

Tug-of-war over EU's policy towards its neighbours

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The revolutions in North Africa, the approaching end of the 'strategic review' of the European Neighbourhood Policy (ENP) initiated by the European Commission, and the beginning of negotiations on the European Union's new financial perspective, have intensified the debate among the member states and EU institutions on what policy the EU will adopt towards its neighbourhood in the future. The discussion concerns not only the shape of the ENP but also non-ENPI foreign policy instruments which Brussels applies towards neighbouring countries, such as the thematic instruments and loan support.

Serious differences of opinion have emerged among the member states. The countries located in the southern part of the EU want Brussels to boost its policy towards North Africa, even at the expense of engagement in Eastern Europe and the Southern Caucasus. Meanwhile Central European countries, including Germany, favour a more balanced approach towards both directions.

The future shape of the ENP, as well as the EU's other foreign policy instruments, will have a strong impact on the approach the EU adopts towards its Eastern neighbourhood. If some of the proposals are realised, especially the southern member states' request to transfer some of the funds from the Eastern to the Southern neighbourhood, the chances of meeting the Eastern Partnership goals, such as the association of the partner countries with the EU and the creation of deep and comprehensive free trade areas, could be reduced.

Conditions affecting the debate on the future of the neighbourhood policy

The overthrow of the regimes in Egypt and Tunisia, and the present uprising against Muammar Gaddafi's rule in Libya, have called into question the guidelines of the EU's past policy toward its Southern neighbourhood. Recent events have made it clear that placing a higher priority on the stabilisation of the region than on its democratisation, and de facto supporting the authoritarian regimes in North Africa, has contributed neither to stabilisation

nor democratisation in those countries. What it has contributed to is the reinforcement of the negative image of the EU among the North African societies, who see it as an ally of the overthrown regimes, in which the former colonial powers have the biggest say.

In parallel to the events in Africa, a revision of the European Neighbourhood Policy is taking place. The ENP is the EU's key policy instrument towards all its neighbours in the Mediterranean Sea basin, Eastern Europe and the Southern Caucasus (except for Russia). The revision started in summer 2010, when the European Commissioner for Enlargement and the European Neighbourhood Policy, Štefan Füle, and the High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton, asked the member states and the EU neighbours to present their visions for a more effective neighbourhood policy. The culmination of the revision process will take place on 20 April 2011 with the announcement of the European Commission's communiqué outlining a new policy towards the EU's neighbourhood, and the Council's adoption of that communiqué. Work on the new concept was initiated by the European Commission; however, the European External Action Service (EEAS), which was created on 1 December 2010, has taken over the supervision of the ENP's implementation. Thus, it is likely that the EEAS will have a strong influence on the final version of the communiqué.

ENP is not the only tool whose application the member states would like to change. Some countries have also suggested revising the so-called thematic instruments, which are not part of the ENP, or the mandate for the European Investment Bank's operations in the EU's neighbourhood.

suggested revising the Instrument for Stability, the European Instrument for Democracy and Human Rights, and the Development Co-operation Instrument (none of which are part of the ENP), or the mandate for the European Investment Bank's operations in the EU's neighbourhood.

The events in Africa and the reform of the EU's foreign policy also coincide with the beginning of talks regarding a new financial perspective for 2014–2020. Thus, the EU member states and institutions want their suggestions concerning the form of the EU's foreign policy to be reflected in the European Union's new budget.

At the same time, a discussion on the EU's immediate reaction to the destabilisation in North Africa is taking place. It has been suggested, for example, that it should offer assistance in holding democratic elections in Egypt and Tunisia and send a civilian or even military mission to Libya. This has focused the EU's attention on the Southern neighbourhood at the expense of the Eastern Partnership.

The Southern member states' offensive

The recent events in North Africa have encouraged some southern EU member states to launch a diplomatic offensive aimed at reinforcing the southern dimension of the EU's foreign policy. These countries are particularly interested in the EU's involvement in bringing stability to North Africa, since it is they who are most exposed to the threats coming from this area, including the mass influx of refugees and illegal immigration. Furthermore, the support those countries (mainly France and Italy) had long offered to the regimes in Tunisia, Libya and Egypt has discredited them in the eyes of the North African societies. Since the southern member states have lost their own influence and reliability in the region, they are now keen on taking greater advantage of EU's foreign policy toolbox.

The stance of the southern member states was presented in a letter and a non-paper addressed on 16 February by the foreign ministers of France, Spain, Greece, Cyprus, Slovenia and Malta to Catherine Ashton¹. They appealed for the strengthening of the southern dimension of the EU's foreign policy in order to provide adequate support to the North African countries in the process of their transformation. They put forward proposals for modifying a broad range of EU's foreign policy instruments: the European Neighbourhood Policy, the so-called thematic programmes (including the Instrument for Stability, the European Instrument for Democracy and Human Rights, and the Development Co-operation Instrument), part of the EU's external relations budget line, as well as lending of the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD). The letter's authors suggest the creation of a macro-regional strategy in the Mediterranean, modelled

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on the strategies for the Baltic Sea and the Danube. This could mean that part of the EU's structural funds would be made available to those countries. Another instrument they would like reinforced is the Union for the Mediterranean. Although the EU's policy towards the Eastern neighbourhood is not the subject of this letter, its authors suggest that the European Union has focused excessively on the Eastern direction and neglected the Southern one, and this 'imbalance' should now be removed, partly by transferring some of the funds allocated from the Eastern to the Southern neighbourhood.

It seems that the letter's authors can expect support from Italy. Although Rome has not joined the initiative, Italy's foreign minister Franco Frattini has suggested offering North Africa aid which would be the "equivalent of the Marshall Plan"². Portugal may also join this group of countries.

The Central European point of view

The proposals put forward by the South have met with objection from the Central European members states of the EU. Germany opposes increasing the ENP budget and wants to balance the Southern and the Eastern dimensions of the EU neighbourhood without

The proposals put forward by the southern EU countries have met with objections from the EU's Central European member states. Germany opposes increasing the ENP budget and wants to balance the Southern and the Eastern dimensions of the EU neighbourhood, without discriminating in favour of any of them.

discriminating in favour of any of those. Berlin's stance on this issue was presented by Foreign Minister Guido Westerwelle in a letter to Catherine Ashton, which was sent before the meeting of the Foreign Affairs Council on 21 February³. Germany has proposed making any financial assistance conditional on progress in democratisation, respecting human rights and adopting rule-of-law standards. Those neighbour countries which show commitment to implementing reforms and integration with the EU should receive more funds. According to press reports, Germany has also suggested that the model used so far, in which a certain amount of funds is allocated to a given country as part of a seven-year financial perspective, should no longer apply. Instead, only half of the funds should be allocated for aid to a given country according to

¹ This letter is available on the website of the French Ministry of Foreign Affairs:
http://www.diplomatie.gouv.fr/fr/IMG/pdf/Lettre_a_Mme_Ashton.pdf, and the non-paper is published on the website:
http://www.diplomatie.gouv.fr/fr/IMG/pdf/11-02-17_Non-papier_Action_de_l_Union_europeenne_en_direction_du_voisinage_Sud.pdf

² Article by Italy's Minister of Foreign Affairs, Franco Frattini, 'A European plan for Mediterranean stability', *Financial Times*, 18 February 2011.

³ Westerwelle: 'Zusagen für Nordafrika an Reformen knüpfen', *Frankfurter Allgemeine Zeitung*, 18 February 2011,
<http://www.faz.net/s/RubA24ECD630CA-E40E483841DB7D16F4211/Doc~EB11533A-88D2E4200B32B03E-0A2326BE4~ATpl~Ecommon~Scontent.html>

the present rules, while the rest of the money would be made available depending on how concrete reforms are implemented. The EU should limit direct budget support to those ENP countries which make little progress, and instead focus more on increasing capabilities of state administration, the judiciary and the parliaments. Germany also wants European universities to accept more students from the Southern neighbour countries, enhance co-operation between universities and offer greater opportunities for legal immigration from those countries. Additionally, it supports opening up the EU market to agricultural products from the neighbour countries.

It appears that Germany may expect support for some of its proposals, especially those regarding keeping the balance between the Southern and the Eastern dimensions of the European Union's policy, from some Central European countries, which oppose the relative downgrading of the Eastern neighbourhood.

The European Commission's proposals

The European Commission, which in the end will be in charge of developing a new concept for the ENP (although its final version is likely to be influenced strongly by the European External Action Service), has also presented its stance. Ten EU commissioners outlined a future shape of the European Union's relations with neighbouring countries in an internal document seen by *Europolitics*⁴. According to them, mutual relations should gradually

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become similar to the model of the European Economic Area existing between the EU member states and Norway, Iceland and Liechtenstein. This means that the EU and the neighbouring countries should create a deep and comprehensive free trade area, which – in addition to lifting customs duties and quotas in mutual trade – envisages that the neighbour countries will adjust their internal regulations to the

standards of the EU single market. However, unlike the European Economic Area, the new free trade zone does not provide for any opening up of the EU labour market. Facilitations in the movement of people would be limited to the simplification of visa procedures and lowering visa fees. The commissioners also want neighbour countries to participate in EU programmes, including the Single European Energy Market. These proposals do not go beyond the offer the EU has already presented to its Eastern neighbours launching the Eastern Partnership.

Furthermore, the Commission's representatives want the EU to strictly observe the principles of conditionality and differentiation when granting financial aid to its partners. At the same time, they disagree with the allegation made by the Southern member states that the allocation of funds to Southern and Eastern neighbours is imbalanced, arguing that the amounts of assistance offered to the two regions are almost identical. According to calculations made by the European Commission, the value of EU aid offered in 2009 reached €3.36 per capita in the Southern neighbourhood as a whole and €3.64 per capita in the Eastern neighbourhood. The Commission also recalled that during the planning of financial support as part of the ENP for 2007–2013, the member states made a 'gentlemen's agreement', according to which one-third of the common funds would be allocated to the Eastern neighbourhood and two-thirds to the more populated countries in the Southern neighbourhood⁵.

⁴ *Europolitics*,
21 February 2011

⁵ *Europolitics*,
22 February 2011.

In turn, Janusz Lewandowski, the European Budget commissioner, stated that more funds would be allocated for the European Neighbourhood and Partnership Instrument in the new financial perspective for 2014–2020⁶. The commissioner admitted that the southern member states had pressed the European Commission to increase the funding for the policy towards North Africa at the expense of the Eastern direction.

On 8 March, the Commission published a communiqué envisaging the creation of a ‘Partnership for Democracy and Shared Prosperity with the Southern Mediterranean’⁷. The Commission assumed that since the previous policy, which practically contributed to preserving the status quo in the countries of the region, has failed, it must now focus on supporting

civil society and social reforms. The communiqué includes several new proposals, for example the creation of a Civil Society Neighbourhood Facility, establishing a Social Dialogue Forum (probably modelled on the EAP Civil Society Forum) and also improving access to the Internet and other communication technologies. Nevertheless, most of the Commission’s proposals do not go beyond the previous plans for reinforcing the EU’s presence in

this region which the Commission has been preparing over the past few years (and had even consulted with North African countries, including the recently overthrown regimes). In practice, the EU’s ‘new’ approach to North Africa resembles the offer the EU made as part of the Eastern Partnership to Eastern Europe and the Southern Caucasus. The European Commission included the following key proposals in its communiqué:

1. concluding new Association Agreements (modelled on the ‘advanced status’ agreement which is currently being negotiated with Morocco) and new free trade agreements, more comprehensive than the present ones,
2. facilitating travel to the EU (so-called Mobility Partnerships and visa facilitations),
3. promoting EU regulations in the Southern neighbourhood countries,
4. establishing a regional energy community (probably modelled on the Energy Community which some Balkan and Eastern European countries have joined),
5. increasing the participation of young people from this region in EU educational programmes,
6. supporting the development of rural areas, the development of transport, tourism, etc.

Some of the proposals were presented vaguely. The Commission promised that more detailed plans would be provided in its April communiqué on the ENP. The Commission declared that, aside from revising the financial aid priorities, it would also be necessary to increase the financial pool of aid for North African countries, in order to make these reforms possible. It has thus requested member states to increase the amount of funds which the European Investment Bank could allocate to loans in this region. However, the Commission did not mention any potential changes in the European Neighbourhood and Partnership Instrument. It explained that at the present stage it was still impossible to determine the future needs. However, it suggested that additional funds for this region could be allocated as part of the so-called Flexibility Instrument and the Emergency Aid Reserve.

⁶ PAP, 23 February 2011.

⁷ http://ec.europa.eu/commission_2010-2014/president/news/speeches-statements/pdf/20110308_en.pdf

Most of the proposals in the new communiqué on the Partnership for Democracy do not go beyond the previous plans for reinforcing the EU’s presence in North Africa, which the Commission has been preparing over the past few years, and had even consulted with the recently overthrown regimes.

If the European Commission starts implementing the ideas presented in the communiqué on the new Partnership, the attention of the EU's executives and a significant bureaucratic effort will be directed towards the South. However, it is still uncertain whether these proposals will entail the movement of funds previously allocated for assistance to Eastern Europe towards support for North Africa.

Prospects for further debate

During the Foreign Affairs Council on 21 February no detailed solutions regarding the neighbourhood policy were reached, probably due to disagreements between the member states⁸. The foreign ministers only made a general promise to establish a 'new type of partnership' between the EU and its southern neighbours. This is likely to be based on agreements similar to the Association Agreements which the EU is presently negotiating with its Eastern partners. The Council also promised support for civil society and young people, reinforced with economic co-operation and "specific political initiatives and support packages". However, it did not explain what this assistance would consist of, what its scope would be and which funds would be used to provide it. It only mentioned that support for the Southern neighbourhood would "build on existing and relevant programmes", which means

Decisions concerning more detailed solutions are likely to be postponed until the Council's meetings in March, or until the announcement of the European Commission's communiqué on ENP in April. Until then, the member states will try to put pressure on the Commission and the European External Action Service to include their suggestions in the communiqué.

that the creation of totally new aid instruments has been ruled out at the present stage. This lack of concrete solutions demonstrates the existence of deep divides between the member states over the EU's policy towards the Southern neighbourhood. The southern member states have not yet succeeded in pushing through the proposals they included in their letter to Lady Ashton. It is certain that Poland⁹ and Hungary, which currently holds the presidency of the EU, oppose it because they do not agree with reinforcing the Southern dimension of the EU's policy at the expense of engagement in the East. Nevertheless, the Commission's communiqué on 'Partnership for Democracy' of 8 March is likely to become one of the key issues in discussion on a future neighbourhood policy, and will push the Eastern Partnership down the agenda.

Decisions concerning more detailed solutions are likely to be postponed until the Council's meetings in March, or until the announcement of the European Commission's communiqué regarding the European Neighbourhood Policy and its approval by the Council in April. Until then, the member states will try to put pressure on the Commission and the European External Action Service, which has taken control of the ENP and is likely to play an important part in the preparation of the European Commission's communiqué.

Implications for EU's policy towards Eastern neighbours

1. Taking effective measure in North Africa will serve the interests of the European Union as a whole. Success in supporting democratic transformation and stabilising the situation in the region would be desirable per se, and would also make the Eastern neighbours see the European Union as an influential partner.

The significance of the EU's challenges in North Africa notwithstanding, shifting funds and political engagement from the Eastern to the Southern direction would strongly

⁸ http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/EN/foraff/119435.pdf

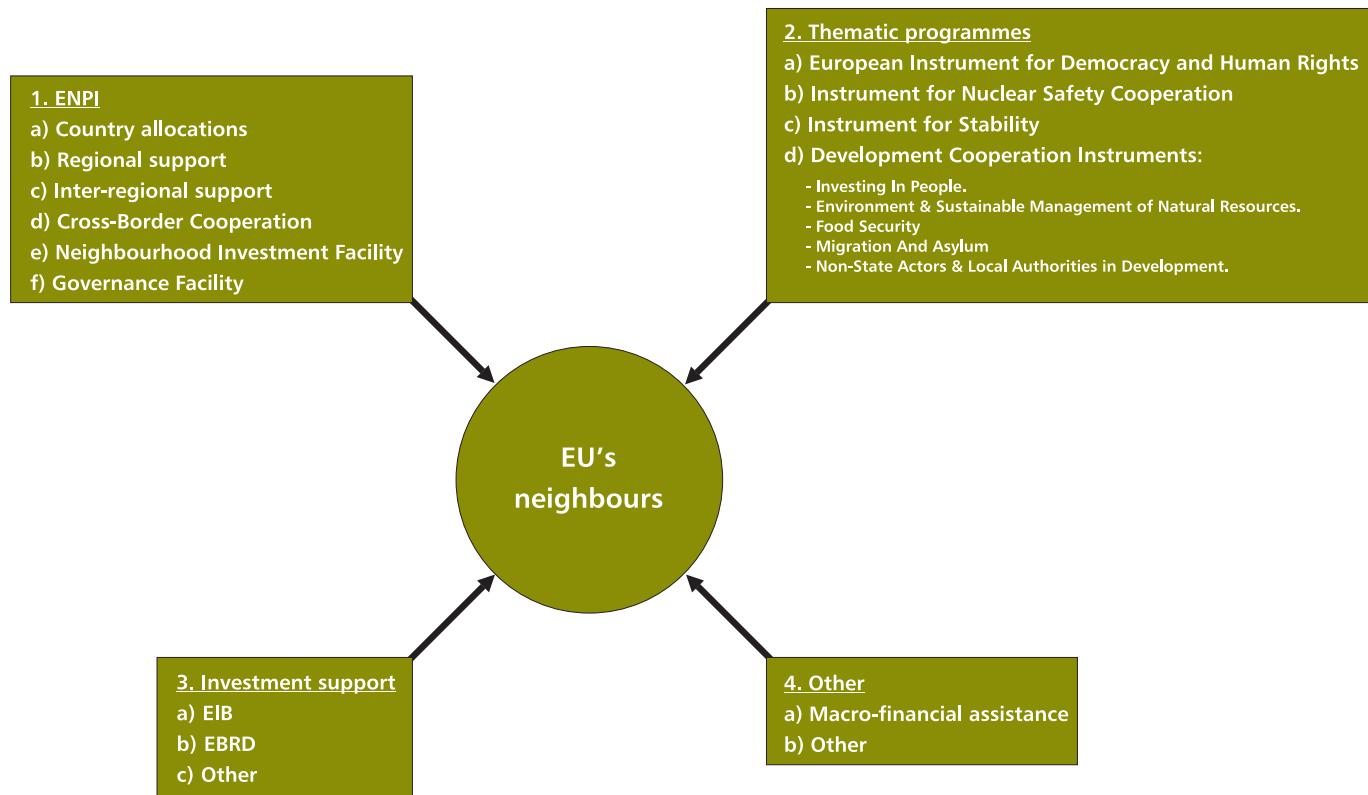
⁹ Statement by Poland's deputy foreign minister, Mikołaj Dowgielewicz, Europolitics, 23 February 2011

undermine the effectiveness of the EU's policy in the East and adversely affect the EU's interests. Among other things, it would impede the conclusion of the Association Agreements and Free Trade Agreements, the implementation of which will be expensive. One of the consequences of the EU's reduced engagement in this area would be an increase in the activity of other actors, principally Russia.

2. The proposals put forward by the southern member states reach far beyond the framework of the debate on the future of the ENP, and also concern transferring funds allocated for other EU foreign policy instruments from the East to the South. Therefore, from the point of view of the EU's policy towards the Eastern partners, it will be important to prevent shifts in the funds allocated for the Eastern neighbourhood as part of such EU programmes as the Instrument for Stability, the European Instrument for Democracy and Human Rights, and the Development Co-operation Instrument. These programmes play an important positive role in the EU's policy towards these countries.
3. It would be a mistake to take stability in the Eastern neighbourhood for granted, as the authors of the letter from the southern member states to Catherine Ashton seem to have assumed. Destabilisation of the situation in this region cannot be ruled out in the mid- or even short-term perspective, as indicated by the brutal suppression of the opposition protests after the presidential election fraud in Belarus on 19 December 2010, increasing tension between Armenia and Azerbaijan over Nagorno-Karabakh, and the mass anti-governmental demonstrations in Armenia in February and March 2011. In addition, four of the six countries covered by the Eastern Partnership (the exceptions being Belarus and Ukraine) are engaged in separatist conflicts, and a resumption of military conflicts in those countries cannot be ruled out.
4. The proposals put forward by the southern member states have met with opposition from many other EU members. It appears that the German proposals are more likely to attract wider support because they are more moderate, and they do not call into question the 'gentlemen's agreement' regarding the distribution of the funds between the South and the East. Furthermore, they emphasise the need to observe the principles of differentiation and conditionality in the process of granting financial aid, which is required by most member states and EU institutions. The German proposals are also more likely to be supported by Lady Ashton, who may be interested in giving up the rigid framework of ENP financing and creating a reserve of funds to be used according to current needs. This would allow Ashton to avoid the situation in which she found herself in during her February visit to Tunisia, when she could not offer any funds in addition to those allocated four years before. Ashton's stance will be particularly important because the communiqué on the future of the ENP will be developed by EEAS, which reports to her.
5. In order to reinforce EU neighbourhood policy, it would be better if member states advocating South and those who advocate East mutually support their initiatives, instead of competing with each other. This happened in 2008, when the Central European countries accepted the idea of creating the Union for the Mediterranean in exchange for France's support for the Eastern Partnership. If the debate were put back onto such a track, the countries interested in the Eastern Partnership could count on backing from France, Spain, Greece and other southern EU member states (and vice versa). However, it cannot be ruled out that such a solution would be opposed by Germany and by other countries (for example, Austria, Denmark and Holland), which are reluctant to increasing the ENP budget.

APPENDIX

The EU's financial assistance programmes in Eastern and Southern neighbourhood

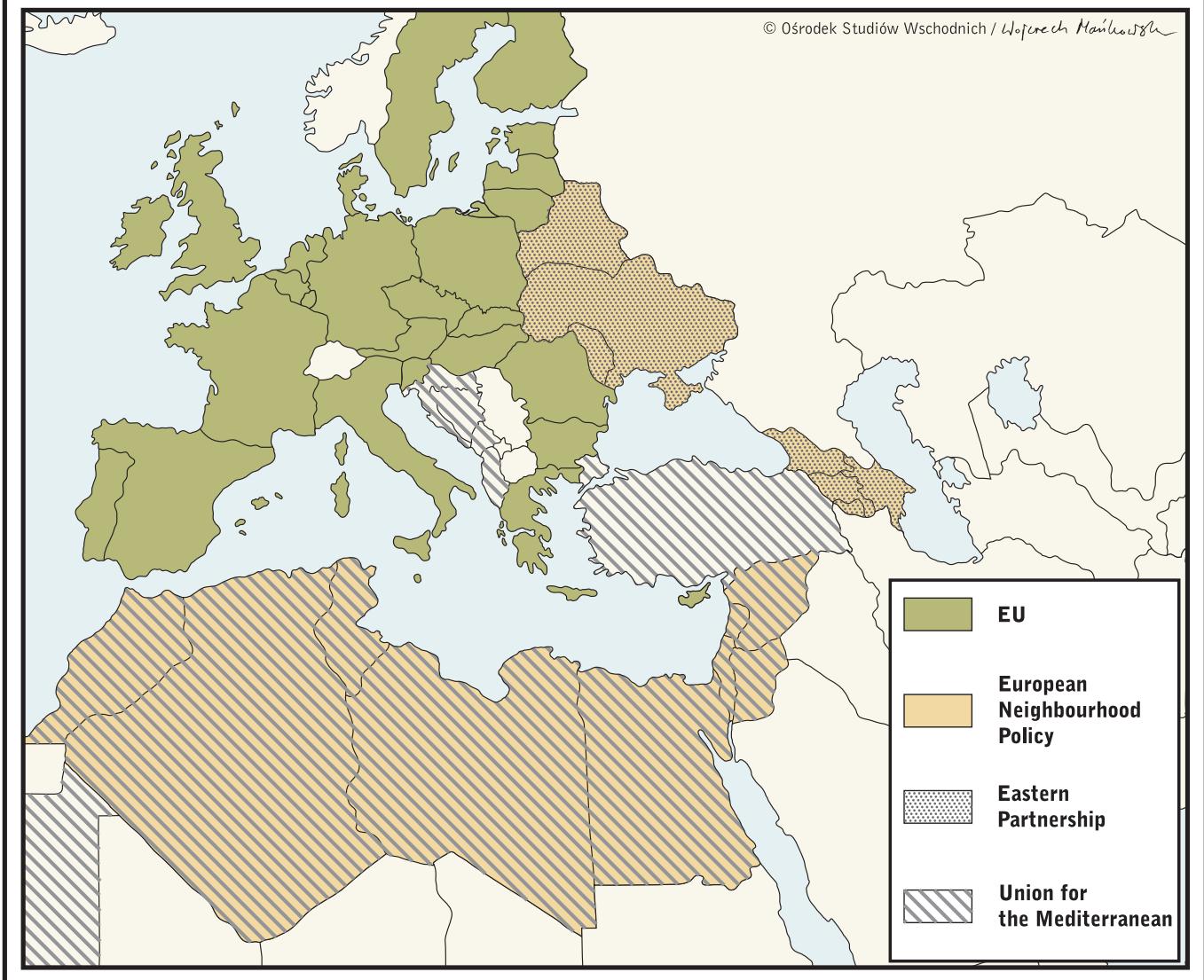


Main EU financial assistance programmes available to the neighbourhood (in euro)		
	2007–2013	
	Eastern neighbourhood	Southern neighbourhood
European Neighbourhood and Partnership Instrument	4 billion	8 billion
Investment/credit support of the European Investment Bank	3.7 billion	8.7 billion
Neighbourhood Investment Facility	700 million	
Governance Facility	50 million annually	
Thematic instruments (also used in other regions worldwide)		
Instrument for Stability	1.6 billion	
European Instrument for Democracy and Human Rights	1.1 billion	
Instrument for Nuclear Safety Co-operation	524 million	
<i>Development Co-operation Instrument</i>		
- Investing In People	1 billion	
- Environment & Sustainable Management of Natural Resources	470 million (2007–2010)	
- Food Security	925 million (2007–2010)	
- Migration And Asylum	384 million (2007–2013)	
- Non-State Actors & Local Authorities in Development	1.6 billion (2007–2013)	

MAP

European Union and its neighbours – multilateral co-operation

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