

## European Neighbourhood Policy Two Years on: Time indeed for an 'ENP plus'

Michael Emerson  
Gergana Noutcheva  
Nicu Popescu

### Abstract

Conceived in 2003 and 2004, the European Neighbourhood Policy (ENP) has now had two years of operational experience. This initial experience has seen a sorting out of the partner states, with Action Plans drawn up for five Eastern and seven Southern partner states. We would distinguish among these 12 states between the 'willing' and the 'passive'; and among the other partner states without Action Plans between the 'reluctant' and the 'excluded'. These groupings should be the basis for stronger differentiation in the policy packages offered by the EU. In general the political context now calls for a strong reinforcement of the ENP, since the benign situation of 2004 has given way now to a more menacing one, given threats to European values bearing down on the EU from all sides. The EU institutions recognise these needs in principle, and last December the Commission advanced many valuable proposals. 'ENP plus' is a term being used by the current German Presidency, without this yet being defined in a public document in operational detail. In our view, 'ENP plus' could mean:

- *Plus* an advanced association model for the able and willing partner states,
- *Plus* a strengthening of regional-multilateral schemes,
- *Plus* an upgrading of the standard instruments being deployed, and
- *Plus* the offer of an 'ENP light' model for difficult states or non-recognised entities.

More precisely we suggest a 15-point programme for achieving a qualitative upgrading of the ENP, to give it strategic leverage, rather than allowing it to be seen as a poor cousin of the enlargement process.

Michael Emerson is Senior Research Fellow at CEPS. Gergana Noutcheva and Nicu Popescu are Associate Research Fellows at CEPS. The authors thank their colleagues Hakim Darbouche, Bohdana Dimitrovova, Georgi Kamov, Licia Simao and Fabrizio Tassinari for their research assistance and valuable contributions.

CEPS Policy Briefs present concise, policy-oriented analyses of topical issues in European affairs, with the aim of interjecting the views of CEPS researchers into the policy-making process in a timely fashion. Unless otherwise indicated, the views expressed are attributable only to the authors in a personal capacity and not to any institution with which they are associated.

# Contents

---

1. Summary & Conclusions .....	1
1.1 Sources of potential ‘pluses’ – A 15-point programme .....	2
1.2 Structuring ‘ENP plus’ .....	4
1.3 ‘ENP plus’ as a strategic necessity .....	5
2. Paradigms and strategic imperatives.....	6
2.1 European discourse and paradigms.....	6
2.2 The new strategic imperatives.....	7
3. State of play among the partner states .....	9
4. A 15-point programme on selected policy issues .....	12
Point 1. The optimal bilateral-regional-multilateral balance .....	12
Point 2. Advanced association (or otherwise named) agreements.....	12
Point 3. Institutional issues .....	13
Point 4. The membership perspective question .....	14
Point 5. Democracy promotion.....	15
Point 6. Deep free trade – bilateral .....	15
Point 7. Basic free trade – multilateral .....	16
Point 8. Energy and transport networks.....	17
Point 9. Movement of people.....	18
Point 10. Association with foreign and security policy .....	19
Point 11. Crisis management .....	19
Point 12. ‘ENP light’ for difficult partner states and entities .....	20
Point 13. The Black Sea and beyond .....	21
Point 14. Budget resources .....	22
Point 15. Investment and coordination with the IFIs.....	23
Annex .....	24

# European Neighbourhood Policy Two Years on: Time indeed for an ‘ENP plus’

MICHAEL EMERSON, GERGANA NOUTCHEVA AND NICU POPESCU

CEPS Policy Brief No. 126/March 2007

---

## 1. Summary & Conclusions

### After two years, calls for an ‘ENP plus’

The European Neighbourhood Policy (ENP), conceived in 2003<sup>1</sup> and 2004<sup>2</sup>, has now had two years of operational experience in 2005 and 2006. After these two years of operations, the Commission and the Council agree that the ENP needs to be strengthened, hence the current discussion around the idea of an ‘ENP plus’.

‘ENP plus’ is a term being used by the current German Presidency.<sup>3</sup> For its part, the Commission made comprehensive proposals in December 2006, which contain a rich agenda for strengthening the ENP.<sup>4</sup> There are many questions about turning these proposals into practice, and in some respects we would want to go further. The general direction is positive, however, and could enable the ENP to move into a qualitatively higher gear.

Concretely, we identify a 15-point programme for an upgraded ENP to give it strategic leverage, rather than be perceived as a poor cousin of the enlargement process. These points combine things that the EU is doing, is proposing to do or should be proposing to do.

### A sorting of the partner states

The initial experience of the ENP has seen a sorting out of the partner states, with Action Plans drawn up for five Eastern and seven Southern partner states. A majority of these states are actually looking to the EU for more strategic content than has so far been provided by the ENP.

However, among the Action Plan states, we would distinguish between the ‘willing’ and the ‘passive’. Among those without Action Plans we would distinguish between the ‘reluctant’ and the ‘excluded’.

These groupings could serve as the basis for a stronger differentiation in the policy packages offered by the EU, and for stronger incentives for partner states to advance up this hierarchy.

The present report identifies the areas or measures that could be the source of potential ‘pluses’. These are now summarised, followed by a structuring of them according to categories of partner states and regions.

---

<sup>1</sup> European Commission, Communication on Wider Europe: A New Framework for Relations with our Eastern and Southern Neighbours, COM(2003)104 final, 11 March 2003.

<sup>2</sup> European Commission, Communication on European Neighbourhood Policy – Strategy Paper, COM(2004)373 final, 12 May 2004.

<sup>3</sup> The most detailed public account of German ideas appears in Franz-Walter-Steinmeier, “Interaction and Integration – A new phase of Ostpolitik: globalisation demands interaction, not isolationism”, *Internationale Politik*, Spring 2007, DGAP, Berlin.

<sup>4</sup> European Commission, Communication on Strengthening the European Neighbourhood Policy, COM(2006)726 final, 4 December 2006. These proposals will presumably be the basis for discussions at an informal meeting of EU Foreign Ministers scheduled for the end of March 2007, with the Council Presidency due to draw conclusions in June.

## **1.1 Sources of potential ‘pluses’ – A 15-point programme**

### **The bilateral-regional-multilateral balance**

The bringing together of East and South in a single ENP initially saw anomalies: to the East the ENP has been so far entirely bilateral, whereas the 10-year old Barcelona process has been largely multilateral. A better synthesis seems now to emerge, however, with the ENP having added a sorely lacking bilateral dimension for the South, and with multilateral initiatives now developing for the East (Black Sea, energy and transport networks). In the trade area, a strategic multilateral dimension for East and South together can be envisaged (see further below).

### **Advanced association (or otherwise named) agreements**

The Commission could well outline now a general model for an advanced association agreement for the partner states willing and able to achieve high levels of political convergence and economic integration with the EU. This begins to be done in the particular case of Ukraine, with which negotiations have now been launched for an ‘enhanced agreement’ (name for reconsideration). This could establish a template for a new model agreement with comprehensive and deep content (all 3 ‘pillars’ of EU competences) and institutional association arrangements.

### **Institutional connections**

The Commission opened up the subject of possible participation in agencies and programmes of the EU in a comprehensive paper that the Council largely approved on 5 March. This is a positive move, to be followed up carefully with the most advanced partner states, i.e. to identify useful and feasible cases without flooding the agencies and programmes with new participants. The range of possibilities could be further extended in the most privileged cases with observer status in the European Parliament and the Economic and Social Committee.

### **The membership perspective question**

The treaties say that any European democracy can apply for membership, which means an ‘open door’ principle for European partner states. This is not in contradiction with the obvious need for the EU’s institutional system to be adapted adequately to make continuing enlargement feasible in the long run.

### **Democracy promotion**

The subject of democracy promotion only features in the Action Plans where the leaderships of the partner states like the idea, as mainly among Eastern partners. In the South their interest has tended to be limited to rather technical governance issues, or to certain sectors such as judiciary reform. Contrary to the EU’s intentions, consultations over the Action Plans with political parties and civil society actors have been thin so far, especially in the South. Ways need to be found to extend the engagement over Action Plans with all democratic parties, including in the South with ‘Muslim democrat’ parties.

### **Deep free trade – bilateral**

The idea of ‘deep free trade’ as flagship of the economics of the ENP is positive, but the Commission needs to do far more work to define this in operational terms. The Commission could usefully produce a ‘Deep Free Trade Handbook’ to guide technical assistance advisors and partner states how to identify optimal degrees of convergence on EU norms and standards according to policy domain and the stage of transition of the partner states.

**Basic free trade – multilateral**

With the EU's bilateral network of free trade agreements gradually extending to its entire neighbourhood, it is logical to envisage a multilateral 'basic free trade' area to include potentially all of Europe and the Mediterranean, (i.e. not just the ENP partner states, but also EFTA/EEA, the Balkan CEFTA states, and eventually Russia). This would require common rules of origin, building on the existing Pan-Euro-Med system. The Commission have only hinted at something like this in referring to a 'Neighbourhood economic community' in their recent Communication. This could be an initiative of strategic significance.

**Energy and transport multilateral networks**

Developments in these two sectoral areas have been quite significant, with regional- multilateral initiatives in both cases extending from the EU, across the Balkans, into ENP partner states, and even into Central Asia and the Middle East – a reminder of the case for variable geometry in the wider neighbourhood. These initiatives combine regulatory harmonization to facilitate market integration and major investments in cross-border infrastructure networks.

**Movement of persons**

The proposed opening of visa facilitation negotiations, eventually for all partner states, is to be greatly welcomed. The status quo is so restrictive that it undoes in the eyes of public opinion of the partner states much of the credit that the ENP might win. The efficiency of the consular services of many EU member states need also to be improved, and notably those of Belgium as host to EU institutions. The EU conditions visa facilitation on also making readmission agreements, the costs of which can be very onerous for some partner states, and therefore calls for compensating aid. There should be the perspective of visa-free travel for the most progressive partner states to aim at.

**Association with the common foreign and security policy (CFSP)**

Links between the ENP and the CFSP are being made, first of all through invitation to some ENP states to associate with declaratory positions made by EU foreign ministers. This should lead to participation in actions too. This foreign policy dimension is partly symbolic, yet it can show that ENP becomes an integrated EU policy embracing all three pillars of EU competences.

**Crisis management missions (ESDP)**

This further links to the growing activity of EU/ESDP crisis management operations, which can also function as an integrated part of the ENP, either where the ENP partner states host to ESDP missions, as for example for border management (Transnistria, Gaza-Rafah), or where they contribute forces (such as Moroccans and Ukrainians in Bosnia).

**Black Sea dimension**

With the accession of Bulgaria and Romania there now seems to be consensus on the case for an EU initiative in this region, on which a Commission proposal is awaited. A regional-multilateral dimension for the Eastern neighbours is logical, although this should be on a much lighter scale than for the Barcelona process. Observer status in the BSEC organisation would be logical, but not as an exclusive framework for the EU's actions in the region. The Commission's new 'neighbours of the neighbours' idea, and the German Presidency's push for a Central Asia initiative, might focus first on Kazakhstan..

**'ENP light' for difficult states and non-recognised entities**

There emerge now ad hoc instances of engagement with states whose political regimes rule out the possibility of jointly agreed Action Plans, and for certain non-recognised secessionist entities. This involves essentially 'people' programmes, with selective sanctions such as visa

bans in some cases, and suggests the need for a pro-active ‘ENP light’ policy concept, to be defined in unilateral action plans, as happens now with Belarus.

### **Budget resources**

The new European Neighbourhood Partnership Instrument (ENPI) contains improvements over its predecessor programmes, Tacis and Meda. Particularly welcome for the former Tacis beneficiaries is the wider range of capabilities beyond technical assistance (investment funding, budgetary support, education, etc.). Nevertheless, there may still be an over-concentration on technical assistance projects of types that have proved very difficult to implement effectively. The new Governance Facility is disappointingly small, becoming only a token gesture. The new sizeable Scholarship Programme for ENP countries and Russia is to be greatly welcomed, and its scale could be built up even further in due course. The European Instrument for Democracy and Human Rights (EIDHR) turns out to be only marginally improved, after a major debate over its performance yielded little.

### **Coordination with the IFIs**

The budget’s Neighbourhood Investment Fund (NIF), together with the large expansion planned for European Investment Bank (EIB) operations, heightens the importance of organising optimal coordination between the European Commission and the international financial institutions (EIB, EBRD and the World Bank). Between them, the Commission and the IFIs have huge resources and policy-analytical capabilities, with complementary specialisations. Mechanisms of dialogue are in place at headquarters and in the field. Nevertheless, the system as a whole falls short of achieving all the potential synergies for impacting on the economic reform performance of the partner states. The EBRD has developed its niche well in the East. Given lesser needs now in the new member states, the EBRD could usefully open operations also in the ENP South, where its skills are equally relevant.

## **1.2 Structuring ‘ENP plus’**

Our view of ‘ENP plus’ is that it could mean the basic provisions of the European Neighbourhood Policy *plus*:

- an advanced association model for the able and willing partner states,
- a strengthening of regional-multilateral schemes,
- an upgrading of some of the standard measures being deployed,
- an ‘ENP light’ package for states/entities with difficult political regimes.

The able and willing partner states could be offered the following incentive package:

- Advanced association agreement,
- Possibilities to participate in agencies, programmes and institutions,
- ‘Open door’ language for European partner states,
- Deep free trade, going as far as associate EEA status,
- Visa facilitation with perspectives of visa-free travel,
- Association with CFSP declarations and actions,
- Participation in ESDP missions and
- Privileged access to performance-related budgetary funds.

The strengthening of regional-multilateral schemes, thus embracing all partner states, would include:

- A pan-European multilateral basic free trade area,
- Participation in energy and transport networks,
- Black Sea dimension, and
- Better coordination with the IFIs.

The strengthening of the standard ENP package would include:

- Deep free trade,
- Improved ENPI,
- Visa facilitation, and
- Bigger education/scholarship programmes.

The 'ENP light' package would see the EU adopt 'people' programmes unilaterally for states with difficult political regimes and for certain non-recognised entities.

This overall multi-tier structure to the ENP would provide more vivid incentives for partner states to achieve the objectives of the Action Plans.

### **1.3 'ENP plus' as a strategic necessity**

After the celebration of the EU's big enlargement of 2004, the context for the ENP has become more sombre. To the East there is the need to consolidate the democratic transition in the ENP partner states, and to the North to persuade Russia that its national interest lies in a cooperative rather than coercive approach to the common neighbourhood. To the South there is the need to join in the struggle against radical Islamic terrorism, but at the same time to give more political space to all non-violent democratic parties (e.g. including Islamist democrats). Resistance to the latter may be counterproductive, playing into the hands of radical Islamic forces. These threats from the South also now link to the current crisis of multi-culturalism within the EU.

On earlier occasions we have both described the EU's unique potential to develop a comprehensive and integrative neighbourhood policy, and have also, as implementation of the ENP began, questioned whether it was on course to realise this potential, or to become just a 'placebo'.<sup>5</sup> The Commission and Council have both recently concluded that the ENP is both indispensable and needs to be strengthened. Yes, indeed. The EU institutions and member states could now agree on measures to give the ENP a strategic upgrade. They should make the extra effort to make sure of it.

---

<sup>5</sup> M. Emerson, *The Wider Europe Matrix*, CEPS, December 2003; *European Neighbourhood Policy: Strategy or Placebo?*, CEPS Working Document No. 215, Centre for European Policy Studies, Brussels, November 2004.

## 2. Paradigms and strategic imperatives

### 2.1 European discourse and paradigms

The official discourse of the European Neighbourhood Policy emphasises the values-driven logic of the EU's attempt to export its democratic norms and governance standards to the wider neighbourhood. The official pronouncements are clear in their assertion of a strong normative component of the EU's initiatives in the neighbourhood. For example, the European Council on 14-15 December 2006, reaffirmed its resolve "to strengthen the ENP in order to consolidate a ring of prosperity, stability and security based on human rights, democracy and the rule of law in the Union's neighbourhood".

Yet, behind the 'values' language, there is a discernable EU interest in being surrounded by "a ring of well-governed states". The European Security Strategy speaks of this: "[i]t is in the European interest that countries on our borders are well-governed. Neighbours who are engaged in violent conflict, weak states where organised crime flourishes, dysfunctional societies or exploding population growth on its borders all pose problems for Europe."<sup>6</sup>

The ambiguity regarding the EU's intentions in the neighbourhood extends to the mechanisms employed to encourage political and economic change in the partner countries. The background against which the EU's approach to the neighbours has been developed so far has been the enlargement experience in Central and Eastern Europe, where the European Commission oversaw the transformation process of the future members-to-be through strong conditionality and active socialisation.<sup>7</sup> The ENP, however, lacks the major driver of the enlargement process, i.e. the membership perspective, which by default changes the nature of the EU's involvement. It makes conditionality much more difficult to practice, especially given the vagueness surrounding the ENP incentive package. The pre-conditions for successful conditionality as we know them from the enlargement context are absent in the neighbourhood. The potential rewards are seen as neither sizable, nor credible, nor achievable within the foreseeable future, and the conditions on which they would be delivered are neither precise nor clearly set.<sup>8</sup> Furthermore, the domestic costs for adopting the EU rules are potentially higher in the neighbourhood countries given the authoritarian political regimes in many of them and the level of economic development in quite a number of them. As a result, the EU is faced with more opponents within partner governments and societies, who are simply unwilling to pay the price for alignment with the proposed EU model of governance.

Are there other instruments the EU can employ in order to influence the pattern of domestic change in partner states in a direction that is compatible with the EU-favoured reform path? The softer mechanism known from the enlargement process is socialisation, but even in Central and Eastern Europe, which was quite open to European normative influence in the 1990s, social learning was secondary in importance to the conditionality effects on actors' behaviour.<sup>9</sup> The official ENP discourse puts a lot of emphasis on 'joint ownership' stressing the negotiated nature of the action plans and the voluntary character of the process. On the other hand, to compensate the EU could build stronger alliances on matters of policy conditionality between its budgetary instruments and the IFIs (EIB, EBRD and the World Bank).

---

<sup>6</sup> "A Secure Europe in a Better World", European Security Strategy, Brussels, 12 December 2003.

<sup>7</sup> See Frank Schimmelfennig and Ulrich Sedelmeier, "Governance by Conditionality: EU Rule Transfer to the Candidate Countries of Central and Eastern Europe," *Journal of European Public Policy* 11, No. 4, 2004, pp. 669-687.

<sup>8</sup> *Ibid.*, pp. 671-675.

<sup>9</sup> See the edited volume by Frank Schimmelfennig and Ulrich Sedelmeier, *The Europeanization of Central and Eastern Europe*, Ithaca, NY and London, Cornell University Press, 2005.



The initial experience with agreeing on the contents of the action plans reveals that the ENP states are not equally willing to embrace the full spectrum of reform actions suggested by the EU. Judging by the partners' first responses to the ENP and depending on their stated ambitions, one can identify four groups of states: 1) the *willing partners* who not only aspire to cultivate close association with the EU (and in the case of some, this aims at full membership) but also accept the domestic reform agenda that goes with it; 2) the *passive partners* who are ready to develop a more substantive relationship with the EU but are not keen to go through the domestic reform process this implies; 3) the *reluctant partners* who are unenthusiastic about either deeper ties with the EU or domestic reforms; and 4) the *excluded partners* whom the EU itself has deemed ineligible for the ENP initiative because of gross divergence in normative orientations and policies, or have excluded themselves.

The geographical distinction between Southern and Eastern neighbours seems inappropriate to capture the differentiation in reform aptitude and interest in European integration of partner states. There are neighbours from both East and South in all group categories identified above. If the EU is serious about differentiating between neighbours based on their ambitions and merits, the ENP will need differentiated policy packages to take this into account. A strategy that is geared towards encouraging the willing partners may fail to have an impact on reluctant partners. Conversely, an approach targeting the reluctant states through negative instruments is obviously inappropriate for the countries performing well.

This emphasis on bilateral relations is not to disregard the regional-multilateral dimension, which is also seen in the overall EU policy towards the Southern and the Eastern neighbours. The Barcelona process in the South and the plans to launch a Black Sea regional initiative in the East are complementary instruments which add to the bilateral side of the ENP, and seek to stimulate good neighbourly relations among partner states.

## 2.2 The new strategic imperatives

The ENP was conceived in a very Euro-centric political context. The huge enlargement into Central and Eastern Europe was for some 15 years the major strategic response to the collapse of the Communist regimes and of the Soviet Union. The leading role of the EU as the normative power in the new Europe was uncontested, also receiving strong support from the United States. The accession conditionality machine achieved impressive results.

Today the strategic landscape looks very different, for reasons that were not anticipated at the turn of the millennium. There are five such reasons, all of which combine to raise the stakes for the ENP to the level of a new strategic challenge.

The first of these is the ominously changing situation in the wider Middle East, with a cascade of linked disasters: Al Qaeda's 9/11 and continuing global terrorism, the unsuccessful war in Iraq, the alarmingly difficult NATO engagement in Afghanistan and the strategic challenge posed by Iran not only as a would-be nuclear power, but also an Islamic normative power.

The second is the rising economic strength and political assertiveness of Russia. Its huge gains in oil and gas earnings flowed from the rising world commodity prices, which in turn had been influenced by these Middle East developments. But in addition Russia has pushed its assertiveness to the point of coercive tactics through the energy weapon and other trade sanctions towards its 'near abroad', which of course is the same as the EU's eastern neighbourhood. Russia also develops ideological instruments illustrated by the 'sovereign democracy' slogan, and thus seeks to regain a role as normative power too.<sup>10</sup>

---

<sup>10</sup> Nicu Popescu, *Russia's Soft Power Ambitions*, CEPS Policy Brief No. 115, October 2006.

The third is the rise of new world powers, especially China. Its influence is growing and is already approaching that of the wider European neighbourhood in Central Asia and Africa. This also can be seen not only as a growing economic presence, but also as a normative power, with China's own model of a dazzling economic performance delivered by an authoritarian state, thus challenging the traditional Western consensus that twins economic and political liberalisation.

The fourth is the currently impaired international prestige of the United States, at least in the Muslim world, although not so much in the Central and Eastern Europe.

Fifth and finally there is the virtual stop to the EU's own enlargement process. While at least a pause and slowdown was to be expected after the jump from 15 to 27, the failure of the Constitution to be ratified has sown self-doubts on the nature of the European project, and enhanced the arguments of those opposing further enlargement. This has *inter alia* meant discouragement for the European aspirations of several Eastern neighbours.

It follows from the above that if the objectives of the ENP are to be seriously pursued, there has to be a compensating reinforcement of the policy itself. This could in principle come from the measures described below. However the weight of the new strategic challenges calls also for the EU to think through its strategy in relation to the other two major external actors in the ENP area – Russia and the United States.

The US, for its part, is omnipresent in both neighbourhoods and pursues its own interests and agendas. From an ideological point of view, its objective to spread democracy worldwide is entirely compatible with the EU's wish to see the democratisation of its wider neighbourhood, even if their instruments and style are so different. The complementarity between the EU actions and the US actions in the European neighbourhood has worked well throughout the post-Communist period, and there is no reason why this should not continue or be given a fresh boost. In the Middle East, there have been serious divergences, for many years over the Israel-Palestinian conflict, and more recently over Iraq. The EU has worked hard to be even-handed over the Israeli-Palestinian conflict in the Quartet, in partnership with the US. But with the latter's pro-Israeli orientation, this has damaged the EU's image in the Arab world. Maybe in a next political period, the scope for more effective EU-US collaboration in the European neighbourhood will return. The new strategic context requires this. New or reinforced alliances could be found, for example, through coordinating much more powerfully the EU's financial instruments in the ENP area with those of the IFIs and the US itself; and similarly over the question of engagement with Muslim democrat actors to the South.

Russia's assertive foreign policy behaviour, however, can be seen as both a challenge and an opportunity, given the counterproductive effects of its coercive policies towards Ukraine, Moldova, Georgia and lately even Belarus – countries that have been prime subjects of the ENP.<sup>11</sup> The more Russia abuses its power resources, the more it alienates its neighbours instead of attracting them to its own sphere of gravity. The EU is in a position to benefit from the unintended consequences of Russia's own actions in its 'near abroad' by becoming even more attractive to the willing partners from the Eastern neighbourhood. The exercise of Russia's hard power thus has direct positive implications for the EU's soft power. Pressured by Russia, the willing reformers in the East are even more drawn to the EU. And this is irrespective of the EU's ambiguous language about membership perspectives. However, in the best case, awareness of these trends in Moscow might induce it to recalibrate its tactics and conception of

---

<sup>11</sup> See Robert Larsson, "Sweden and the NEPG – a pilot study of the north European Gas Pipeline and Sweden's dependence on Russian energy", FOI Defence Research Agency, Stockholm, June 2006 ([www.foi.se](http://www.foi.se)). This study records 55 energy supply interruptions by Russia to its neighbours in the post-Soviet period, all except 10 of which had geo-political overtones.

its national interests in the common neighbourhood, leading ultimately to abstention from grossly coercive behaviour, and willingness to view cooperation with the EU in the region as a positive sum game.

There are, therefore, important effects of cross-conditionality and cross-socialisation that have to be taken into consideration when assessing the potential impact of the ENP on the partner states. The ENP has in principle not been designed to compete with other major players such as Russia, or to counter other strategic initiatives, or to be strongly allied to the US. Yet the time for these new dimensions to the ENP has evidently arrived.

### 3. State of play among the partner states

The key implementation step of the ENP in its first two years of operation has been the preparation of bilateral Action Plans, starting with the most willing partner states. As of March 2007, there has been the agreement and publication of 5 Action Plans to the East and 7 to the South. Our independent view of the attitudes and interests of the partner states are given in Annex A, and summarised in Table 1. In this schema, the partner states and entities are divided into four categories, with a distinction between '*willing*' and '*passive*' partners among the states that have agreed Action Plans, and another distinction between the '*reluctant*' and the '*excluded*' among states and entities without agreed Action Plans. These categories are subjective assessments of the authors, and have no official status on the side of the EU or the partner states themselves. However they may serve as a basis for a more marked differentiation of the ENP policies by groups of partner states, in order to strengthen the play of incentives.

With nine states identified as '*willing partners*', this is quite an impressive score, given the rather weak perceived incentives deployed by the EU. The motivations of these states are varying mixes of '*positives*' and '*negatives*'. The '*positives*' are desires to integrate and identify more closely with the EU. This is clearest in the case of several European neighbours that aspire to full membership of the EU (Ukraine, Georgia, Moldova, and to a degree Armenia). To the South the most positive partner is Morocco, which attempted a membership application in 1987; today it has no such expectations, but nonetheless wishes to integrate more with the EU. These inclinations are also manifest in Tunisia for whom the '*positives*' are mainly economic. Jordan has a seriously reformist and modernising outlook in the economic domain. Israel is '*positive*' because of its largely European origins, advanced economy and shared democratic values.

However the '*negatives*' are also important, in that these countries are turning to Europe as a source of partnership and support in part because of perceived threats coming from their own other neighbours. The former Soviet states are looking for support as a counterweight to continuing pressure from Russia. Armenia feels especially vulnerable because of threats from Azerbaijan over Nagorno Karabakh, which are explicitly military in some Azeri political discourse, and with growing economic cooperation between Azerbaijan, Georgia and Turkey. Of the Southern states, Morocco looks to Europe in part as protection from Algeria, with whom it has an unresolved dispute over Western Sahara. The Palestinian Authority looks to Europe as a more even-handed partner than the US over its conflict with Israel, and as a lifeline in recent times as supplier of financial aid.

These willing partners are thus motivated by varying mixes and weights of geo-political concerns and European identity factors. A universal factor among all these states is their desire to receive more from the EU than is so far on offer in the Action Plans. To the East this wish for '*more*' comes with disappointment and even bitterness in some cases over the failure of the EU to meet their aspirations, as symbolised by the EU's refusal to grant '*membership perspectives*'. This in turn has meant that some of these states, which might have entered willingly into the EU's processes of political conditionality, have not seen sufficient incentives to do.

Table 1. Categorisation of partner states of the ENP

With Action Plans	Without Action Plans
<p><b>Willing partners</b></p> <p><i>East</i> Moldova – European identity, don't take no for answer, wants more* Georgia – <i>idem</i> Ukraine – <i>idem</i> Armenia – want more, but has other security priorities</p> <p><i>South</i> Morocco – wants more Tunisia – economic anchorage to the EU Palestine – desperate for aid Israel – European identity Jordan – reformist partner</p>	<p><b>Reluctant partners</b></p> <p><i>East</i> [Russia – from the beginning excluded itself formally from ENP, but is included in ENPI and four common spaces resemble Action Plans]</p> <p><i>South</i> Algeria – oil rich, averse to conditionality, in ENPI &amp; Barcelona process</p>
<p><b>Passive partners</b></p> <p><i>East</i> Azerbaijan – oil rich; govt. lags behind civil society over political values</p> <p><i>South</i> Lebanon – superficial participant, desperate for support Egypt – regional leader, averse to conditionality</p>	<p><b>Excluded partners</b></p> <p><i>East</i> Belarus – lack of democracy currently excludes activation of ENP</p> <p><i>South</i> Syria – in ENPI and Barcelona process, but activation of ENP currently excluded Libya – in ENPI &amp; Barcelona process, but activation of ENP currently excluded</p> <p><b>Excluded entities</b></p> <p><i>East</i> Transnistria – non-recognised entity Abkhazia – <i>idem</i> South Ossetia – <i>idem</i> Nagorno Karabakh – <i>idem</i></p> <p><i>South</i> Western Sahara – occupied territory</p>

\* “Don't take ‘no’ for an answer” means that the partner state considers the EU's refusal of membership perspective to be unsustainable in the long run if it sticks to its European ambitions, and therefore considers the EU's lack of incentive itself to lack credibility.

However, there are some signs that the Eastern neighbours are ‘not taking no for an answer’. The EU has some track record of being negative towards candidates it considers problematic, as was the case for some years with the Baltic states; but this negative position proved unsustainable.<sup>12</sup> Accordingly there is to some degree a double twist to the credibility argument. The EU officially declines to offer credible incentives for negotiating conditionality over political standards. But this lack of credible incentives is itself perceived by some as lacking in credibility, and could be reversed in due course. The partner states in this situation may go ahead with adoption of EU standards.

The reasons why Azerbaijan, Egypt and Lebanon may be considered ‘passive’ partners are also rather clear. Oil-rich Azerbaijan is in a robust position economically and politically, is immune from Russian energy pressure. Its leadership is not interested in democracy, although its civil society is. Egypt regards itself as a leading regional power, is averse to any suggestion of political conditionality and was in no hurry to conclude its Action Plan. Lebanon is so

<sup>12</sup> The President of Estonia, Tuomas Ilves, constantly makes this point, saying that the EU tried for several years in the early 1990s to discourage the applications of the Baltic states to join the EU. Commissioner Oli Rehn sustains an ‘open house’ discourse.

preoccupied with its grave security concerns that it is understandably distracted from implementing seriously the Action plan.

The 'reluctant' partners without Action Plans may be compared to the 'passive' partners with Action Plans just discussed. Algeria in particular may be compared with Azerbaijan. Algeria's lack of interest in negotiating an Action Plan is partly founded on its oil and gas wealth, which is being used to reassert the country's regional role, but in addition there is the post-colonial legacy that makes any suggestion of political conditionality a hyper-sensitive matter.

Russia has clearly excluded itself, on the ground that it simply does not belong in the company of the ENP partner states. It sees itself as a co-equal power with the EU on the European scene, viewing its 'near abroad' (i.e. the EU's Eastern neighbours) as a natural sphere of influence. On the other hand, the EU and Russia have negotiated in the 'Four Common Spaces' subject matter that has considerable overlap with the ENP Action Plans, especially in the economic area. Moreover Russia has not objected to sharing in the EU's financial instrument (the new European Neighbourhood Policy Instrument – ENPI). Russia is also a key player in some of the EU's regional initiatives, such as the Northern Dimension, which leads further to the imminent question of how Russia may be involved in the forthcoming Black Sea initiative.

Among the Eastern neighbours, Belarus is clearly identified by the EU as an ENP partner state, but for whom the relationship cannot be activated until its political regime democratises. Interestingly Belarus now wishes to be accepted as an ENP partner state, partly under the impact of Russia's high-handed energy tactics in January 2007, but there have been no policy moves in Minsk to support this new desire. The EU itself is pushed by the new member states to become more pro-active in Belarus, and the Commission drew up a quite significant 'non-paper' outlining possible measures,<sup>13</sup> and now a strategy paper for ENPI projects in Belarus,<sup>14</sup> which has become virtually a unilateral action plan.

To the South the EU excludes Syria on political grounds, despite the conclusion of the negotiations of the association agreement within the Euro-Mediterranean Partnership. Libya is similarly excluded, but its former pariah status has been attenuated with its renouncing of its nuclear programme in 2003. The EU has been edging towards negotiations with Libya over its inclusion in the Barcelona process and the ENP, but these tendencies are currently on hold.

The EU's relationships with the non-recognised secessionist entities of the Eastern neighbourhood – Transnistria, Abkhazia, South Ossetia and Nagorno Karabakh – and of the South in the case of the Western Sahara were until recently quite simple. The EU and its ENP largely ignored these entities, apart from humanitarian and rehabilitation projects in South Ossetia. Recently, however, the EU has become more interested in these frozen conflicts. There is now the EU Border Assistance Mission surrounding Transnistria, and the EU maintains a visa ban on the top leadership there. The EU professes that it is becoming more engaged with the South Caucasus conflicts, leading to ideas for offering aid for educational projects and civil society and for enhancing people-to-people contacts.<sup>15</sup> Indeed the EU cannot hope to see the peoples of these entities converge more on European values without engaging with them.

---

<sup>13</sup> [http://ec.europa.eu/comm/external\\_relations/belarus/intro/non\\_paper\\_1106.pdf](http://ec.europa.eu/comm/external_relations/belarus/intro/non_paper_1106.pdf)

<sup>14</sup> European Commission, ENPI – Belarus – Country Strategy Paper 2007-2013 and National Indicative Programme 2007-2010.

<sup>15</sup> N. Popescu, *Europe's Unrecognised Neighbours: The EU in Abkhazia and South Ossetia*, CEPS Working Document No. 260, CEPS, Brussels, 15 March 2007.

## 4. A 15-point programme on selected policy issues

### Point 1. The optimal bilateral-regional-multilateral balance

The EU is searching for the optimal balance of bilateral, regional and multilateral elements of the ENP in a step-by-step process, where as the starting point for the ENP saw the East and South in quite opposite situations.

To the South the Barcelona process has been essentially multilateral, but now the ENP has added a bilateral dimension through the Action Plans, which is a positive step. Problems with the Barcelona process under the heading 'once-size-fits-all' have been widely recognised. Nonetheless the Barcelona institutional framework is very substantial at all levels, from meetings of ministers and senior officials, to the parliamentary assembly, and diverse forums, conferences and networking projects of researchers; moreover Barcelona is not being disbanded.

On the other hand, the ENP East has so far had no multilateral activity at the political level. Only at the regional level of the South Caucasus have there been common meetings between the EU and these three partner states. For the future the Commission has floated a number of ideas, including multilateral agreements in the transport and energy fields, and the prospect of a regional Black Sea initiative.<sup>16</sup> The Commission is also now proposing a first pan-ENP event (East and South together), with a high-level meeting in 2007 for all ENP partner states with Action Plans, and with a view to discussing the 'strengthened ENP' proposed by the Commission. In addition ENP partner states may be invited to briefings and consultations by the EU in international fora, such as the UN, Council of Europe and OSCE. These ideas are positive.

There remains the issue whether these regional-multilateral initiatives should give priority to bringing ENP East and South together, or focus more on each separately. Given the weight of the existing Barcelona architecture, and the absence of any intention to disband it, the most plausible focus would seem to be on taking East and South separately, therefore giving special attention to building up ENP East regional-multilateralism. Given the imminence of proposals from the Commission on Black Sea cooperation we return to this below (point 8). In the field of trade policy, there is also a case for pan-European multilateralism, to which we also return below (point 7).

*The bringing together of East and South in a single ENP initially saw anomalies: to the East the ENP has been entirely bilateral, whereas the Barcelona process has been largely regional-multilateral. However a better synthesis seems now to be emerging, with ENP adding a bilateral dimension for the South, and with ideas now emerging for regional-multilateral initiatives to the East (Black Sea, energy and transport networks). A strategic regional-multilateral dimension for East and South is now conceivable in the trade area.*

### Point 2. Advanced association (or otherwise named) agreements

The early ENP strategy document of the Commission said that the Action Plan process could lead on to the negotiation of 'European Neighbourhood Agreements'.<sup>17</sup> Its most recent document of December 2006 is silent on this subject.

In practice, however, the EU and Ukraine have launched negotiations on 5 March 2007 for a new 'Enhanced Agreement', which would replace the expiring Partnership and Cooperation Agreement (PCA). The mandate for this negotiation reveals that this would be a first in a new generation of EU treaties with third countries, in being a comprehensive, multi-pillar agreement,

---

<sup>16</sup> European Commission, COM(2006)726, op. cit.

<sup>17</sup> European Commission, COM(2004) 373, op. cit.

covering economic issues, justice and home affairs, foreign and security policy and political dialogue. This agreement could establish a template for other ENP partner states. An uncertain question is what these new agreements should be called, which is viewed by partner states as much more than a mere semantic question, signalling on the contrary the political importance of the matter. In particular, Ukraine has reacted negatively to the term 'Neighbourhood Agreement', implying a status of definitive exclusion from the EU. For this reason the parties have adopted for the time being a diplomatic-bureaucratic compromise with the term 'Enhanced Agreement'. This carries a minimally positive connotation, but will hardly serve as a political banner for an ambitious Europeanising reform agenda in Kyiv. Alternatively there might be 'Advanced Association Agreements'.

*The EU should firm up the prospects of next-generation treaties with ENP partner states, whether they are called 'Advanced Association Agreements' or otherwise, for willing and able partner states, and whose content would encompass the maximum 'ENP plus' agenda.*

### **Point 3. Institutional issues**

In a recent Communication, the Commission has thoroughly explored the question of how ENP partner states might be associated with, or become full participants in various agencies and policy programmes of the EU.<sup>18</sup> It reviews comprehensively the landscape of the EU's rapidly growing number of agencies, and adopts general criteria for assessing the case for the association or inclusion of partner states. The Council largely endorsed these proposals on 5 March 2007.

The Commission lists in its review no less than 30 existing or proposed agencies, covering such domains as food safety, border management, police cooperation, etc., of which 20 have provisions in their statutes providing for possible third-country participation. The Commission further lists no less than 34 Community programmes in which ENP states might potentially participate, such as for scientific research and fundamental rights and justice, etc., of which 17 already contain provisions for third-country participation.

The policy line proposed by the Commission is for the EU to agree to a general commitment to be open to participation by ENP partner states, and for consultations to be held with a view to selective and gradual participation of individual ENP states on the basis of identified mutual interest and the meeting of functional prerequisites.

These developments are entirely positive, but the initiative could have been taken one step further in relation to some of the EU's political institutions. The European Parliament and the Economic and Social Committee could consider openings for observer members in the case of the most advanced agreements. Presumably the European Parliament could invite observers on its own initiative.

The European Economic Area (EEA) provides further examples of partial institutional participation in committees of the Council and Commission in the policy-shaping process over new market regulations.<sup>19</sup> Such special arrangements cannot be proliferated, however, without placing burdens on already-stretched institutional structures. One idea could be for some of most advanced ENP states (e.g. Israel today) to accede to the EEA, or to become associate members of the EEA after adopting a tailor-made programme of compliance with the EU *acquis* (an 'EEA-light').

---

<sup>18</sup> European Commission, "On the general approach to enable ENP partner countries to participate in Community agencies and Community programmes", COM(2006)724 final, 4 December 2006.

<sup>19</sup> For a succinct account of these arrangements, see Marius Vahl and Nina Grolimund, *Integration without Membership: Switzerland's Bilateral Sectoral Agreements with the EU*, CEPS Paperback, CEPS, Brussels, March 2006.

*The detailed review undertaken by the Commission of possible participation of ENP states in EU agencies and programmes is a positive initiative, to be followed up with the most advanced ENP partner states, taking care however to avoid bureaucratic congestion. There are some more ambitious options for consideration, for example observer status in the European Parliament, or associate membership of the EEA.*

#### **Point 4. The membership perspective question**

The membership perspective question is a highly controversial one for the ENP. The EU's official line as of the Commission's latest document stresses that the ENP is "distinct from the enlargement process" and "without a specific prospect for accession", yet this is "without prejudging how their relationship with the EU may develop in the future, in accordance with treaty provisions".<sup>20</sup>

Decoding this language it is well known that there are divergences of view over the 'membership perspective' question with regard to the Ukraine case in particular. Ukraine has a constituency of support, led by Poland and Sweden, in favour of offering this mega incentive, subject of course to fulfilment of the Copenhagen criteria. On the other hand, France leads the camp of member states not wanting to offer any such perspective.

The wording quoted above seems to reflect a slight softening of the language, in that the reference to treaty provisions refers presumably to Article 49 of the Treaties: "Any European State which respects the [political] principles set out in Article 6(1) may apply to become a member of the Union."

The debate has been linked over the last six months to the discussion about the 'absorptive capacity' of the EU, with some politicians arguing for the EU to fix 'final frontiers' that would cover less than the whole of the Council of Europe's membership map, to the exclusion for example of Turkey and Ukraine.<sup>21</sup> The Commission was invited by the European Council to report on this issue, and did so in November 2006 in a document on enlargement strategy<sup>22</sup>. The Commission refused to embrace the final frontiers proposition, relabelled the concept as 'integration capacity', and basically said that the EU needed further institutional reforms, with which "the carefully managed accession process will continue".

The EU risks doing itself geo-political damage by adopting an unnecessarily hard position in this regard, since this amounts to positive encouragement to Russia to maintain an aggressive policy towards the Eastern neighbourhood countries; whereas to take a more positive but strictly conditional line risks nothing but creating a better incentive to the partner states to work towards EU values. The EU's crisis over the Constitution has made it obvious to all that the enlargement process is subject to the adequate development of the EU's institutional capacity, and that this cannot be guaranteed today, nor can it be said when and if it will be assured at some future point.

*Harsh messages of outright exclusion of membership perspectives for European ENP states, which are unnecessarily harmful to the EU's geo-strategic interests, seem now to be replaced by a careful 'open door' language in keeping with the Treaty.*

---

<sup>20</sup> European Commission, COM(2006)726, op. cit.

<sup>21</sup> M. Emerson, S. Aydin, G. Noutcheva and J. De Clerk-Sachsse, *Just what is this Absorption Capacity of the EU?*, CEPS Policy Brief No. 113, CEPS, Brussels, September 2006.

<sup>22</sup> European Commission, Enlargement Strategy and Main Challenges 2006-2007 Paper, including Annexed Special report on the EU's Capacity to Integrate New Members, COM(2006)649, 8 November 2006, Annex 1.



## Point 5. Democracy promotion

Although the ENP in principle gives first place to democracy promotion, human rights, the rule of law and the development of civil society, the Commission's recent document is surprisingly silent on these subjects. Some attempt is made to gloss over this omission with the aid of the term 'governance', but this can cover many things. There is no problem with the Action Plans embracing the democracy agenda wholesale of the Orange and Rose Revolution countries. However elsewhere the 'joint ownership' of the Action Plans has emasculated the 'democracy priority', as in Azerbaijan to the East, and Morocco, Tunisia, Egypt and Jordan to the South. For the implementation of the Action Plans, the Commission generally requests a human rights subcommittee of officials, where critical issues may be raised. The vigour with which these subcommittees may be used is not yet evident.

There has been a major political debate among the EU institutions on the possible reform of the European Instrument for Democracy and Human Rights (EIDHR), which is a worldwide democracy promotion instrument, including the neighbourhood area. This is not part of the ENP, and so its operations do not have to be jointly agreed. However there have been technical problems with extremely onerous contracting and accounting procedures, which have made it difficult to use even by the experienced EU NGOs and quite impractical for most activists in the civil society of partner states. Various proposals were discussed (e.g. to establish a grant-giving democracy foundation, or a more active role for the European Parliament). Neither idea proved acceptable to the Commission and Council, and the new framework regulation for the EIDHR adopted in December 2006 reflects only marginal improvements. The budget allocated to the EIDHR is still substantial for the 2007-13 period, with the annual expenditures set to rise gradually from €140 million in 2007 to €160 million in 2013, totalling €1 billion for the whole period.

In principle the reform agendas of the Action Plans should be widely debated among the major political actors and civil society organisations in the partner states. In some cases this has been initiated, for example in Lebanon (where Hezbollah participated actively). But this has been an exception rather than the rule, and knowledge about the ENP in such circles remains little or none at all. The inclusion of the elites of opposition parties, such as Muslim democratic movements, in conference, study visit and research activities has been limited to ad hoc initiatives of some member states, and to non-governmental foundations and think tanks. In this soft diplomatic activity, the EU lags behind the US, whose state-supported NGOs, private foundations and universities are highly active in ENP states such as Egypt and Morocco. This weak performance of the ENP in the democracy field is coming at a high cost to the political credibility and reputation of the EU, especially in the Southern partner states. The EU's refusal to deal with Hamas after democratic electoral success in 2006 was seen as a message of political insincerity throughout the region.

*Beyond its declaration of principles, there is room for improvement in the EU's performance as active promoter of democracy. At the operational level there are still technical problems of the instruments not being user-friendly, and political inhibitions over engaging with all democratic movements (including Islamist parties in the Southern partner states).*

## Point 6. Deep free trade – bilateral

The conceptualisation of the economic content of the ENP was initially headlined with a vague promise of 'a stake in the internal market', without this being seriously defined. The Action Plans have set out catalogues of 300 bulleted action points, many related to the EU's market *acquis*, but with little indication how these should be operationalised, or how the EU might contribute.

Recently there has been some progress in defining the economic core to the ENP, as now represented by the ‘deep free trade’ concept. In 2005-06, an independent study was contracted by the Commission on the feasibility of free trade between the EU and Ukraine, which advocated a ‘deep free trade’ strategy in considerable detail.<sup>23</sup> Deep free trade is being contrasted with the conventional ‘simple’ free trade, which consists of scrapping tariffs on trade in goods. Deep free trade, as developed in the Ukraine study, would cover the removal of non-tariff barriers for goods, the complete liberalisation of service sectors, regulatory reforms of service sectors drawing selectively on the EU *acquis*, corporate governance reforms also drawing on European models and supporting investments in transport and energy networks. The term ‘deep free trade’ is now built into the terms of reference for negotiations with Ukraine as soon as it accedes to the WTO. The Commission’s recent Communication goes as far as advocating the pursuit of a ‘deep and comprehensive FTA’ approach for all ENP partners.<sup>24</sup>

Nevertheless, for the policy-maker – in both Brussels and the partner states – the key analytical task is to judge the optimal degree of reliance on the EU *acquis*. This calls for cost-benefit analysis in numerous sectors subject to complex regulatory regimes (financial services, civil aviation, product standards, etc). In some cases, such as for product standards there is a clear argument for simply copying the EU standards. In other cases, the full EU regulatory regime would be excessively burdensome, such as for sophisticated financial services. However these choices of optimal reliance on the rules of the EU single market require expert knowledge, analysis and presentation, and should be made available by the Commission in the form of an ‘ENP Regulatory Handbook’.

The EU has been excessively conservative with Georgia and Moldova on free trade. It disappointed Georgia by not being more forthcoming when the government opted for a radical policy of opening the economy. Also in the case of Moldova there has been a regrettable development with Romania’s accession to the EU, in that the existing Moldovan-Romanian free trade agreement had to be scrapped on 1 January 2007, to bring Romania into line with the EU.

*The adoption of the ‘deep free trade’ concept as the economic backbone of the ENP is positive. But the Commission needs to help the partner states work this out in practice, with the aid of an ‘ENP Regulatory Handbook’. Really deep free trade will be for the most advanced partner states.*

## **Point 7. Basic free trade – multilateral**

Given that virtually the whole of the ENP area already has or is scheduled to negotiate free trade agreements with the EU, there is an obvious case to build on this with a regional-multilateral initiative. The multilateral quality of such a system would mean that all participants would be sharing free trade with each other, as opposed to the present hub-and-spoke bilateralism between the EU and each of its neighbours. It would also require an extension of the Pan-Euro-Med ‘rules of origin’ regime, which allows for accumulation of value-added between participants (e.g. a cascade of value-added in the processing and trade of inputs between more than two countries before the final product is sold).<sup>25</sup> Such a system would be beneficial as a huge simplification of present trading arrangements and as a spur to integrated industrial structures that would be better equipped to face the global competition.

The Commission seems to be thinking along these lines in their recent document, referring to a longer-term vision of this kind, using the term ‘Neighbourhood Economic Community’

---

<sup>23</sup> M. Emerson et al., *The Prospects of Deep Free Trade between the EU and Ukraine*, CEPS, 2006.

<sup>24</sup> European Commission, COM(2006)726, op. cit.

<sup>25</sup> For a short account of the Pan-Euro-Med system, see articles in the EFTA Bulletin, July 2006 (<http://secretariat.efta.int/Web/Publications/EFTABulletin/EFTABulletin/thirdcountry.pdf>).

(NEC).<sup>26</sup> But their text is not explicit. The most advanced ENP states might constitute a core group to get an NEC started, including for example members of the 'Agadir group' of Southern states (Morocco, Tunisia, Egypt and Jordan) and among the Eastern states (possibly Georgia, Moldova and Ukraine). EFTA would surely follow suit, and Turkey too by virtue of its customs union with the EU. The CEFTA states of the Balkans, which have scrapped their complex matrix of bilateral free trade agreements in favour of a single regional-multilateral scheme, would also be invited to join the NEC. Finally, the system should also be open to Russia, whose participation would be in the spirit of its Common Economic Space agreement with the EU.

An NEC would be a strategic initiative politically as well as economically, contributing profile and backbone to the ENP as a whole. It would fit logically alongside the planned bilateral 'deep free trade' initiatives. A multilateralisation of the 'deep free trade' agenda is implausible because it goes beyond external trade policy issues into overlapping matters of domestic economic governance. The content of the NEC could, however, go beyond the simplest free trade formula (just scrapping tariffs), and include a basic agenda of harmonized customs procedures, minimal service sector liberalisation and the adoption of EU product standards. The NEC idea might best be opened up with the aid of a detailed feasibility study.

*Beyond bilateral free trade agreements now envisaged for the whole ENP area, the Commission hints at the case for a regional-multilateral project, which would be more efficient. Such a scheme should be open to the whole of Europe and the Mediterranean (ENP, EEA, EFTA, CEFTA and Russia). This would be a strategic initiative, suitable however for basic free trade, and going alongside deep free trade agreements which will have to be differentiated and therefore bilateral.*

## **Point 8. Energy and transport networks**

In the energy field there have been significant developments. Starting in the Balkans, rather than in the ENP region, a new Energy Community Treaty entered into force in 2006, which effectively integrates all the non-member states of South-East Europe into the EU's single energy market. This provides for adoption by the non-member states of relevant parts of the energy and environmental *acquis*, in particular so as to permit cross-border energy transmission and to facilitate new investments. However Ukraine and Moldova, as well as Norway, have applied to join this Treaty, and the Commission is reflecting on other possible membership applications – presumably from other ENP states. This is an important regional-multilateral mechanism, which could well be extended from the EU and the Balkans to ENP partner states. For electricity it raises technical issues of synchronous connection to the West European UCTE system, which the Balkan states are apparently ready for.

The 'Baku initiative' joins together some ENP partner states, Central Asia and Turkey, and is now a structured process, from ministerial to working group level, addressing energy policy issues, with special reference to regulatory, safety, environmental and investment promotion issues. The Baku initiative embraces the earlier Inogate technical assistance programme. In the present energy context with priority needs to diversify gas supplies, there are concrete projects requiring support, for example the Nabucco gas pipeline which will go from Central Europe to Turkey, and will have to connect with Caspian and Middle East supplies. The change of leadership in Turkmenistan may facilitate a fresh look at Azeri-Turkmen cooperation over off-shore deposits, which could augment supplies in the pipelines beginning in Baku. Kazakhstan is also studying the possibility of a trans-Caspian gas pipeline. For Ukraine the Commission has joined with the EIB and EBRD in a programme for joint funding of hydrocarbon investments, and this may become illustrative of the potential of the three institutions to work together.

---

<sup>26</sup> European Commission, COM(2006)726, op. cit.

In the transport field, there has also been a significant multilateral initiative, the High Level Group chaired by Loyola de Palacio, preparing the extension of the major trans-European transport axes to neighbouring countries and regions.<sup>27</sup> This was prepared by officials from every country of Europe, including the Balkans, ENP partner states, Russia and the Mediterranean. It defined five major transport axes, including two of importance to the ENP. The Central Axis will link Central Europe to Ukraine and the Black Sea and on through an inland waterway connection to the Caspian Sea; with further links from Ukraine to the Trans-Siberian railway and Don/Volga inland waterway. The South-Eastern Axis will link the Balkans to Turkey, the South Caucasus and Middle East. Building on this work the Commission adopted in January 2007 new guidelines as first steps in a comprehensive policy. The European Investment Bank has a newly expanded mandate for operations in ENP region.

*The energy and transport domains are seeing important initiatives for extending the EU's infrastructures and networks into the neighbourhood. The EU's increased financial capabilities, for both grants and lending finance, can help these plans take concrete shape.*

### **Point 9. Movement of people**

In its recent Communication, the Commission concludes that the EU has not yet got the balance right between border opening and border restricting measures. "The Union cannot fully deliver on aspect so the ENP if the ability to undertake short-term travel is constrained as it is currently. ... An enhanced ENP will therefore require a very serious examination of how visa procedures can be made less of an obstacle to legitimate travel from neighbouring countries."<sup>28</sup> It goes on to propose negotiations of visa facilitation and re-admission agreements with all ENP partner states that have Action Plans in force. An agreement was reached in 2006 with Ukraine, modelled on one that was made with Russia earlier, and negotiations with Moldova are underway. Under these agreements certain categories (students, researchers, businessmen, NGO representatives, journalists and public servants) will have easier and simplified access to EU visas. Many studies have indicated that the visa regimes have very little effect on the reduction of or fight against illegal immigration. The prospect of visa-free travel should be held out as an incentive to the most advanced partner states.

While these negotiations at the EU level are to be welcomed, the responsibilities of individual member states for the modernisation and efficiency of the consular services is also vital. EU member states lag behind countries such as Australia and the US in not yet making on-line visa applications possible. The rating of the services of individual EU member states varies from the quite good to the dreadful. The case of Belgium deserves special attention as the host to large numbers of visitors concerned with European affairs (officials, business people, students, journalists, researchers, i.e. virtually all elements of the elites of the partner states): its consular services are among the most criticised. The Commission proposes improved cooperation between the member states, with the creation of common visa-application centres, which is surely needed given the number of small EU member states which cannot have consular offices everywhere.

The EU strictly conditions visa facilitation upon conclusion of readmission agreements, i.e. the obligation to accept back illegal migrants entering the EU from the partner state (whether a national of that state or from a third country).<sup>29</sup> These return and readmission treaties have been

---

<sup>27</sup> Report from the High Level Group chaired by Loyola de Palacio, *Networks for peace and development: Extension of the major trans-European transport axes to the neighbouring countries and regions*, November 2005.

<sup>28</sup> European Commission, COM(2006)726, op. cit.

<sup>29</sup> The first of these agreements are expected to be with Morocco, Russia, Algeria, Ukraine, Belarus and Moldova.

heavily criticised by NGO activists and neighbourhood countries themselves, the latter often not having the facilities or resources to enforce these agreements under conditions that respect basic human rights. For example the Moroccan authorities have been reported dumping refugees in the desert, and Ukraine is said to have deported Chechen refugees to Russia from where they fled.<sup>30</sup>

*Visa facilitation with ENP states is absolutely necessary. Otherwise the reputation of the ENP is gravely damaged. The efficiency of the consular services of some member states needs serious improvement. The costs of implementing readmission agreements needs in some cases at least to be shared by the EU. The prospect of visa-free travel should be held out for the most advanced partner states (as already is the case with Israel).*

### **Point 10. Association with foreign and security policy**

In order to extend the reach of its common foreign policy, the EU has been some inviting neighbouring states to formally associate themselves with its foreign and security policy 'declarations'. Moldova and Ukraine have had the possibility to associate themselves with CFSP statements since mid-2005. The ENP Action Plans with Georgia, Armenia and Azerbaijan published at the end of 2006 also envisage that the EU may invite these countries to align themselves on case-by-case basis with the EU's positions on regional and international issues. The Commission has also proposed to extend this possibility to Southern neighbours.

Moldova and Ukraine's record in subscribing to CFSP statements has been quite positive. Both countries have subscribed to almost all EU declarations on international issues and have supported EU positions in international organisations, such as the UN, the OSCE and the Council of Europe. Out of 148 EU CFSP statements issued by the EU in 2006, Moldova did not subscribe to seven and Ukraine to eight. The bulk of alignments with CFSP statements happened on issues that are of little relevance for Moldova and Ukraine. The record is less straightforward when it comes to EU positions on post-Soviet states. Ukraine has a record of not aligning itself with some CFSP statements on Turkmenistan, Uzbekistan and Azerbaijan. Moldova has a record of not aligning its position with that of the EU in some cases on Belarus, Russia and Azerbaijan. Such variations are explained by the political and economic relations these countries have with other post-Soviet states, for example Ukraine's efforts to diversify its gas suppliers away from Russia, and Moldova's relatively significant trade with Belarus.

The EU should seek better ways not only to communicate but also to cooperate with its neighbours on foreign policy. The EU needs to look for better ways to seek alignment of its neighbours not only on declarations but also actions. The EU could make more issue linkages and provide better incentives for the neighbouring states to align on actions that are more than symbolic. There have been some examples of ENP states contributing to ESDP missions (see point 11).

*The mechanism of associating certain ENP states with EU foreign policy declarations is a worthwhile process in the course of development. It could be enriched by linking more declarations with actions.*

### **Point 11. Crisis management**

The EU is fast building up its crisis management capabilities, and has acquired experience with 16 ESDP missions so far. However its engagement in the unresolved conflicts of the ENP area has been quite limited so far.

---

<sup>30</sup> <http://hrw.org/doc/?t=europe&c=ukrain>

Moldova has emerged as a priority. The EU's Special Representative for Moldova participates in the 5+2 negotiation mechanism for seeking a solution to the Transnistria problem. The EU has sanctioned Transnistria's leadership with a visa ban, and deployed a Border Assistance Mission to curb smuggling and improve border management on the Transnistrian entity's borders with Ukraine and right-bank Moldova.

In the South Caucasus the EU also has a Special Representative, but responsibilities for the conflicts there are diffused. For Abkhazia there are British, French and German representatives in the UN-sponsored procedures, and for Nagorno Karabakh, France is represented in the OSCE-sponsored Minsk group. The EU presence is thus rather confusing. In 2006 the EU became the biggest international donor to both Abkhazia and South Ossetia, but declined the invitation to take over from an OSCE mission monitoring the border with Russia. Instead the EU focused on Georgia's reform efforts, deploying in 2004-05 a 'rule of law' mission to Georgia (EUJUST THEMIS). The EU has little if any policy over Nagorno Karabakh, deferring to the Minsk group.

The EU's involvement in the Middle East peace process has been long and substantial. The EU is clearly identified with core proposals for the two-state solution with pre-1967 borders. The EU's High Representative, Javier Solana, and his successive Special Representatives in the region have been active and visible, while the Commission's aid programme to the Palestinian Authority has been substantial. The EU has followed the line that working towards a solution requires unity in the Quartet, meaning agreement with the US. With the ambivalent US position, swinging between Clinton's activism and Bush's relative withdrawal and underlying Israeli bias, the EU's efforts have been blocked. The current ESDP mission monitoring the Rafah border crossing between Gaza and Egypt shows a willingness of the EU to gradually increase its operational engagement.

The Western Sahara dispute in the Maghreb is another omission on the EU's foreign policy agenda. The unresolved problem, which started with Morocco's annexation in 1975 of the former Spanish colony, has been the main source of division between neighbouring Algeria and Morocco. The EU has no common position or involvement here.

*The ENP's comprehensive approach can and should embrace crisis management operations. While the EU's experience with ESDP missions is increasing rapidly, the record in the ENP area is mixed so far. Some simple organisational measures remain to be taken, such as unifying the EU representation in relations to the South Caucasus conflicts.*

## **Point 12. 'ENP light' for difficult partner states and entities**

Among the Eastern neighbours there is the special case of Belarus. The new member states want a more pro-active policy towards Belarus, and this has resulted in the 'non-paper' by the Commission already referred to (section 3). This leads towards a new policy concept over how to deal with an authoritarian regime that routinely abuses human rights: a combination of 'people' programmes and media actions, with some sanctions including a travel ban and freezing of assets for the leaders of the regime. To the South, Syria participates in the Barcelona meetings, albeit without ratification of its Association Agreement, and receives aid under Meda/ENPI. Libya could presumably enter actively into the Barcelona and ENP processes as and when the Bulgarian nurses are released, having renounced its weapons of mass destruction (WMD) programme.

So far the ENP has lacked much creative thinking about how the non-recognised secessionist entities (Abkhazia, South-Ossetia, Nagorno Karabakh and Transnistria) might be drawn into at least some ENP activity. None of them can be fully included in the ENP, but they could benefit from inclusion in ENP projects in such areas as education, culture, civil society building, health sector reform, rural development, poverty reduction, transport and infrastructure development,

environment, regional cooperation, people-to-people contacts and fighting human trafficking. The most recent Georgian and Abkhaz peace plans speak about the desire and readiness to include Abkhazia into the ENP. Transnistrian businesses are interested in trade with the EU, and Transnistria's business-friendly parliament or chamber of commerce could be some of the channels through which ENP standards are extended to Transnistria. The EU should build on this common ground to extend parts of the ENP Action Plans to the secessionist entities. The idea of involving the secessionist entities in 'Euro-regions' with neighbouring regions could be explored. For example a Krasnodar krai (Russia) – Abkhazia-Mingrelia (Western Georgia) Euro-region, or Odessa (Ukraine) – Transnistria-Chisinau (Moldova) Euro-region could be explored. Such measures would serve the conflict resolution processes, as both the legitimate states of Moldova, Georgia and Azerbaijan, as well as the de facto states of Abkhazia, South Ossetia, Nagorno Karabakh and Transnistria could start moving into the same direction – towards European standards and norms. Some of these entities are becoming partially democratic, notably Abkhazia, and are open to Europeanising influences. The EU has begun to take some initiatives, for example a sizeable mission from the Commission went to Abkhazia in early 2007 to explore possibilities.

Engagement by the EU in the Western Sahara should concern conflict resolution at the multilateral level and 'people' programmes with the Sahrawi people.

*For these politically 'difficult' neighbours, there is growing awareness of the case for limited cooperation at the level of 'people' programmes, as part of a more diversified set of ENP instruments or packages, including in some cases limited sanctions.*

### **Point 13. The Black Sea and beyond**

The Commission will present a new Black Sea policy during the first half of 2007. According to its December 2006 document, the forthcoming 'Black Sea Synergy' will emphasise transport, energy and environment.<sup>31</sup> The Commission has now also mentioned the possibility of accepting observer status in the Black Sea Economic Cooperation Organisation (BSEC) – an idea that is 10 years old. At the institutional level, the proposal for the EU to take up observer status within the BSEC is a positive move. The European Parliament might also send observers to the Black Sea Parliamentary Assembly. Given BSEC's modest performance so far, the EU should surely not rely exclusively on it for Black Sea regional initiatives. Variable geometry for the Black Sea region seems appropriate.

The Commission's December document surprisingly makes no reference to democracy promotion, given efforts in the last year by Georgia and Ukraine leading to the Community of Democratic Choice (CDC). This initiative could benefit from EU support.

The Commission proposes political dialogue between the EU and Eastern ENP states, with foreign minister meetings back-to-back with meetings at ministerial level of BSEC. An alternative would be to follow up on the 'Black Sea Forum' initiative of Romania in June 2006, which saw the convening of a political summit. Other Black Sea states could play host to an annual event of this type to give political direction to Black Sea affairs.

The EU's opening of a Black Sea initiative could also lead to an opening towards cooperation with Russia in the region. Up until now Russia has not been in favour of any external third-party presence in Black Sea affairs, be it the US, NATO or the EU, but the EU is no longer an external third party, but a legitimate Black Sea actor.

---

<sup>31</sup> For a detailed account see Fabrizio Tassinari, *A Synergy for Black Sea Cooperation: Guidelines for an EU Initiative*, CEPS Policy Brief No. 105, CEPS, Brussels, June 2006.

Beyond the littoral states of the Black Sea, the Commission is also opening up a ‘neighbours of our neighbours’ concept, which links with a Central Asian initiative which the German Presidency is keen to advance. Looking at the specifics of the five countries of the region, however, it is not too difficult to discern the EU’s priorities.<sup>32</sup> Summarised in one word, the priority should be Kazakhstan, for multiple reasons: its size and geographic proximity, its energy resources, the interest of its elite in ‘Europe’ (as manifested in its bid for OSCE chairmanship, and its expression of interest in the Council of Europe and the ENP). The overall strategy should therefore be targeted by country and topic, and avoid a thin, uniform, wide-ranging approach such as in the ineffective, first generation of Partnership and Cooperation Agreements in this region.

*The time for the EU to add a Black Sea dimension to the ENP has obviously arrived. This should adopt a variable geometry approach, cooperating with the BSEC organisation but not exclusively.*

#### **Point 14. Budget resources**

The EU has committed substantial financial resources to the ENP. Its new European Neighbourhood Partnership Instrument (ENPI) is endowed with €11.2 billion of budgetary grants for the 2007-13 financial framework period. This is 32% more than the €8.5 billion allocated in the previous 2000-06 period, which was divided between the ENPI’s two predecessor instruments, Tacis and Meda.

The ENPI authorises more diversified types of intervention than especially Tacis allowed in the past, including investment funding and direct budgetary support, thus extending some of the features of the more diversified Meda. This will allow in particular a move away from excessive concentration on technical assistance programmes which have proved so difficult to implement effectively. Given the institutional hindrances to getting an administratively simpler financial regulation, there has surely to be a switching of priorities in favour of programmes that are by their nature less vulnerable to these constraints.

Education is a prime candidate for increased financial allocations. Up until now programmes such as Tempus and even the new Erasmus Mundus have been on a small scale. Within the EU itself, the Commission has been able to build up the massive Erasmus programme, with 100,000 higher educational exchanges per year, with large member states seeing 10,000-15,000 students enrolled per year. By contrast the Erasmus Mundus programme, catering for all of the rest of the world, has offered Ukraine only 20 places per year, i.e. a token gesture rather than a strategic contribution. Moreover on closer inspection, this Erasmus Mundus turns out to be weak in the social sciences, which are particularly relevant for transition economies of the neighbourhood (political science, international relations, economics and European studies). It is therefore highly welcome that the Commission is now proposing a large-scale Scholarship Programme exclusively for the ENP, with an endowment of €209 million for the period 2007-10, which aims at enrolling 1,000 students per year by 2009.<sup>33</sup> This is beginning to get serious. Yet for Russia and Ukraine alone, one might aim at fostering about 1,500 students per year, in order to get really into the building of new elites with modern, European and cosmopolitan outlooks, with a total for the ENP as a whole of 3,000. This is especially pertinent for Russia, where the new middle class favours educational opportunities in Europe for their children, even while the present leadership tries to shut out external political influences (viz. the new law on NGOs).

---

<sup>32</sup> These views draw on a CEPS conference on EU and Central Asia, held in Brussels on 1 March 2007. A more comprehensive account will be shortly forthcoming in a CEPS Policy Brief by Neil Melvin.

<sup>33</sup> European Commission, *ENPI Interregional Programme, Strategy Paper 2007-2013, and Indicative Programme 2007-2010*.



The ENPI includes a new 'Governance Facility' with an allocation of €300 million, which has been the subject of lively debate in the EU institutions. This facility will reward best-performing partner states with additional funding, the idea being to enhance the conditional incentives on offer from the ENP. As it turns out, this initiative will only be a minor incentive, but the Neighbourhood Investment Fund will be more substantial (see next point).

*The new ENPI is an improvement over its predecessor instruments, Tacis and Meda, allowing a more complete range of interventions. This is especially useful for the Eastern neighbours, given the very narrow possibilities under the previous Tacis programme that led to a lot of wasteful technical assistance.*

## **Point 15. Investment and coordination with the IFIs**

The Neighbourhood Investment Fund (NIF), as a sub-programme of the ENPI with an allocation of €700 million, will provide grant money to leverage lending and investment resources from the international financial institutions (IFIs), especially the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD). For the Eastern neighbours this is a new departure, since there was no facility of this type for this region before, but in the South it will co-exist initially at least with FEMIP (Facility for Euro-Mediterranean Investment and Partnership), which gives the EIB access to Commission budgetary resources.

The EIB is planning to lend amounts comparable to the ENPI's grants, with €12.4 billion allocated for 2007-13, of which €3.7 billion is allocated to the Eastern neighbours and €8.7 to the Southern neighbours. These lending and investment operations are on a fast-rising trend, especially for the East where the EIB was only recently mandated to start operations.

The EBRD has successfully established a considerable niche in Central and Eastern Europe, with emphasis on private investment linked to project-related policy issues (e.g. corporate governance, or sectoral policies linked to energy and transport projects). Given the lesser needs now for its operations in the new member states, the EBRD might usefully be restructured towards serving both the East and the South. Also the FEMIP could be subsumed into the NIF after the latter has become established.

The link of the NIF to the IFIs highlights major issues of coordination between the Commission and these lending/investing agencies. There is ongoing dialogue between these institutions on how best to coordinate and achieve synergies in their policies of conditionality. The practices of the EIB, EBRD and World Bank differ significantly. The EIB focuses mostly on the financial bankability of projects, whereas the World Bank and the EBRD also address sectoral policy issues surrounding their projects. There has been some coordination of policy-shaping between the Commission and World Bank, with the Commission drawing on World Bank policy analytical work in the preparation of Action Plans, and the World Bank referring to the content of these Action Plans in its sectoral programming documents (e.g. in the case of Ukraine).

There remains a strategic prize for the Commission and IFIs to aim at together, which would be to form operational alliances, such that their combined leverage would translate into a strong policy-shaping and conditionality mechanism. From the EU standpoint, the weakness of the ENP is that it cannot offer the membership incentive conditional upon policy performance. On the other hand, the Commission, EU member states and IFIs could view their joining of forces as an alternative route to reinforcing policy conditionality. There could be further coordination with the US in view of its conditional aid mechanisms, such as the Millennium Fund.

*The Commission plus the IFIs (EIB, EBRD, World Bank) have together huge financial resources and policy analytical capabilities. If well coordinated, they can generate big synergies in conditioning and stimulating reform along the lines of the Action Plans of the ENP. There are established procedures of dialogue, but there is room for raising the level of ambition for co-financing and coordinated conditionality.*

**Annex**  
**Perceptions of the ENP Partner States**  
**Eastern Partners**

**Ukraine – *willing***

Ukraine is the most vocal state in the neighbourhood proclaiming its desire to join the EU. The Post-Orange revolution developments have only strengthened this ambition. Ukraine's democratic progress has been rather good, although its achievements have not yet been consolidated. Ukraine's greatest progress was in ensuring freedom of the media, free and fair elections and Europeanising its foreign policy on the separatist conflict in Transnistria. Its biggest problems stemmed from an incapacity to mobilise a stable domestic majority supporting economic reforms. As a result Ukraine has still not been able to join the WTO and EU-Ukraine trade relations have advanced less quickly than they could. Still, Ukraine remains the EU's leading partner in the Eastern neighbourhood, and negotiations have already begun on an 'enhanced agreement', which should cover deep free trade, visa facilitation, energy dialogue, cooperation in justice and home affairs and links to the CFSP.

**Moldova – *willing***

Moldova has the ambition to join the European Union in the long run, and has already positioned itself as a Southeast European state. The government aims at a Stabilisation and Association Agreement, or an Association Agreement with the EU in 2008. While Moldova is enthusiastic about joining the EU, it is less enthusiastic about the ENP, which does not offer Moldova a European perspective. Still, Moldova has made the implementation of the ENP Action Plan a central element of its reform process. Despite some progress on economic reforms, border management and EU-inspired legislative changes, Moldova's democratic reforms have slowed down in recent years. Moldova has failed to make significant progress on independence of the judiciary, the fight against corruption and respect of media freedom. Moldova's European ambitions have been high, while implementation of reforms has significantly lagged behind.

**Georgia – *willing***

The authorities in Tbilisi aim at full integration into the Euro-Atlantic structures (i.e. NATO and the EU) as part of its Westernisation strategy, thus seeking real independence from Russia. The 'Rose Revolution' triggered the inclusion of the three South Caucasus countries into the ENP, and Georgia has been gathering wide support for reforms and recognition as one of the regional front-runners. Nonetheless difficulties appear in legislative harmonisation, reform of the judiciary, local self-government, the development of multi-party structures and independence of the media. Georgia wanted the ENP Action Plan to give priority to conflict resolution, border assistance and free trade with the EU, and was disappointed not to achieve bigger results on these accounts.

**Armenia – *willing***

Armenia has stated its European vocation, and engagement into the ENP is seen as a way to escape regional isolation and promote economic development. Armenian commitment to the ENP is two-fold: at a declaratory level closer relations with the EU are recognised as Armenia's final goal; on a more pragmatic note, reforms included in the ENP and previously stated in the PCA, seem to advance only in the economic field. Reforms in the political, social and judicial areas have made little progress. Armenia's foreign policy is based on the principle of 'complementarity', as a way to accommodate its close relations with Russia, which remains

Yerevan's most important international partner. The ongoing Nagorno Karabakh conflict with Azerbaijan is still seen as the main obstacle for regional relations to develop, but the EU has been reluctant to make conflict resolution a central part of the ENP Action Plan.

#### **Azerbaijan – *passive***

Azerbaijan has been the most reluctant of the South Caucasus countries in approaching European integration, mostly because of its strategic location and energy reserves, which allows Baku a wider set of options and added leverage in regional and global cooperation. Azerbaijan has reluctantly pursued domestic reforms in political, social, judicial and even economic terms, as envisaged in the ENP Action Plan. While the EU is keen to seek closer energy relations with Azerbaijan, its concern for greater democratisation and respect for human rights has been low key. Azeri civil society is generally more willing to engage with Europe and its values, but the government has not been open to a triangular dialogue with them and the EU over the Action Plan.

#### **Russia – *reluctant***

Russia has refused to be part of the ENP, though the EU is Russia's most important economic and political partner. Russia's reticence on ENP has its roots in Russia's view of itself as a self-sufficient second pole of influence and attraction in Europe. Thus in Russia's perception, it is not the 'EU's neighbour', but rather the EU and Russia are each other's neighbours. Russia wants to base its relationship with the EU on equality, partnership and non-interference in internal affairs. The EU-Russian relationship has become increasingly ambiguous, with Russia's growing authoritarian consolidation and desire to solidify its influence in countries located where it perceives to be its European sphere of influence. In addition Russia's economic protectionism is likely to be a complicating factor in relations with the EU.

#### **Belarus – *excluded***

Belarus is the only Eastern neighbouring country without an agreement with the EU, and virtually no framework for dialogue. It is not formally part of the ENP. Due to an authoritarian regime which routinely abuses human rights, Belarus is the only neighbouring country under some sanctions from the EU – a travel ban and frozen assets for the leaders of the regime. The effects of Belarus' economic and political isolation from Europe have been attenuated by a close alliance with Russia. However, recent tensions between Belarus and Russia, made the former seek some apparent rapprochement with the EU. Belarus officials state that they would like to become part of the ENP.

#### **Secessionist entities – *excluded***

The secessionist entities of Abkhazia, South Ossetia, Nagorno Karabakh and Transnistria are formally part of the ENP states of Georgia, Azerbaijan and Moldova, respectively. However, there has been no effective ENP in these disputed regions. Still their views of the ENP differ. Abkhazia, which is trying to diversify its excessive dependence on Russia, is the most open to the EU and is willing to engage deeper with the ENP. Georgia is likely to accept to a certain extent such a development. South Ossetia remains cautious on the ENP, and pursues a policy of de facto integration into Russia. Transnistria's authoritarian leadership, which is named in an EU travel ban, is tacitly opposed to a greater EU role in the conflict settlement efforts. However, parts of the Transnistrian significant business community would benefit from and are supportive of greater openness to the EU, which is one of Transnistria's main trading partners. Nagorno Karabakh perceives the ENP through its close association with Armenia, although Azerbaijan is openly against any kind of efforts to connect Nagorno Karabakh to ENP activities and projects.

## **Southern Partners**

### **Morocco – *willing***

Morocco's rejected application for EC membership in 1987 has never diluted its ambition for an 'advanced' relationship with the EU. Its enthusiastic engagement with the ENP and relatively early adoption of an Action Plan are indicative of Morocco's aspiration to anchor its reform process to deep cooperation and integration with the EU. The country's solid record in the implementation of economic modernisation and reform policies is testimony to the Moroccan government's willingness to draw maximum benefit from the ENP. However, political and social reforms are being introduced at a much slower pace. Despite praise for the Monarch's 'national reconciliation' project, fundamental measures aimed at reforming the monarchy and decentralising government structures have attracted criticism of the regime's true willingness to introduce change. Furthermore, modernisation of the judiciary and respect of fundamental freedoms and human rights leave a lot to be desired.

### **Tunisia – *willing***

Tunisia's strategic choice in building close ties with Europe since the late 1960s is led by its economic structures and interests, namely the primacy of agriculture and services (primarily tourism) as the main sources of revenue and employment. Tunisia has anchored its priorities on deeper ties with the EU. In this context, the ENP represents a natural development in EU-Tunisian relations, aimed at meeting their aspirations for deeper integration and dialogue. The resulting solid record of Tunisia in economic reform and modernisation is in sharp contrast, however, with the social and political spheres. Social inequalities are rife and the leadership displays undemocratic behaviour on a regular basis towards the opposition, particularly if the latter is of Islamist provenance. A recently-foiled terrorist plot (January 2007) has led to arbitrary detentions and arrests reflecting deeply entrenched practices and abuses.

### **Palestinian Territories – *willing***

The EU has been heavily engaged in the Palestinian Territories since the beginning of the Oslo peace process, becoming the largest Western donor of financial aid, which especially since the beginning of the Road Map has been subject to political conditionality. The Palestinians have seen the EU as a more even-handed partner than the US, and at times the only provider of vital aid, such as for funding the Palestinian Authority. The Palestinian Authority was thus a willing partner in drawing up an Action Plan, with much of its policy reform content already worked out under the Road Map process. In brief the EU has been a lifeline, and the prospect of strengthening this under the ENP was readily welcomed. However the EU's credibility as promoter of democracy has been seriously damaged for many Palestinians because of its refusal to embrace the Hamas party following its electoral success in 2006. Its aid programme has been largely interrupted, and the Action plan effectively frozen. The credibility of the Palestinian Authority as partner has been prejudiced by violent conflict between Hamas and Fatah activists in early 2007.

### **Israel – *willing***

By virtue of its historical European roots, its advanced economy and shared democratic values, Israel has been favourably disposed towards the general idea of a deeper relationship with the EU. These inclinations are reinforced by Israel's virtual isolation in the Arab Middle East, and uneasiness with the Barcelona process because of its multilateral and 'one-size-fits-all' character. The bilateral dimension to the ENP is thus especially welcome for Israel. Israel

negotiated very actively to tailor the Action Plan to its interests. In principle Israel would like to use the Action Plan process as a way to further develop operational links of an institutional and programmatic nature (e.g. through participation in EU agencies, programmes and policies). There is an active debate within Israel over different conceivable scenarios for a deepened relationship with the EU. Something approaching the European Economic Area model is viewed as feasible in view of the economy's sophistication. Even membership is advocated by a small minority in the Knesset, but this is more a sentiment than a plausible scenario.

#### **Jordan – *willing***

Jordan's early engagement in the ENP does not reflect a close political affinity with Europe. As with its previous cooperation and association agreements with the EC/EU, the Jordanian Action Plan is considered more as a framework for trade and economic reform than a tool for deep political cooperation. Jordan is a cooperative political partner for the EU, and the King manifests European inclinations. However the US is its predominant international partner. There is a solid record of economic reforms, as reflected in membership of the WTO and free trade agreements with the US, Morocco, Tunisia and Egypt. Politically, the government's human rights practices, particularly towards political Islamist opposition and a large community of displaced Palestinians, are subjects of international criticism.

#### **Lebanon – *passive***

Lebanon is open to European influences and is keen on developing closer ties with the EU. The Lebanese government was one of the fastest to agree an EU-proposed Action Plan, but security challenges currently prevent it from developing closer economic and political cooperation with the EU. The conflict with Israel in the summer of 2006 and the ensuing internal tensions between various factions of the society shifted its attention inward to securing stability and stalled the final approval of the ENP Action Plan. For Lebanon, the Action Plan confers legitimacy on its domestic reform plans which it desperately needs in order to show credibility vis-à-vis its creditors. The Lebanese public debt problem dates back to the 1990s when the economy was booming on reconstruction activity after 15 years of civil war. Given the fragility of its government and its weak state institutions, it remains to be seen to what extent Lebanon can engage fully in a reform process leading to greater convergence with the EU model of governance.

#### **Egypt – *passive***

Egypt plays a pivotal role in the region. The size of its population and the importance of its influence on regional political developments, particularly in relation to the Middle East conflict, have made it a highly sensitive case for Western initiatives in the region. For Egypt, relations with the EU are a priority for economic and political reasons. Egyptian engagement in the ENP was initially tentative for fears of diluting the multilateral quality of the Barcelona process, and its potential for promoting peace and stability in the region. Moreover the idea of political conditionality within the ENP was not appreciated by Egypt. However economic liberalisation is well under way and the recently agreed Action Plan is seen as a tool to consolidate Egypt's efforts in that direction. Political reforms however remain very slow.

#### **Algeria – *reluctant***

Algeria's rejection of the ENP, as opposed to its cooperative attitude towards the Barcelona process, mirrors the fluctuating tendencies that have marked the country's relations with the EU. The ENP, for Algeria, represents 'dictation' rather than 'partnership' and, as such, is deemed 'not a priority for now'. The stipulations of the Association Agreement with the EU regarding

political and socio-economic reforms are being implemented only very slowly. The process of privatisation initiated a decade ago and the modernisation of the banking and financial sectors are at a standstill. The only notable economic progress lies in the considerable amount of state investment in infrastructure, but diversification of the economy remains a challenge. Furthermore, the presidential ‘national reconciliation charter’ has been criticised by human rights groups accusing it of lenience towards the role of security forces during the crisis of the 1990s. Algeria insists on ‘home-grown’ reform (political and economic) and strongly resents anything resembling external interference.

#### **Syria – *excluded***

The successful conclusion of the negotiations of the Association Agreement between Syria and the EU in October 2004 has not led to its formal ratification and entry into force. The dramatic developments following the Hariri assassination in February 2005 have stalled the process and further isolated Syria from the international community. This has meant that Syria’s participation in the ENP cannot be operational beyond some help from the ENPI. The reforms hoped for by many since the advent to power of Bashar Al-Assad in 2000 have not materialised. Oppression of any form of political opposition and civil society activities are a common feature of the Syrian political scene. The liberalisation of a highly-centralised economy has failed to happen and has not been encouraged by its lucrative hydrocarbon sector.

#### **Libya – *excluded***

The year 2003 marked a qualitative turning point in Libya’s relations with the EU. The successful resolutions of the Lockerbie and WMD standoffs followed by the lifting of UN sanctions saw the beginnings of a rapprochement with the EU. Libya expressed its keenness to participate in EU initiatives such as the ENP, which found positive resonance in European circles. However, controversy surrounding the role of Bulgarian nurses in a Benghazi hospital drama has halted the normalisation of relations between the EU and Libya. Moreover, recent (January 2007) declarations by Kadhafi’s son regarding the faith of the convicted nurses coincided with mounting questions surrounding the Colonel’s true intentions for reform and suspected preference for ‘familial transition’. Libya’s reform process remains uncharted and the West’s unconditional appetite for its oil and gas reserves will not help much in this regard.

#### **Western Sahara – *excluded***

This is now a divided territory, with its Western and coastal part occupied by Morocco, and the Eastern part which is largely empty desert controlled by the Polisario Front. Morocco has constructed a fortified wall or barrier along this de facto border. Morocco offers autonomy within the Moroccan state, but this is contested by much of the Sahrawi population and the Polisario based in Algeria. The EU has taken no position on this frozen conflict, which remains the major obstacle to improved Maghreb regional relations, and impedes any functioning of the Maghreb-Arab Union. There is no awareness of the ENP among the leaders of the Sahrawi people.

# About CEPS

Founded in Brussels in 1983, the Centre for European Policy Studies (CEPS) is among the most experienced and authoritative think tanks operating in the European Union today. CEPS serves as a leading forum for debate on EU affairs, but its most distinguishing feature lies in its strong in-house research capacity, complemented by an extensive network of partner institutes throughout the world.

## Goals

- To carry out state-of-the-art policy research leading to solutions to the challenges facing Europe today.
- To achieve high standards of academic excellence and maintain unqualified independence.
- To provide a forum for discussion among all stakeholders in the European policy process.
- To build collaborative networks of researchers, policy-makers and business representatives across the whole of Europe.
- To disseminate our findings and views through a regular flow of publications and public events.

## Assets

- Complete independence to set its own research priorities and freedom from any outside influence.
- Formation of nine different research networks, comprising research institutes from throughout Europe and beyond, to complement and consolidate CEPS research expertise and to greatly extend its outreach.
- An extensive membership base of some 120 Corporate Members and 130 Institutional Members, which provide expertise and practical experience and act as a sounding board for the utility and feasibility of CEPS policy proposals.

## Programme Structure

CEPS carries out its research via its own in-house research programmes and through collaborative research networks involving the active participation of other highly reputable institutes and specialists.

### Research Programmes

Economic & Social Welfare Policies  
Energy, Climate Change & Sustainable Development  
EU Neighbourhood, Foreign & Security Policy  
Financial Markets & Taxation  
Justice & Home Affairs  
Politics & European Institutions  
Regulatory Affairs  
Trade, Development & Agricultural Policy

### Research Networks/Joint Initiatives

Changing Landscape of Security & Liberty (CHALLENGE)  
European Capital Markets Institute (ECMI)  
European Climate Platform (ECP)  
European Credit Research Institute (ECRI)  
European Network of Agricultural & Rural Policy Research Institutes (ENARPRI)  
European Network for Better Regulation (ENBR)  
European Network of Economic Policy Research Institutes (ENEPRI)  
European Policy Institutes Network (EPIN)  
European Security Forum (ESF)

CEPS also organises a variety of activities and special events, involving its members and other stakeholders in the European policy debate, national and EU-level policy-makers, academics, corporate executives, NGOs and the media. CEPS' funding is obtained from a variety of sources, including membership fees, project research, foundation grants, conferences fees, publication sales and an annual grant from the European Commission.

E-mail: [info@ceps.be](mailto:info@ceps.be)

Website: <http://www.ceps.be>

Bookshop: <http://shop.ceps.be>