountered during the 2007 enlargement will not happen again. According to O'Brennan (2013, p. 42), '[a]n excess of enlargement fatigue has led to an excess of 'accession fatigue': transposition and implementation of EU laws in the Western Balkans has slowed to a standstill.' The 2014 Commission's report on enlargement paints a bleak picture of the situation in the region. While there has been some modest progress in the cases of Albania, Serbia and Kosovo, in other cases, such as FYROM, Turkey and Bosnia and Herzegovina, there remain serious concerns. In general, the Commission found that that public administration 'remains weak in most enlargement countries, with limited administrative capacity, high levels of politicisation and a lack of transparency.' (European Commission, 2014, p. 2). There are still problems affecting the functioning of democratic institutions, in particular national parliaments, a need for more constructive and sustainable exchanges among competing political forces, strengthening the role of civil society organisations, and freedom of the media. Regarding the rule of law, the main challenges still relates to the need to improve the functioning and independence of the judiciary and fighting corruption and organised crime. Finally, in the area of economic governance, the Commission concluded that,

There remain significant challenges in all enlargement countries in terms of economic reform, competitiveness, job creation and fiscal consolidation. Weaknesses with the rule of law and public financial management exacerbate the risk of corruption, negatively impacting on the investment climate. To date, none of the countries have produced a comprehensive and convincing domestic reform agenda (European Commission, 2014, pp. 5-6).

The most positive development in 2014 was the granting of candidate status for Albania at the European Council in June. The initialling of a Stabilisation and Association Agreement with Kosovo in July was also hailed as a 'milestone on Kosovo's European integration path' (European Commission, 2014, p. 25). By contrast, it was another year of stagnation in Bosnia, with no progress being achieved regarding the key conditions of membership, which refers to the implementation of the so-called Seidic and Finci verdict of the European Court of Human Rights.¹⁴ For its part, FYROM

¹⁴ The verdict refers to the violation of rights of national minorities, other than the three 'constituent peoples' (Bosniaks, Serbs and Croats), under the current Bosnian constitution.

seems to be backsliding, with the European Commission warning that failure to address the growing politicisation and independence of the judiciary and to address the deterioration of freedom of expression could lead to the recommendation for the opening of accession negotiations to be withdrawn.

The latter case also highlights the significance of bilateral disputes in the enlargement process. In the case of the Greek/Macedonian dispute, 2014 saw no progress on the resolution of the 'name issue', with the Commission's report recalling '[t]he failure of the parties to this dispute to reach a compromise after 19 years of UN-mediated talks' (European Commission, 2014, p. 23). The report acknowledges that this bilateral dispute is having a negative impact on FYROM's accession process. However, as with other disputes, the Commission considers this to be a bilateral matter and hence it has been reluctant to intervene directly in the negotiations (Geddes and Taylor, 2013), calling instead for 'resolute action' from the parties involved and for EU leaders to show proactive support.

The current candidates have also seen how the Member States have become more involved in enlargement politics, with the process becoming increasingly intergovernmental in recent years. While the Commission still plays a central role, the Member States have been more closely involved in the opening and closing of negotiating chapters and in each stage of the process sometimes blocking progress because of bilateral disputes as in the case above or because of specific concerns. However, their role has not always been obstructive. In other cases, they have sought to move the process forward, with or without the support of the Commission. In 2014, it is worth mentioning two Member State initiatives, both of them led by Germany, which has become the new leader in enlargement (if only by default) (see also Whitman and Juncos, 2014). In August, Chancellor Merkel convened a Balkan summit in Berlin to reiterate the EU's commitment to the European future of the region and to keep the pressure on these countries to implement EU-related reforms. The 'Berlin process' is to be followed by another summit in 2015 being hosted by Austria. Germany was also in the driving seat, this time in cooperation with the UK, for another initiative regarding Bosnia. The German-British proposal aimed to revitalise Bosnia's accession process by removing the 'Sejdic and Finci' question and focusing on a broad

reform agenda, including economic issues, good governance, rule of law and some institutional questions, to make Bosnia a functioning state. According to this initiative, the EU would unblock the implementation of the Stabilisation and Association Agreement if Bosnian politicians signed a written commitment to this reform agenda (Merdzanovic, 2014). This initiative can be said to be problematic however, not least because it might be seen as yet another illustration of the EU 'giving up' in the face of recalcitrant domestic elites (de Borja Lasheras, 2014). While these are two welcome initiatives that show some much-needed re-engagement with the region, it is still not clear whether they will be able to mobilise support from other Member States towards the Balkans and the enlargement process, more generally. In the absence of this political support, the EU will continue to struggle to become a fully-fledged actor and regional leader in a less favourable context characterised by a re-emergence of geopolitics and an increasing enlargement fatigue.

Conclusion

Despite this being the one region where one would expect the EU to have some clout, the EU's political and economic influence in its neighbourhood was marginal in 2014. Furthermore, the foundations of the post-Cold War regional order within which the EU was embedded, were called into question by the Russian Federation's use of force to seize Crimea from Ukraine, its increasing meddling in enlargement politics, and the emergence of non-state actors such as IS with the capacity to overturn the authority and rule of existing nation-states. The EU's milieu shaping goals and instruments are not equipped for these challenges. An EU response equivalent to the magnitude of these challenges did not take shape during the course of the year.

The EU's capacity for crisis management, and most especially the institutions created by the Lisbon Treaty, proved to be insufficiently capable of responding in spirit or substance to a neighbourhood which is being remade largely without the influence of the EU. The events in Ukraine have also demonstrated that Germany is willing to take an active and leading role in

EU diplomacy towards Russia, Eastern Europe and the Western Balkans and one which eclipses that of the other large Member States and especially France and the UK.

The EU's absence of a strategy for Russia, beyond hoping for indigenous economic and political reform, proved to be a major weakness in the EU's approach towards its neighbourhood. Consequently a new divide has been consolidated in Eastern Europe with EU and Russian spheres of predominant influence. On the one side of the divide lie those states that are willing, and able, to deepen their relationship with the EU; and on the other side are EaP states with a restricted relationship with the EU due to economic and political pressure being exercised by the Russian Federation and that are resistant to domestic political reform processes.

In the southern neighbourhood the states affected by the Arab Spring, excepting Tunisia, have not looked to the EU for assistance in political and economic transition processes. Rather, the EU is a bystander to the civil wars in Libya and Syria and is not mitigating the political and economic fragility of the majority of its southern neighbours.

In the past decades, the EU was able to shape its neighbourhood through its enlargement policy, promoting democratisation and fostering economic reform. However, ten years after the 'big bang' enlargement to Central and Eastern Europe there are significant lessons learned as to the challenges faced by EU conditionality to promote deeper political and economic domestic reforms. In the context of a resurgent Russia and increasing enlargement fatigue within and outside the EU, the power of conditionality seems even more limited than it was previously the case. The stagnation of the enlargement process in the Western Balkans and Turkey constitutes a case in point.

The new regional context for the EU is dislocation and instability and a challenge to which the EU has not yet created a diplomatic or economic strategy sufficient to contribute to security and stability. While it would appear that the EU edged out of its own economic and eurozone crises in 2014, the challenges in its neighbourhood have broadened and deepened.

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