



## European Neighborhood Policy

The recent Eastern enlargements of the European Union (EU) in May 2004 and January 2007 sharply moved the EU's external borders to the east and south-east. None of the newly created neighbors are fully functioning democracies or market economies. Indeed all of them are a disturbing mixture of weak, failed, or authoritarian states. Including Russia, they are home to almost a quarter of a billion people, who are separated from the EU by an enormous "welfare gap" in terms of socio-economic development levels. The challenge for the EU is to develop a policy towards these states that gives it leverage over developments in its periphery, but does not lead to accession. This balancing act is exactly what the European Neighborhood Policy (ENP) tries to achieve. The ENP recognizes that the EU cannot realistically offer the prospect of membership – its "golden carrot" – to a set of countries whose applications would be unwelcome and whose prospects of fulfilling the necessary conditions for membership are so distant. The challenge is thus to develop a set of "silver" or "bronze" carrots that would meet the needs of the new neighbors. This set of policy tools should seek to alleviate the poverty, political instability and sense of exclusion in the neighboring countries, but would fall short of the promise of membership.

### **The Development of the European Neighborhood Policy**

The European Neighborhood Policy began its life as a proposal started out with the proposal for a "Wider Europe", when a number of Member States asked the European Commission to formulate a policy aimed at mitigating the expected exclusionary effects of the imminent enlargement on the Ukraine, Moldova, and Belarus. The Commission accordingly produced a first Communication in March 2003, by which time southern Member States had insisted that the Mediterranean neighbors should not be excluded from this policy initiative. Morocco, Tunisia, Jordan, Israel and the Palestinian territories thus came to be included as target states alongside Russia and the original three CIS (Commonwealth of Independent States) countries. Unsurprisingly, those excluded from this select grouping of official neighbors were left feeling especially marginalized; a position which became untenable after Saakashvili's "Rose Revolution" in Georgia. In its second Communication in May 2004, the Commission therefore extended the ENP's territorial coverage to include Armenia, Azerbaijan and Georgia in the Southern Caucasus and Syria, Lebanon, Libya, Egypt and Algeria in the Mediterranean; with Libya and Belarus only obtaining observer status in the first instance.

The idea of a common European Neighborhood Policy aimed at promoting a "ring of well-governed states" on the borders of the EU was also closely reflected in the EU's 2003 Security Strategy. According to the European Security Strategy, "it is in the

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European interest that countries on our borders are well-governed. Neighbors who are engaged in violent conflict, weak states where organized crime flourishes, dysfunction societies or exploding population growth on its borders all pose problems for Europe”<sup>1</sup>. The goal of promoting an area of peace, prosperity and democracy in its direct neighborhood therefore combines a value-laden agenda with what is regarded as Europe’s own security interests. Moreover, European leaders have commonly agreed that in order to play a greater role in international affairs, the EU first has to demonstrate its potential as a regional actor.

However in its attempt to promote “a ring of prosperity, stability and security based on human rights, democracy and the rule of law in the Union’s neighborhood”, the EU had to devise an entirely new policy mechanism. In the words of former Commission President Romano Prodi, the EU ought to offer its neighbors “everything but institutions”. The implication was that the eastern and southern peripheries of the enlarged EU could be integrated into most of the Union’s policies without being integrated into its decision-making institutions – a “silver” carrot of sorts. Based on this idea, the European Commission devised a new set of rewards and incentives that is meant to encourage and guide ENP countries on the long and difficult path of domestic reforms. The result has been the adoption of a three-stage process intended to steer reforms in ENP partner countries.

1. In an initial stage the European Commission prepares so-called Country Reports that review the social, political and economic situation of an ENP partner country. In the Country Reports, the Commission reviews indigenous reform attempts and assesses the best way for the EU to deepen these programs and encourage reforms in other areas. Country reports are prepared by the Commission and submitted to the Council which deliberates on whether to initiate the next stage of the ENP process. The first Country Reports were published in 2004 with more following in subsequent years.
2. In the second stage of proceedings, the European Commission engages with the ENP partner country to negotiate a detailed joint Action Plan. These documents are directly negotiated with the government of the ENP country in question and seek to answer to the country’s specific needs and circumstances. Jointly the two parties agree to an agenda of short and medium term priorities (3-5 years) for economic, social and political reforms. The consensual nature of these Action Plans means that they only include areas where ENP governments are willing to pursue further reforms. In order to encourage the implementation of joint Action Plans, the European Commission, in return, offers certain rewards for completed reforms. These rewards are based on three major policy-tools: increased financial assistance, enhanced market access and inclusion of ENP countries in common EU programs and networks.
3. Finally the implementation of joint Action Plans is closely monitored by sub-committees for each country that regularly review the progress achieved. Monitoring is regarded as a dynamic process that allows for amendments being made to the joint Action Plans and the rewards offered by the EU. A first progress report on the implementation of ENP Action Plans was published in December 2006

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In the past, financial assistance under the ENP has been provided by a number of well-established geographical and sectoral aid programs, such as TACIS (Eastern Europe and Russia) MEDA (southern Mediterranean) and EIDHR (human rights and democracy). Since January 2007, these programs have been replaced by a new European Neighborhood and Partnership Instrument (ENPI) that is supposed to provide a more flexible and policy driven tool. The ENPI has been specifically designed to promote the approximation to EU policies and standards and allocates funding depending on need and absorption capacity, as well as the progress of ENP countries with implementing the Action Plans. While funding under the ENPI for the period 2007-2013 has been increased to €12 billion (an increase of 32% with respect to the previous programs), it is widely regarded as insufficient. Indeed, the new budget falls short of the original Commission proposal in 2005 and in per capita terms remains extremely modest. In addition to the financial rewards offered under the ENPI, the EU also provides technical assistance for ongoing reforms, drawing on a number of tested programs developed during previous enlargements, such as targeted expert assistance (TAIEX) and twinning arrangements.

### The Current State of Play

Country	Contractual Relation	ENP Country Report	ENP Action Plan	Adoption by EU	Adoption by partner country
Algeria	AA 2005	Under development	-	-	-
Armenia	PCA 1999	March 2005	Agreed 2006	Nov. 2006	Nov. 2006
Azerbaijan	PCA 1999	March 2005	Agreed 2006	Nov. 2006	Nov. 2006
Belarus	-	-	-	-	-
Egypt	AA 2004	March 2005	Agreed 2007	March 2007	March 2007
Georgia	PCA 1999	March 2005	Agreed 2006	Nov. 2006	Nov. 2006
Israel	AA 2000	May 2004	Agreed 2004	Feb. 2005	April 2005
Jordan	AA 2002	May 2004	Agreed 2004	Feb. 2005	Jan. 2006
Lebanon	AA 2002	March 2005	Agreed 2006	Oct. 2006	Jan. 2007
Libya	-	-	-	-	-
Moldova	PCA 1998	May 2004	Agreed 2004	Feb. 2005	Feb. 2005
Morocco	AA 2000	May 2004	Agreed 2004	Feb. 2005	July 2005
Palestinian Authority	Interim 1997 AA	May 2004	Agreed 2004	Feb. 2005	May 2005
Syria	AA pending	-	-	-	-
Tunisia	AA 1998	May 2004	Agreed 2004	Feb. 2005	July 2005
Ukraine	PCA 1998	May 2004	Agreed 2004	Feb. 2005	Feb. 2005

Source: EU Commission, European Neighborhood Policy,

[http://ec.europa.eu/world/enp/index\\_en.htm](http://ec.europa.eu/world/enp/index_en.htm)

\*AA: Association Agreement; PCA: Partnership and Cooperation Agreement

### Three Years On: Moving Towards an ENP-Plus?

After two years of experience with the ENP, the European Commission published a first progress report in December 2006, reviewing the achievements of the ENP to that date and outlining areas which required further improvements. The Commission Report noted

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that while good progress had been made in some areas, the EU had to increase the incentives it offered to ENP partner countries. The particular problem the Commission identified was that while partner countries were faced with up-front costs to reforms, potential benefits offered by the EU only accrued at a later stage. Based on the progress report a series of consultations and reform proposals were launched during the German Presidency in early 2007, leading to a new Commission Communication in December 2007 outlining areas for reform and actions envisaged for 2008. External Relations Commission Ferrero-Waldner commented: “We are now in the implementation phase of the Neighborhood Policy. (...) Today’s communication sets out where we need to see additional efforts by the Commission and Member States to ensure that the promises made to our partners are kept, and that the incentives for reform that we have offered are concrete, credible and relevant to their needs.”

On the positive side, the Commission noted several developments. First, several new finance mechanisms have been introduced during 2007, enabling the Commission to make more targeted financial contributions to ENP partner states. The Neighborhood Investment Facility (NIF) is scheduled to begin operations in 2008 and will allocate some € 450 million over the next four years to projects of common interest in the energy, environment and transport sector. Similarly, a new EU Governance Facility will allocate some €50 million a year to partner countries that have made the greatest progress with implementing governance reforms, especially in the areas of human rights, democracy and the rule of law. In 2007, the first Governance Facility allocations were made to Morocco (€28 million) and the Ukraine (€2 million). Second, the EU has launched a much awaited regional dimension for the Black Sea area, the so-called Black Sea Synergy, thereby complementing its other regional schemes, the Euro-Mediterranean Partnership and the Northern Dimension. Finally, the Commission noted that negotiations were underway with three partner states – Israel, Morocco and the Ukraine – to enable them to participate in specific EU programs and agencies. Of similar significance, Israel is scheduled to be the first to join the EU Competitiveness and Innovation Programme.

On the other hand, the Commission observed several areas where urgent actions are needed to improve the incentives offered by the EU to partner states. The Commission particularly emphasized the need to grant greater market-access to ENP partner countries in the crucial agricultural and fisheries areas. While both areas are of great importance to ENP states, they have been largely excluded from previous trade agreements. Limiting the number of products excluded from full liberalization remains a priority for the Commission. Greater EU support for sectoral reforms for a number of areas from transportation to energy is also regarded as an urgent priority. Another area where progress has been notoriously slow has been the area of short-term travel and managed migration. Time intensive and expensive visa application procedures have not only hindered mobility, but have also been a constant bone of contention with ENP partners. Accordingly, the Commission has recommended an urgent revision of visa application procedures and the adoption of a 2006 package of legislative proposals aimed at facilitating short-term travel. Finally, the Commission has called for further EU action in

ending the ‘frozen conflicts’ that continue to plague Europe’s neighborhood, based on the full-range of CFSP instruments.

### **The Record So Far: Achievements and Prospects**

Assessing the concrete impact of the ENP on reform efforts in Europe’s neighborhood remains extremely difficult, if not impossible. While some of the EU neighbors have made considerable progress in domestic reforms – especially the Ukraine, Jordan and Morocco – others have shown little enthusiasm for reforms. Egypt and Tunisia remain particularly reluctant partners, while Belarus, Libya and Syria remain entirely outside the scheme and Algeria has proved to be very difficult to engage with. This means that over a third of ENP countries have made little or no progress. Indeed, the few countries that have performed relatively well in the ENP have been those countries that are already convinced of the inherent benefits of reforms. A recent EPC review noted that “at best [the European Neighborhood Policy] has supported pre-existing reform processes but has struggled to have any impact on the non-existing or stalled ones”<sup>ii</sup>. This does not necessarily mean that the ENP itself has failed, but it seems to indicate that at least in its current shape it will be unable to function as a main driver of domestic reforms in ENP countries. Part of this limited effectiveness is due to several structural problems that have continued to plague the ENP from the very start and which are unlikely to be remedied by the recent Commission reform proposals.

- **Conditionality:** The perhaps greatest problem of the ENP remains that the “silver carrot” developed by the ENP is unable to provide the same conditionality then the “golden carrot” of enlargement. Financial commitments remain too limited, EU member states too reluctant to open their agricultural and labor markets, and the prospects of participating in some EU programs and institutions too distant and ill-defined. Indeed, a major obstacle seems to be the fact that the ENP tries to follow two goals at the same time: encouraging reforms and promoting the political and economic interests of EU member states. Opening ENP countries to EU exports, while keeping EU labor and agricultural markets closed serves the national interests of the member states, but does little to encourage reforms. Being neither enlargement, nor foreign policy, puts the ENP in an odd place, where it can neither exercise conditionality effectively, nor bring to bear its full spectrum of foreign policy tools.
- **Lack of Resources:** While funding for the ENP has been increased, it seems that the financial incentives on offer remain just too low to induce any change in the domestic policies of ENP countries. Moreover, EU financial aid continues to be held hostage by the foreign policy priorities of EU member states. Thus, while southern European members constantly demand an increase of aid to the South (currently receiving 62% of EU aid), Eastern European members increasingly insist on greater resources for their own neighborhood (currently receiving 38%). At the same time, aid conditionality remains notoriously ill-defined: Egypt one of the worst performers under the ENP despite receiving the second largest amount of EC financial assistance in 2007.

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**EC Assistance in 2006 and 2007**

Country	EC Assistance In €million (2006)	Expected EC Assistance, in €million (2007)
Armenia	17	21
Azerbaijan	22	19
Belarus	n/a	n/a
Georgia	20	24
Moldova	42	40
Ukraine	100	120
Algeria	n/a	n/a
Egypt	127	137
Israel	n/a	2
Jordan	67	62
Lebanon	16	50
Libya	n/a	n/a
Morocco	275	162
Palestinian Authority	330	n/a
Syria	n/a	n/a
Tunisia	72	72

Source: The European Commission, Neighborhood Policy:  
[http://ec.europa.eu/world/enp/index\\_en.htm](http://ec.europa.eu/world/enp/index_en.htm)

- **Finality:** The continuing ambiguity over the *finalité* of Europe and about which countries will be able to join the EU in the future continuous to hamper the ENP. Due to its nature, the ENP includes some countries with membership ambitions and some which will never be allowed to join Europe's exclusive club. While the Commission has been at pains to point out that the ENP is an 'enlargement-neutral' policy, neither preparing, nor excluding countries from future accession, many Eastern European countries have regarded the ENP as a second best. In the past this has generated considerable ill-will towards the ENP from a number of Eastern European countries.
- **East-South Divide:** The final problem of the ENP derives from its attempt to provide a common template for reforms for two radically different groups of countries: those in the South and those in the East. Indeed, as early attempts to do so seemed futile, the Commission has increasingly introduced differentiation into ENP Action Plans. Thus, while corruption is one of the main ENP priorities in the east, terrorism is one in the south. Similarly, while the EU speaks of "developing" democracy in Eastern Europe, it aims at "encouraging" it in the Mediterranean area. These somewhat contradictory goals have led many policy-makers to argue for a more explicit division between the two regions, with French President Nicolas Sarkozy going as far as promoting the establishment of a "Mediterranean Union".

## Summary

The ENP is unlikely to offset the exclusionary effect of the most recent enlargement, or indeed future ones, as it does not hold out the prospect of EU membership for the countries it targets. For the same reason, the ENP is unlikely to give the EU much leverage over developments in its periphery. EU member states have been reluctant to offer neighboring countries the benefits they really want – including visa-free access to the EU, free trade in agricultural products and the prospect, however remote, of membership. The resulting imbalance between obligations and incentives in National Action Plans suggests that the EU has not equipped itself with the appropriate instruments to seriously encourage “a ring of well-governed states” in its neighborhood. Moreover, underfunding, the question of Europe’s *finalité* and the east-south division between ENP countries remain serious problems for the ENP. The Commission’s attempt to move to a more ambitious ENP-Plus and to upgrade the incentives it offers to ENP countries are laudable, but probably not sufficient enough. Nevertheless, despite all the problems that continue to plague the ENP, it has demonstrated that it can play a positive role in countries which are willing to engage in greater domestic reforms. Regardless of all misgivings that have been expressed about the ENP, the EU’s size and international stature make it unavoidable for it to play an important role in its own neighborhood. To expect that such a role would be based on anything else but a mixture of realist and idealist concerns would be simply naïve.

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<sup>i</sup> Javier Solana, A Secure Europe in a Better World, European Council

<sup>ii</sup> Rosa Balfour and Antonio Missiroli, “Reassessing the European Neighbourhood Policy”, EPC Issue Paper No. 54, June 2007