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**LOOKING AFTER THE NEIGHBOURHOOD:
RESPONSIBILITIES FOR THE EU-25**

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EXECUTIVE SUMMARY

The EU-25 will be surrounded, from Russia to Morocco, with states economically dependent on access to its markets, concerned about cross-border travel and trade, and anxious for their voices to be heard in EU negotiations. Since 1989 West European governments have successfully extended their established zone of peace, prosperity and security across central and eastern Europe, through the promise of enlargement linked to fulfilment of political, economic and administrative conditions. Promises of membership have already been made to further states in south-eastern Europe. If the EU is not to drift into offering membership to more and more states around the Mediterranean and across Eurasia, it needs a strategy to organise its neighbourhood, which offers neighbouring states incentives to cooperate and all possible advantages short of membership.

Within the current EU there is no consensus on priorities to be given to the eastern or southern neighbours, or on the trade or financial incentives which should be offered. The Commission and the Council Secretariat have floated various proposals in recent months, which the Council of Ministers has received without evident enthusiasm. Many sensitive issues are involved, from border control and migration to further opening of the EU market to imports of agricultural products, textiles and steel; financial incentives would also require a substantial increase in the EU budget allocation for 'external action'. Existing policies towards the Mediterranean and the CIS states provide a framework on which to build; but member governments should recognise the limited success of these policies so far, and the resentment and frustration of many of the 'partner' states at their continued dependence.

Development of a coherent neighbourhood policy will thus entail substantial costs. But it also offers substantial benefits, in extending prosperity, democracy and security beyond the EU's borders. The cost of protecting the EU-25 from the spillover of refugees, illegal activities and potential threats from unstable neighbouring states would be much higher.

After this enlargement, negotiations within the EU will be preoccupied with internal readjustment. Member government cannot afford, however, to neglect external policy. A strategy towards the EU's immediate neighbours is the basis for any coherent common foreign policy. That strategy must include an institutional framework for partnership and

consultation with the states of the wider Eurasian and Euro-Mediterranean region; a Free Trade Area for Europe and the Mediterranean; and the investment of political leadership, both within the EU and the domestic politics of its member states and across the neighbourhood, required to raise this issue from peripheral to priority status.

INTRODUCTION

The most effective instrument of the European Union's common foreign policy over the past 25 years has been the promise of enlargement, conditional on the acceptance by applicant states of political and economic criteria set out by the EU. In the 1980s democratic government was consolidated in Greece, Spain and Portugal, and market rules strengthened. After 1989 the EU's response to hopeful approaches from former socialist regimes was to set tighter and more explicit conditions, extending from market structures and rules through standards of administration and justice to political and civil liberties. Across central and eastern Europe, the incentives provided by the promise of full membership encouraged governments to overcome domestic resistance to political and economic reform, incorporating the detailed obligations of the Community *Acquis* into domestic legislation. Supported by extensive training programmes, and relatively modest financial transfers, the EU has thus succeeded in extending the democracy, prosperity, civil society and mutual trust which Western Europe had achieved in the 1950s and 1960s south and east: to export security, through prosperity and democracy, to its previously-threatening periphery.

Successful achievement of an EU-25, however, raises difficult questions about the objectives and instruments of common foreign policy towards the EU's next neighbours. For the EU to continue to enlarge across the Mediterranean and the steppes of Eurasia would threaten its cohesion, and might not win acceptance from the EU's current citizens. President Mitterrand once warned that the greatest danger of a rolling process of enlargement was that, as the last new member joined, the EU would cease to be able to provide the benefits – of solidarity, shared decision-making, common prosperity and security – which they were seeking. There is already a line of further applicants hoping to follow the ten additional states now becoming full members: Romania and Bulgaria, the several states of the Western Balkans, and Turkey. Beyond these stretch a diverse group of neighbouring states, from Russia to Morocco, dependent on access to the EU market as their dominant trade partner, many of them also dependent on access to the EU's labour market and on the remittances that migrants send home. Almost all suffer from political and social instability, with weak economies and slow growth.

Yet the EU cannot simply reinforce its new borders and shut them out. The hard experience of the past ten years has shown member governments how difficult it is to police its extended land and sea borders. With each new effort to stem illegal routes of entry, other weak points are discovered; those who are desperate enough, or determined enough, get through. Human and economic links extend across the EU's borders – between the North African communities established in Western Europe and their homelands, as for the Russian minorities in the Baltic states and for the Poles, Belarussians, Ukrainians and Hungarians who overlap borders redrawn several times within the last century. A steep divide between prosperity within the EU's borders and poverty outside will foster cross-border crime: the smuggling of goods, drugs and people through criminal networks. The contagion of corrupt regimes threatens to spread to their neighbours. The choice for the EU is therefore whether to export security and stability to these new neighbours, or risk importing instability from them.

What incentives can the EU offer these states, short of the promise of membership, to extend its zone of peace and prosperity further east and south? How can the governments of the European Union moderate the unavoidable imbalance between their collective weight and the (often resentful) dependence of states outside? Can the rhetoric of common foreign and security policy be translated into coherent and effective common policies towards third countries so self-evidently of concern to many EU member states? Without an acceptable alternative to membership, the EU is likely to be faced either with a lengthening queue of applicants, from governments resentful of their exclusion and envious of the privileges others have won. That is the challenge which the EU-25 must face.

I - THE EMERGING AGENDA

The recently-complete round of enlargement negotiations has necessarily touched on a number of issues of managing relations with the states just beyond: transit to and from Kaliningrad, which will become a Russian enclave within the EU, demarcation and management of the new eastern border, application of visa policy to third-country nationals with regular business within the new member states. As the negotiations moved towards completion, both member governments and the Commission began to address the broader issues of 'neighbourhood policy.' The General Affairs Council in April 2002 requested the Commission and the High Representative for Common Foreign and Security policy 'to work up ideas on the EU's relations with its neighbours'. But their initial five-page outline, presented to an informal meeting of foreign ministers in September, met with a general lack of interest, and was discussed only briefly. The Commission President, Romano Prodi, floated some ambitious ideas on 'A Policy of Proximity' to an academic conference in Brussels on December 5th, in which he argued that the enlarged EU needed 'a ring of friends'. 'We have to be prepared to offer **more than partnership and less than membership** without excluding the latter categorically', he went on, offering 'the concept of **sharing everything except institutions**' as his preferred approach (emphasis added).

The Copenhagen European Council in December 2002 registered the conclusion of accession negotiations with ten candidate states. Preoccupied with tying up the last elements of the accession package, in particular with the unresolved division of Cyprus and its implications for Turkish hopes of future membership, there was little willingness to look beyond. The *Presidency Conclusions* understandably devote more attention to the slower progress of Bulgaria and Romania towards accession, and to the EU's responsibilities in the Western Balkans, than to the broader issue of relations between 'the enlarged Union and its neighbours'. Heads of Government declared, in general terms, that:

The Union remains determined to avoid new dividing lines in Europe and to promote stability and prosperity within and beyond the new borders of the Union.

A little more specifically, they declared their support for ‘the further development of cross-border and regional cooperation, *inter alia* through enhancing transport infrastructure...with and among neighbouring countries’, but said nothing of whether they would be willing to contribute financially to this.

In March 2003 the Commission published a fuller *Communication* to the Council and the European parliament, *Wider Europe –Neighbourhood: a new framework for relations with our eastern and southern neighbours* [COM(2003) 104 final, March 11th 2003]. It provides a number of proposals for defining a future partnership, which should set the framework for further debate. It spells out a wide range of policy implications which would follow from a concerted effort to translate the rhetorical commitment of the Copenhagen European Council into practical measures. Most of these proposals will require agreement by member governments in the Council of Ministers, on issues that have proved contentious in the past. They will also require member governments to offer concessions to states outside the EU at the same time that they are bargaining over the redistribution of benefits within the EU, to accommodate the interests of ten new members. There are many other more immediate issues crowding the EU agenda; it will require imaginative leadership from within the Council, persistence from the Commission, and support from the outside in promoting public debate, to push these proposals forward.

The foreign affairs ministers meeting in the Council of Ministers, in June 2003, responded to the Commission paper with a statement that

The EU wishes to define an ambitious new range of policies towards its neighbours based on shared values such as liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law. This should be seen as separate from the question of possible EU accession...

‘The overall goal of the new policies’, it continued, will be

To work with the partners to reduce poverty and create an area of shared prosperity and values based on freer trade, deeper economic integration, intensified political and cultural relations, enhanced cross-border cooperation and shared responsibility for conflict prevention and conflict resolution.

Implementation of this extremely ambitious agenda is to be through the familiar mechanisms of bilateral 'Action Plans', 'working within a differentiated framework which responds to progress made by the partner countries in defined areas': very much on the model of the conditional approach adopted towards the ex-socialist applicants, but without the incentive of membership at the end on the process. 'Differentiation' implies a series of bilateral relations between the EU and each of the associated neighbours, with the Commission regularly assessing progress and offering concessions in return. The statement lists fifteen 'incentives' for the neighbouring states, ranging from 'more effective political dialogue' and 'enhanced cultural cooperation' to 'perspectives of integration into transport, energy and telecommunications networks' and 'enhanced and improved [financial] assistance.' The drafting of the statement shows signs of hard-fought compromise, with some member governments resisting generous language in what might be offered, or substantial commitments from EU funds; the phrasing on financial assistance suggests that much of this might be provided by the international financial institutions – the European Bank for Reconstruction and Development and the World Bank.

The European Union has a long record of rhetorical commitments to foreign policy initiatives, not followed through by national governments or by needed agreement to common policies. It will be difficult for officials within national administrations to argue that states which are mostly of peripheral economic interest should attract ministerial attention – and additional financial resources – when so many more immediate issues are on the agenda. The process of EU enlargement still stretches ahead for a further 10-15 years, in fulfilment of promises already made. A date of 2007 has optimistically been set for Romanian and Bulgarian accession. Croatia has hopes that it may accompany them. For the other states of the 'Western Balkans', however, it will be a much longer and more painful transition, with the EU operating almost a Protectorate in Bosnia and Kosovo. The issue of Turkish membership is formally agreed, but there remains a great deal of hypocrisy on both sides about the implications of the commitments they have given, and about a realistic timetable for entry. 'Enlargement fatigue' is evident in many EU capitals, with suggestions that a 'pause' will be needed after 2004 while the 15 'old Europeans' and 10 'new Europeans' adjust to each other. The complexities of building compromises, and sharing resources, among 25 member states risks pushing the needs and interests of those still outside to the margins of political attention.

II - IS A COHERENT STRATEGY DESIRABLE OR POSSIBLE?

Commissioner Patten and High Representative Solana, in the joint letter they wrote to the General Affairs Council on 'Wider Europe' on August 7th 2002, divided 'the enlarged Union's neighbours...into three main regional groupings: the Mediterranean (Barcelona Process); the Western Balkans (Stabilisation and Association Process); and Russia and the other and the other eastern neighbours (Partnership and Cooperation Agreements).' They went on to note that 'there can be no one-size-fits-all approach.' Apart from the many other differences, the EU has already made a commitment in principle to accept the small and weak states of the Western Balkans into eventual full membership – as it has with Romania, Bulgaria and Turkey, which are in principle on a more direct path to membership but which will nevertheless in the interim period be neighbours of the enlarged Union. The prospect of eventual membership has (they remark) been explicitly excluded for the EU's Mediterranean partners; while 'our future eastern neighbours fall somewhat uncomfortably in between', with Ukrainian leaders in particular refusing to accept permanent exclusion. The EU's post-2004 eastern neighbours thus constitute what officials in Brussels now describe as a 'grey zone': neither accepted as definite candidates, nor clearly denied the long-term prospect of membership.

The arguments for bringing this highly diverse group of states – from Morocco to Russia – within a single conceptual framework are nevertheless strong. Almost all have GDP *per capita* less than Euros2000 a year, with the particular exception of Israel (Euros 20,000) and the marginal exceptions of Lebanon (Euros5250), Tunisia (Euros 2300) and Russia (Euros 2400). The EU is already the main trade partner for most of these; though Moldova, Ukraine and Belarus are still oriented more towards Russia, and Jordan trades more with its Middle Eastern neighbours. Prospects for economic development largely depend on access to the European single market, particularly for the intermediate manufactures and processed agriculture in which – in an open market – they would have comparative advantage. Remittances from nationals working inside the EU provide a significant contribution to the national economy in many of these states; access to the EU labour market is thus a strong shared interest. European tourism provides a further significant contribution for states in the south, and might in the future provide a useful contribution to states in the east. For almost all the southern and eastern neighbours what foreign direct investment comes in flows from

within the EU. The EU is also the main provider of financial assistance, through the TACIS and MEDA programmes and through member states. Most of the EU's imports of natural gas, and a rising proportion of its imports of oil, come from (or through) these eastern and southern neighbours.

They also share sensitive issues of border controls, facing EU governments whose publics are increasingly resistant to immigration of any sort, and increasingly anxious about international crime and terrorism. The Commission *Communication* emphasises that the EU's new neighbours are the source of less than 15% of new immigrants to the EU-15 (8.5% from the southern Mediterranean, and 5.5% from Russia and the 'Western CIS', according to Eurostat figures for 1999) – though third-country nationals from the Mediterranean associates constitute nearly 20% of the EU-15's established immigrant population, and a quarter of recent immigrants to the new member states of east-central Europe have come from their immediate neighbours further east. Necessarily, however, immigrants and asylum-seekers from the 'further-abroad' must cross these neighbouring states to reach the EU – with people-smugglers probing each weak link in the EU's defences, and switching routes from one neighbouring state to another as local conditions change.

Northern enlargement in the early 1990s, and the prospect of eastern enlargement to follow, led to an element of rivalry and concern among member states about the potential 'imbalance' between northern and southern concerns. Wolfgang Schäuble and Karl Lamers, in their September 1994 paper, *Reflections on European Policy*, warned of the dangers of the core Franco-German relationship being undermined by an increasing German preoccupation with its northern and eastern neighbours, while French leaders focused more on the Western Mediterranean. Successive Council Presidencies have pulled EU external priorities in different directions. French, Italian and Spanish presidencies in the mid-1990s explicitly attempted to 're-balance' EU attention from the east to the south; the Barcelona Conference of November 1995 even calculated the financial commitments to be pledged to the Mediterranean neighbours as a ratio of that pledged to the future members on the eastern border. Finnish and Swedish Presidencies launched, and have pursued, a series of northern initiatives; the 'Northern Dimension' of EU foreign policy registers the immediate prospect that from 2004 there will be more EU member states around the Baltic than bordering the Mediterranean, and that for the Baltic region problems of water pollution, environmental risks, and cross-border crime are focused on Russia.

Necessarily, within the EU-25 there will be increased diversity of national priorities in neighbourhood policy. Relations with Morocco are not an immediate preoccupation for Estonia, nor relations with Russia for Portugal; though the arrival of a new immigrant population in Portugal from Moldova and Ukraine has given the Portuguese government new interests in the east, and it is likely that some of the migrants from northern and sub-Saharan Africa who successfully enter the EU through Morocco will end up in Estonia. If the EU is to achieve a more consistent and coherent approach to the management of its new borders and the economic and political development of its neighbouring states, a global approach that places southern and eastern neighbours within the same framework is therefore desirable: to avoid contradictory demands from different member governments, and to make more evident the implications of decisions taken with respect to one neighbouring state for policy towards others.

The 'grey zone' to the EU's east offers the greatest difficulty in defining and sustaining a consistent strategy. The Ukrainian government has declared its intention of pursuing full EU membership, and has received encouragement from (amongst others) visiting MEPs and from US officials. It is tempting for visiting EU leaders to promise eventual membership to their hosts, without considering the political or economic implications of delivering on their promises. Silvio Berlusconi as Italian Prime Minister held out the prospect of full membership to Russia on a recent visit – not a commitment that would win a majority within the EU Council, but one which other heads of government may therefore find harder to resist when visiting Moscow. It's easy to raise expectations, but damaging to political interests when those expectations are disappointed. The promises which the German Chancellor and the French President made, in visits to Warsaw in 1996-7, that Poland would join the EU by 2000 contributed to later Polish perceptions that the EU had kept Poland out unnecessarily long. Suspicion and confusion in Turkey about the EU's intentions, even after formal acceptance as a candidate, has been increased by the well-founded impression that European leaders say one thing to Turkish audiences and something very different to their domestic constituencies. Deliberate ambiguity about the EU's long-term relationship with Ukraine or Belarus might be hard to maintain after a welcome change of domestic politics within one or both of those states; the temptation for some authoritative voices within the EU to break ranks and make promises that they were unable to deliver would be strong.

For those whose school atlases assured them that Europe stopped at the Bosphorus and the Straits of Gibraltar, but stretched east across the Steppes as far as the Urals, it may be self-evident that the case for Ukrainian membership (and perhaps for European Russia, if not Siberia and the Russian Far East) is qualitatively stronger than for the EU's neighbours to the south. Around the European periphery, however, assumptions about 'Europe' make for a wider and fuzzier grey zone. Turkish political leaders have insisted that Anatolia must be included, as far as the headwaters of the Tigris and Euphrates and the borders of Iran and Iraq. The Moroccan government has twice, in 1987 and in 2000, expressed its ambition to apply for EU membership; during the King of Morocco's state visit to Paris, in March 2000, his official spokesman declared that the Helsinki European Council's formal acceptance of Turkey's candidate status had 'lifted a taboo' on the eligibility of other Muslim Mediterranean states. The Portuguese Prime Minister has recently suggested that Moroccan membership could be considered within a ten-year perspective. After the initial Greek and Turkish association agreements, in the early 1960s, there was an active debate within Israel about whether to seek to follow them along a path that might eventually lead to membership; Israel is, after all, a country with strong historical and cultural links to Europe, a democratic and economically-developed state. There have been a number of discussions within Israeli political circles in 2001-2 about whether the EU could provide an 'anchor' for Israel in any move towards a negotiated two-state settlement with Palestine. Prime Minister Berlusconi has also spoken encouragingly about a future Israeli application.

One argument for a coherent strategy towards all of the EU's eastern and southern neighbours is therefore that the ambivalence of current policies carries the potential for awkward future misunderstandings, or for a drift towards a Community that expands across the Mediterranean as well as across Asia Minor and Eurasia. President Prodi's speech of December 6th 2002 illustrated well the ambiguity – or confusion – of the EU's current posture. 'A debate in Europe on the limits of Europe is necessary', he declared, while adding that 'no European state that complies with the Copenhagen criteria we defined in 1993 will be denied this ultimate perspective.'

A policy of proximity shall not start with the promise of membership and it shall not exclude eventual membership. This could lead us out of a dilemma of having to say 'yes' or 'no' to a country asking for membership at a too early stage. Between a 'NO' today and a 'YES' in a quite distant future there is a wide scope to favour a virtuous circle, a win-win political process.

The confusions and contradictions over policy towards Turkey in recent years, however, suggest that such a strategy of deliberate ambivalence may at best postpone awkward decisions, at worst breed accusations of betrayal – and of commitments made without public debate or popular support.

III - THE RECORD SO FAR

Much of what needs to be covered by a comprehensive 'Neighbourhood policy' has already been on the EU's agenda for some years. A 'Global Mediterranean Policy' was an essential complement to the EU's enlargement to the South, to include first Greece, then Spain and Portugal, in 1981 and 1986. After several years of frustrating drift, the idea of an EU-Mediterranean partnership was relaunched at the Barcelona Conference in November 1995, with ambitious pledges on future financial transfers and lifting of trade barriers. The entry of two small Mediterranean islands to the EU will make little difference to the underlying political and economic imbalance between northern and southern Mediterranean states.

Any assessment of the prospects for a coherent neighbourhood policy must therefore start with a sober reflection on the relative failure of Mediterranean policies since the 1970s. The Valencia Euro-Mediterranean Conference of Foreign Ministers, in April 2002, repeated the call of the Marseilles meeting of two years earlier for 'the reinvigoration of the Barcelona Process'. It is not however clear that the Barcelona Process was ever vigorous. Commissioner Patten, in a number of speeches in 2001, noted the wide gap between financial commitments and disbursements under the MEDA programme, due both to the weaknesses of recipient state administrations and to a shortage of Commission staff in this field. Vigorous efforts to 'streamline decision-making procedures in the Union...and improve coordination between the Commission, member states and other donors', together with internal Commission reform, he noted, had managed to raise the proportion of committed funds disbursed from 26% to 30%. Negotiation of bilateral agreements with Mediterranean 'partners', within the overall framework of the Barcelona Process and preceding 'Global Mediterranean' policies, have led in almost all cases to disappointing results.

The presence of Israel and the Palestine Authority within the Euro-Mediterranean Partnership has been a major obstacle to progress and multilateral cooperation. Neither Syria nor Lebanon attended the Valencia biannual ministerial meeting; scepticism within the EU of the value of the Partnership was heightened by Israeli destruction of much of the Palestinian infrastructure paid for through EU assistance. But there have been, and remain, many other difficulties in establishing an effective partnership with non-EU states around the Mediterranean. Relations among North African states are often hostile; 'South-South' trade is

minimal. Libya, not yet accepted as a full Mediterranean partner state, was represented as an ‘observer’ at Valencia. Morocco and Algeria remain divided over the future of the Western Sahara. The quality of domestic administration, and of domestic observance of civil and human rights, is low within many Mediterranean partner states – sometimes very low. The leverage that the prospect of membership gave the EU in imposing a ‘conditionality’ strategy on the transitional states of central and eastern Europe is absent in relations with the Maghreb and Mashrak states. On the contrary, many within these former European colonies resent and suspect European motives as neo-colonial: attempting to reimpose Western values and Western economic interests, rather than pursuing genuine partnership. Within the EU, member governments have resisted the market-opening measures in sensitive sectors like agriculture and textiles in which Mediterranean neighbours have most comparative advantage. The outcome has been frustration on both sides, with few incentives for the Mediterranean associates to fulfil the obligations to which they had agreed.

Despite the Barcelona process and the adoption of a ‘Common Strategy’ towards the Mediterranean during the last Portuguese EU Presidency, the EU as a collective actor still lacks a coherent foreign policy towards North Africa. It was the United States that acted as mediator between Spain and Morocco in the recent dispute over a small island off the Moroccan coast – not the EU or any of its other member states; Portugal and France had very different interests from Spain. Policy towards Algeria is driven bilaterally by France; Tunisia has special relations both with Italy and with France; Italian governments have maintained close relations with Libya while other EU states have pursued international sanctions. Towards the Israel-Palestine dispute, in contrast, the EU **has** achieved a coherent and common policy, appointing a Special Representative as well as acting as the largest external donor to the Palestine Authority. It should however be noted that the EU has acted in careful cooperation with the United States, most significantly in 2002 through the ‘Quartet’ with the US, Russia and the UN which drew up the ‘Road Map’ presented to both sides as the path towards a two-state resolution of the conflict. Relations with Syria, meanwhile, have been managed as much through French and British bilateral diplomacy as through the collective EU.

The EU's third 'Common Strategy' document, negotiated and published under the Amsterdam Treaty's provisions to strengthen the EU's Common Security and Foreign Policy, was addressed to the Mediterranean region. The first two were addressed to Russia and the Ukraine. As the Commission *Communication* makes clear, there have been active negotiations with Russia over relations with the EU since the first post-cold war Agreement between the EC and the USSR in 1989. The prospect of eastern enlargement – and the particular problem of Kaliningrad – have added a degree of urgency to negotiations with Moscow. The persistence of the EU's northern and Baltic states – Finland, Sweden, Germany and Denmark – has sustained the collective EU's attention towards a range of detailed negotiations with Russia, on air and water pollution, on nuclear safety, on the future of the Arctic, that constitute a 'northern dimension' to CFSP. The evident geopolitical importance of Russia, its newly-acquired membership in the G-8, and its status as a former super-power, still gives a visit to Moscow a degree of glamour that no other of the EU's neighbours can provide. Heads of government, foreign ministers and Commissioners have all passed through Moscow in numbers far greater than through Kiev, Ankara, Cairo, Algiers or Rabat. The importance of Russia is self-evident. The conclusion of the difficult negotiations over the status of Kaliningrad after EU enlargement, as part of the package agreed for the Copenhagen European Council in December 2002, opens the door to a broader negotiation on the future framework for EU-Russia relations.

It should, however, be noted that relations between the EU and Russia have not been straightforward. In many policy sectors – most of all in politico-military matters and in macro-economic reform – the United States has exerted more influence over policy in Moscow than the EU or its major governments. Understanding within Moscow for the complexities of European integration is not yet high – nor for its implications for the new EU member states. TACIS, a badly-managed programme from the outset, also experienced difficulties in finding efficient and effective Russian partners through whom to disburse funds. Suspicion of West European intentions has hung over training programmes and exchanges. Criminal networks operate across Russia's western borders, smuggling people, drugs and goods. Russian demands for greater West European investment have met resistance from banks and companies within the EU, cautioning against the weak legal framework under which companies operate within Russia.

The other three 'Western Newly-Independent States', Ukraine, Belarus and Moldova, have all presented the EU with more difficult problems. The EU's Partnership and Cooperation Agreement (PCA) with Ukraine was ratified in 1998. Financial assistance has been provided for political and economic reform, for nuclear safety programmes for Ukraine's power stations, for border management and for emergency humanitarian assistance. EU officials have been frustrated by repeated failures to follow through on promises to pursue needed reforms, by widespread corruption within the Ukrainian administration, and by organized cross-border crime. Rising numbers of illegal immigrants passing through Ukraine towards Western Europe, assisted by criminal networks, led to Ukraine being subjected to strict EU visa controls. The Ukrainian government claims to be seeking future EU membership, but shows little understanding of the importance of the Copenhagen conditions.

Moldova also has a Partnership and Cooperation Agreement, implementation of which has proved even more problematic; the unresolved dispute over Transdniestria has weakened the whole process of transition. With Belarus the PCA was suspended before it was ratified, with the Belarussian President attempting to expel several EU embassies from their buildings in Minsk. Its economy remains desperately dependent on Russian subsidies. President Lukashenko rejects any suggestion of linkage between EU assistance and political and economic reform; the EU therefore has no leverage over domestic developments. So far the EU has dealt with all these four eastern neighbours separately, in spite of their continuing economic interdependence.

In the early 1990s the EC Commission also established representative offices in the states of the south-western Caucasus – Georgia and Armenia – encouraging these states in transition from Soviet domination to see the EU as an external sponsor, and close association (perhaps even eventual membership) as an aspiration. Since then, however, the United States has displayed an increasingly active interest in this region, in particular in the crippling internal security problems that face Georgia. The Commission registers this implicit retreat from engagement with these Black Sea countries by excluding them from its definition of 'neighbourhood' states. It is perhaps symbolic of the EU's declining influence in the Caucasus that European 'observers' of the internal conflict between the Georgian government and the Abkhaz region have twice been kidnapped in recent months, released after the government had made apparent concessions to the separatists. The Council of Ministers' statement of June 2003 tentatively promises that

At a later stage, the Council will examine whether the Southern Caucasus countries could also be covered within these policies.

That suggests a very limited commitment to extending financial assistance or political engagement across the Black Sea.

IV - INTERDEPENDENCE, OR FRUSTRATED DEPENDENCE?

The EU cannot develop a consistent policy towards these eastern and southern neighbours unless it is prepared to address directly the underlying difficulties it faces. The rhetoric of the Commission *Communication*, as of many Euro-Mediterranean declarations over the years, is couched in terms of ‘interdependence’ and ‘partnership’. The reality, however, is of one-sided dependence, in an inherently unbalanced relationship. The EU deals with each of these dependent neighbours bilaterally, on a ‘hub’and-‘spoke’ basis, behind the thin curtain of its declared ‘Global’ Mediterranean policy and the collective framework of the TACIS programme. EU programmes are expressed in terms of ‘alignment with Community legislation’, and the negotiation of ‘political and economic benchmarks...to evaluate progress in key areas of reform and against agreed targets’ (a politer way of expressing the established ‘conditionality’ strategy, with access to EU markets and ‘enhanced financial assistance’ as incentives instead of progress towards EU membership). In almost all aspects of these relationships, the EU is the dominant partner. Russia and Algeria have the limited counter-leverage of their importance as energy suppliers. The others have only the background threat, of exporting a potential collapse into disorder to the EU, to command the attention of European governments and publics.

Differentiation, as set out in the Council of Ministers’ statement, entrenches this hub-and-spoke approach. The Commission, with input from member governments represented in the particular associated state, will provide regular reports on progress in meeting criteria spelled out by the EU – as in the EU’s approach to political and economic transition within the former socialist states. Each neighbouring state will negotiate, separately, with the Commission on the details of its ‘Action Plan’ and the implementation of the programme agreed, in a process of one-sided adaptation to EU rules. The dominance of EU rules, and the dependence of associates on EU concessions, is built into the structure of such bilateral negotiations.

Yet the EU has greater interests at stake in promoting a balanced relationship than this entrenched structure implies. The fundamental case for giving priority to the EU’s dependent neighbours after eastern enlargement remains the same as the earlier justification both for the Global Mediterranean Policy and for eastern enlargement: that Western Europe faces the

uncomfortable choice of importing insecurity from its neighbours, or of exporting to them security – which necessarily involves prosperity and stability. If the consequence of Polish, Slovak and Baltic accession to the EU is that their economies grow more rapidly, while those of Belarus and Ukraine drop further behind, the pressures on the border (from smugglers, other criminal networks, and migrants) will grow more acute. If economic and political development fails to move forward across North Africa, more of their rapidly-rising young population will press across the Mediterranean into Europe – some of them to plot from within Europe against their home governments and their perceived European sponsors.

Thomas Ilves, a former foreign minister of Estonia, has spoken of the dangers of erecting ‘the Great Wall of Europe’ to attempt to seal off eastern instability once the new members have joined; he has also pointed out the disastrous implications this would have for the eastern neighbours, and the difficulties of maintaining effective border controls without cooperation from the authorities on the other side. The British Prime Minister, amongst others, has suggested that the EU needs joint naval patrols throughout the Mediterranean. Experience in recent years, however, suggests that increased maritime patrols cannot completely stop the desperate and the determined from getting across. **The EU’s vulnerability to its neighbours, therefore, is the background threat of disorder spilling across its borders; that should give its member governments a shared self-interest in promoting a mutually beneficial relationship, rather than one in which minimal concessions are dragged out of both sides. It is in the EU’s strongest self-interest, therefore, to invest in stability and cooperation around its borders.** The costs of defending the EU from unstable states in its neighbourhood would be much higher than those of promoting prosperity and security beyond its borders.

The challenge is to design a set of institutions, and policies, which can reasonably be presented to both sides as a balanced package, rather than a relationship between patron and client – or *demandeur* and reluctant recipient. The Commission *Communication*, following earlier speeches and declarations, talks about moving ‘towards an arrangement whereby the Union’s relations with the neighbouring countries ultimately resemble the close political and economic links currently enjoyed with the European Economic Area.’ Put more explicitly, this implies building **a Free Trade Area for Europe and the Mediterranean**: an ambitious project, which would however grant all of the EU’s neighbours a shared and privileged status in multilateral negotiations with the EU. The piecemeal expansion of such ‘European’

organizations as the Council of Europe and the Organization for Security and Cooperation in Europe, which has taken their membership across the Caucasus and into Central Asia but not across the Mediterranean, means that such an initiative would cut across established patterns; it would also, of course, cut across the membership of the Arab League, and stumble across the unresolved conflict between Israel and Palestine. Only within such a broad framework, however, would the eastern and southern neighbours have sufficient weight to pursue a genuine partnership with the EU.

The challenge of designing a set of policies is even more delicate than that of institutions. Access to EU markets for Mediterranean agriculture, for North African and Moldovan textiles, for Russian and Ukrainian steel, will unavoidably meet the same resistance from entrenched interests within the EU as proposed concessions on agricultural products, textiles and steel met in negotiations with the East European applicants. Loose confederations like the EU suffer from the structural weakness that trade-offs amongst those represented around the table absorb so much time and energy that there is little opportunity – or patience – to listen to the interests of those outside. Financial assistance to outsiders also risks becoming a residual after the distribution of costs and benefits among insiders. Faced with suspicion and resentment from its dependent neighbours, reflecting past enmities and recent grievances, there is a real risk that the EU will exacerbate those resentments by offering grudging concessions at best, and minimal financial transfers.

V - HOW MUCH MUST IT COST? AND WHO WILL PAY?

The Commission has put no figures on the potential cost of its proposals. The *Communication*, however, suggests *inter alia* a new ‘Neighbourhood Instrument’ to fund cross-border cooperation, ‘a possible Euro-Med Bank’ (which would have both private and public funds at its disposal), extension of Trans-European Network funding to transport links with and among the neighbours, and increased assistance to reduce trans-border pollution. The European Investment Bank and the international financial institutions (the World Bank and the European Bank for Reconstruction and Development) are to be encouraged to support private sector development and investment in public infrastructure – in addition to assistance in research and education, continuation and expansion of existing programmes (MEDA, TACIS), and where necessary ‘additional sources of funding for post-conflict reconstruction and development, in Palestine, Western Sahara and Moldova/Transdnistria. This adds up to a large bill, without any evidence that current EU governments will be willing to fund it. A further danger of launching a ‘Neighbourhood Strategy’, therefore, is that member states would agree to it in principle, but refuse to allocate the funds – or make the trade concessions – needed to carry it through to success.

The EU’s record towards Eastern Europe over the past ten years provides many cautionary examples of reluctant concessions. Scattered references in 1989-90 to a new ‘Marshall Plan’ to speed the former socialist economies through the painful process of transition rapidly gave way to hard bargaining on ‘sensitive’ trade sectors and limited provision of funds for the PHARE programme. The final chapters of the Accession negotiations focused on agriculture, structural funds and the budget, with existing EU members fighting to preserve entrenched advantages against the claims of new members. One likely consequence is that the new members will fight hard, in their turn, to redress this deliberate imbalance; necessarily giving a lower priority, therefore, to the claims of other and poorer states outside.

One particular imbalance that has bedevilled the EU’s Mediterranean policy has been between the southern EU states’ reluctance to grant trade concessions and the northern EU states’ reluctance to provide financial transfers as a substitute for trade concessions. A Free Trade Area for Europe and the Mediterranean would offer sharper competition to the EU’s least developed regions, as industrial investment moved across the EU’s outer borders; rationally,

their governments are therefore likely to resist such concessions, while demanding more generous transfers to assist with structural adjustment. Pressure on the EU budget – that is, on the wealthier net contributing countries – will thus be increased by the knock-on effects of economic adjustment to open borders and the political responses of the EU's southern and new eastern member governments.

Commissioner Patten in several speeches in 2001 set out to argue that the obligations the EU had now accepted in the Western Balkans necessarily involved a long-term financial – as well as political – commitment, to which EU budget priorities would have to adjust. Commitment to a broader 'Neighbourhood' policy carries similar implications, but on a much larger scale. The proportion of the EU budget devoted to extra-EU commitments will have to rise further; and the overall size of the EU budget may have to rise as well. No government within the EU will welcome this, especially if the current period of slow economic growth continues sharply to constrain national budgets.

The size of the Commission services – at least, of those elements of the Commission services concerned with the EU's eastern and southern neighbours – will also have to be increased (which will in its turn carry further financial implications). Administration of Mediterranean policy since the Barcelona initiative has been adversely affected by a shortage of staff. The Commission at present lacks representation in Moldova or Belarus; effective assistance to the eastern as well as southern neighbours will require representation on the ground as well as country expertise in Brussels.

Any strategy towards the EU's neighbours worth pursuing will cost substantial sums of money. The EU Budget agreement for 2000-2006 envisages some 7.5% of funds allocated to 'external action' in 2005-6, compared with 33% for structural funds. The forthcoming budgetary negotiations, among 25 member states, are likely to revolve around the size and distribution of financial transfers *within* the enlarged EU, with Mediterranean states fighting to maintain their share and new members demanding equitable treatment. Additional transfers for the 100 million people within the new member states risk crowding out additional transfers for the 100 million people within the next candidate states (Romania, Bulgaria, Turkey and the Western Balkans); Turkish governments have repeatedly complained that they receive far less than other candidate states closer to membership. The several hundred million people in Ukraine, Belarus, Western Russia, Moldova, and around the

Mediterranean to Morocco come last in this queue: easily sidelined in hard-fought negotiations, unrepresented round the table. Of all the incentives listed in the Council of Ministers' statement of June 2003, only the promise of financial transfers offers tangible benefits to 'partner' states. An effective neighbourhood policy, which includes substantial investment on cross-border regional development, transport and energy links, might reasonably absorb 15% of a larger EU budget within the next budgetary 'envelope' from 2007-12.

All member countries of the EU-25 will have to pay: the poorer states in trade adjustment, the richer states in financial transfers. In return they will benefit from increased security, and from the positive cumulative effects of increased prosperity across the wider European region: substantial benefits, well worth the investment required. One of the challenges to political leadership in democratic states, however, is that the costs of change are always more immediately apparent than the benefits; and that those who expect to lose fight harder than those who may hope to gain.

VI - INSIDE OUT, AND OUTSIDE IN

Even if the enlarged EU were to attempt to build a ‘Fortress Europe’ behind a European ‘Great Wall’, the neighbours would not be entirely outside. The number of EU citizens and resident third-country nationals from North African states within the EU is, on some estimates, approaching 10 million – more than the population of the majority of EU member states. Eastern enlargement will bring in significant Russian minorities within the Baltic states, and smaller Belarussian and Ukrainian minorities in Poland – and leave Polish and Hungarian minorities in Belarus and Ukraine. Poverty at home, and opportunities in central and western Europe, have over the past ten years brought substantial new immigrant communities from Moldova, Ukraine, Russia and Belarus into EU member states. Similar push and pull factors, with the additionally-powerful impetus of a continuing population explosion, make for a sustained flow of immigrants into the EU from North Africa, in spite of all efforts to hold it back.

Relations with the EU’s neighbours thus relate directly to relations among communities within the EU, and to migration policy and border controls between the EU and neighbouring states. One reason why border controls will have to be flexibly managed is that so many residents within the EU retain ties with their home countries, and that so many of those within the neighbouring countries wish to enter the EU – for local cross-border trade, for seasonal work, for study that may be prolonged into temporary or permanent residence. Part of a coherent neighbourhood strategy should clearly be an active policy of educational exchange – recognising that not all those who enter the EU to study go home afterwards, and that providing teachers for neighbouring countries may increase the flow of interested students wanting to learn more. The process of transition in central and south-eastern Europe, and in the Baltic states, has been assisted by returning ‘exiles’, with business and intellectual skills acquired in the West. The process of transition in eastern Europe and North Africa should similarly be assisted through acceptance of a degree of dual nationality and double residence, in spite of the complexities this will involve for EU immigration policy and the resistance it may provoke within the publics of some EU member states.

The Commission *Communication* declares that ‘the importance of dialogue between civilizations and the free exchange of ideas between cultures, religions, traditions and human

links cannot be over-emphasized.’ Plainly stated, this means that European governments and societies must cultivate greater understanding between their domestic Muslim and non-Muslim communities, and between the largely secular European civil society and the more religious Muslim world. This is not a task which the Brussels institutions can impose; it is something that national (and regional, and local) governments need to undertake. But no-one should underestimate, either, the remaining gaps in understanding between the societies of the former Soviet Union and the Western world. Educational exchanges, training programmes, sponsored visits – all of which require government funding from EU member states – must form important mechanisms for narrowing the gap. The Franco-German relationship, after all, was successfully reshaped forty years ago through extensive exchanges between the two societies, actively sponsored by their governments. A similar effort to break down hostile stereotypes is needed across the EU’s borders.

VII - POLITICAL PRIORITY, OR POLITICAL AFTERTHOUGHT?

The Commission paper calls for ‘a new vision and a new offer’ towards the enlarged EU’s neighbours. Visions, however, were easier to conjure up in the fraught circumstances of postwar Western Europe than they are in the comfortable and peaceful circumstances of today. The EU collectively never managed to agree on a vision of eastern enlargement; shuffling reluctantly from one European Council communiqué to another, postponing difficult decisions as long as possible, offering the applicants as limited a package as it could. The EU-15 is a collectivity of self-interested governments, bargaining to protect and promote their own interests; the EU-25 is likely to be even more embedded in this style of politics. Those eastern member states directly bordering on the former Soviet Union will no doubt try to extract concessions to benefit their immediate neighbours; those member states bordering the Mediterranean will no doubt launch new conferences and initiatives from time to time. The Italian EU Presidency, in office from July 2003, has already announced another Euro-Mediterranean conference, to take place in Naples in December.

Proposals for a strategy towards the poorer and less stable states around the EU’s eastern and southern borders are therefore extremely challenging. The Council of Ministers has now welcomed the Commission’s proposals in principle, but without evident commitment to implementation; the likelihood is that most member governments will now return with relief to the EU’s internal and institutional agendas. The gap between the rhetoric of foreign policy ambitions and the reality of internal preoccupations has persisted since the first foreign ministers’ meeting within the EEC; barring a crisis, there is little reason why old habits should now change. The United States is actively concerned with the security of the Mediterranean, and with the future stability of Russia and Ukraine; most EU governments have long been content to accept that the USA defines the broader security and political agenda.

If the EU aspires to any effective common foreign policy, however, it has to start with the wider European neighbourhood; and it has to bring the different instruments of European foreign policy and external relations together. Economic interests, security risks, should be most evident here. If the governments of the European Union cannot find the collective commitment to focus on the political and economic development of their dependent neighbours, to seek to offer them a partnership which is more than residual trade concessions

and an occasional hurried meeting, then the aspiration to a common foreign and security policy might better be abandoned. Foreign policy, unfortunately, costs money, and ministerial time. Except in exceptional circumstances, it does not help to win domestic elections, or make political careers. It therefore requires a high quality of political leadership: to persuade voters and organized interests to accept painful concessions, to sustain commitments over long periods. A common foreign and security policy (CFSP) that did not have at its core a coherent strategy towards the EU's immediate neighbours would be a contradiction in terms.

In the framework of the Thessaloniki European Council, in June 2003, the foreign ministers approved a draft paper on European security strategy, prepared by Javier Solana and his secretariat: *A Secure Europe in a Better World*. This sets out as the first of 'three strategic objectives for the European Union' the promotion of 'stability and good governance in our immediate neighbourhood...extending the zone of security around Europe.'

The reunification of Europe and the integration of acceding states will increase our security but they also bring Europe closer to troubled areas. Our task is to promote a ring of well governed countries to the East of the European Union and on the borders of the Mediterranean with whom we can enjoy close and cooperative relations.

Almost unnoticed by the media in commenting on the outcome of the Thessaloniki Council, this statement places neighbourhood policy at the centre of EU foreign policy priorities, rather than at the periphery of member state attention. It should be understood, also, as at the centre of EU migration policy; and as a central issue for trade and budgetary policy for the next few years.

How far should the EU attempt to provide an overall framework for neighbourhood policy, rather than accepting the unavoidable diversity of interests and circumstances of relations with neighbouring states? To some extent, a differentiated approach is unavoidable. The EU's northern and eastern member states are far more interested in relations with the former Soviet states than with the Mediterranean, while the EU's southern members have opposite concerns and priorities; it is natural that different member states should lead in promoting regional strategies. The EU's 'Northern Dimension', directed solely towards Russia, has been led by Finland, Sweden, Denmark and Germany. The Polish government is already promoting a broader 'Eastern Dimension' to bring together relations with the western states of

the former Soviet Union into a single framework. France and Italy, and now also Spain, Portugal and Greece, have promoted a strategic approach towards the Mediterranean – though without ensuring that the financial or human resources needed are provided, and resisting the trade concessions that most matter to their neighbouring states.

The problems of the Middle East, above all of the Israel-Palestine conflict, are, however, a matter of direct concern to *all* member states. The problems of the south-western Caucasus, on the contrary, are not yet a priority for any member state; they should nevertheless be added to the CFSP neighbourhood agenda (as the Solana strategy paper recommends), given that the EU is now committed to expansion to the western shores of the Black Sea.

VIII - THE ISSUES FOR DEBATE

The first priority for EU policy-makers and observers is to prevent the issue of neighbourhood policy from slipping to the back of ministerial priorities, buried behind immediate crises and domestic concerns. A policy of drift will lead to increasing resentment within the neighbouring states, and will lead more of their governments to conclude that there can be no acceptable alternative to the pursuit of membership. Ministers, heads of government, as well as representative of the Brussels institutions, must share responsibility for building closer relations with this unstable region. They must also cultivate better relations as a coordinated exercise on behalf of the EU, not as *chasses gardées* for national ambitions. Ministerial exchanges, investment of time and resources in raising political attention to these neighbouring states, are largely unrewarding in terms of domestic politics. Investment of time, resources and attention in the short term is, however, the necessary means of avoiding worsening problems in the long term.

The second priority is to design a framework for economic and political association within which these peripheral states can act as effective partners of the EU, rather than as dependents. This is a particularly difficult and sensitive objective, given the undeniable dominance of the EU as an economic actor within the wider Eurasian and Euro-Mediterranean region, and given the weak economic and political structures of most neighbouring states. The history of Jacques Delors' initiative for a European Economic Area, designed to provide a mutually-acceptable alternative to membership for the mostly-neutral states of the European Free Trade Area, is instructive: before the negotiations were completed the majority of EFTA governments had decided to apply for full membership, concluding that association would leave them in a permanently dependent position. A broader **European Conference** has already been attempted, in an effort to include Turkey in political conversations with EU governments as well as candidate states closer to full membership; there is scope for extending this, as an annual meeting of heads of government with interim working parties, to all the neighbouring states. A **Free Trade Area for Europe and the Mediterranean**, with common institutions comparable to those of the European Economic Area, would have a more acceptable balance between insiders and outsiders, and should help to focus EU attention on the necessary trade-offs between internal and external priorities. The task now for the Commission and for member governments is to define the structure and capabilities of such a

free trade area in more detail, pulling together the parallel processes of Mediterranean and eastern association, of energy dialogues, cross-border regional cooperation, and proposals for improved transport links, into a package that offers worthwhile incentives for neighbouring states to welcome a framework for multilateral cooperation.

The third priority is for governments to accept and admit, to their parliaments and publics, that European and national interests are at stake in looking after the neighbourhood which are vital enough to merit the investment of scarce time, human and financial resources, over an extended period. Rhetorical phrases too often flow through Commission documents and Council declarations unnoticed by those outside. There are policy areas within a coherent neighbourhood policy for which national governments will have to ask their citizens to accept difficult compromises and concessions. They will only succeed in persuading them to do so if they now set out the underlying rationale.

The fifteen EU heads of government, meeting at Copenhagen in December 2002, declared that they were ‘determined to avoid new dividing lines in Europe and to promote stability and prosperity within and beyond the borders of the Union.’ The test of that determination will be whether they provide the political support, and the financial resources, to translate that declaration into detailed commitments and actions.

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Notre Europe is an independent research and policy unit whose objective is the study of Europe – its history and civilisations, integration process and future prospects. The association was founded by Jacques Delors in the autumn of 1996, and consists of a small team of researchers from various countries.

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