

**Setting the Scene : Assessing Opportunities and
Threats of the European Neighbourhood**

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Berlin, November 27, 2014

Conference “Towards a new European Neighbourhood Policy”

Berlin, 27.11.2014

Introductory statements of Joachim Fritz-Vannahme

Setting the Scene: Assessing Opportunities and Threats of the European Neighbourhood

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Dear Guests and friends,

Opinions diverge to what extent the European Neighbourhood Policy has made progress towards achieving its aims, which are – as stated in the Lisbon treaty – to “establish an area of prosperity and good neighbourhouldiness, founded on EU-values”.

Today it is necessary to re-think the ENP:

What can the ENP achieve with its instruments and what shall it achieve?

In which fields do the neighbours have specific expectations towards the ENP?

And how are these expectations paralleled by what the European Union is disposed to offer?

We need to know the expectations of all sides towards the ENP in order to develop policies which match these different expectations. It is crucial to define the chances and opportunities of an increased cooperation in different policy fields, in order to make the ENP an efficient and effective instrument of EU's foreign policy.

I will now highlight three topics, which should be of prime importance for a future ENP: Democracy; Peace and Stability; Economy. First I want to outline the basic condition under which the EU shall cooperate with the neighbours: The rule of law and democratic political structures. Second I will turn to specific expectations which the neighbours to the south and the east have vis-à-vis the EU. Expectations which represent important challenges but which can also unlock much potential if we are able to find adequate answers.

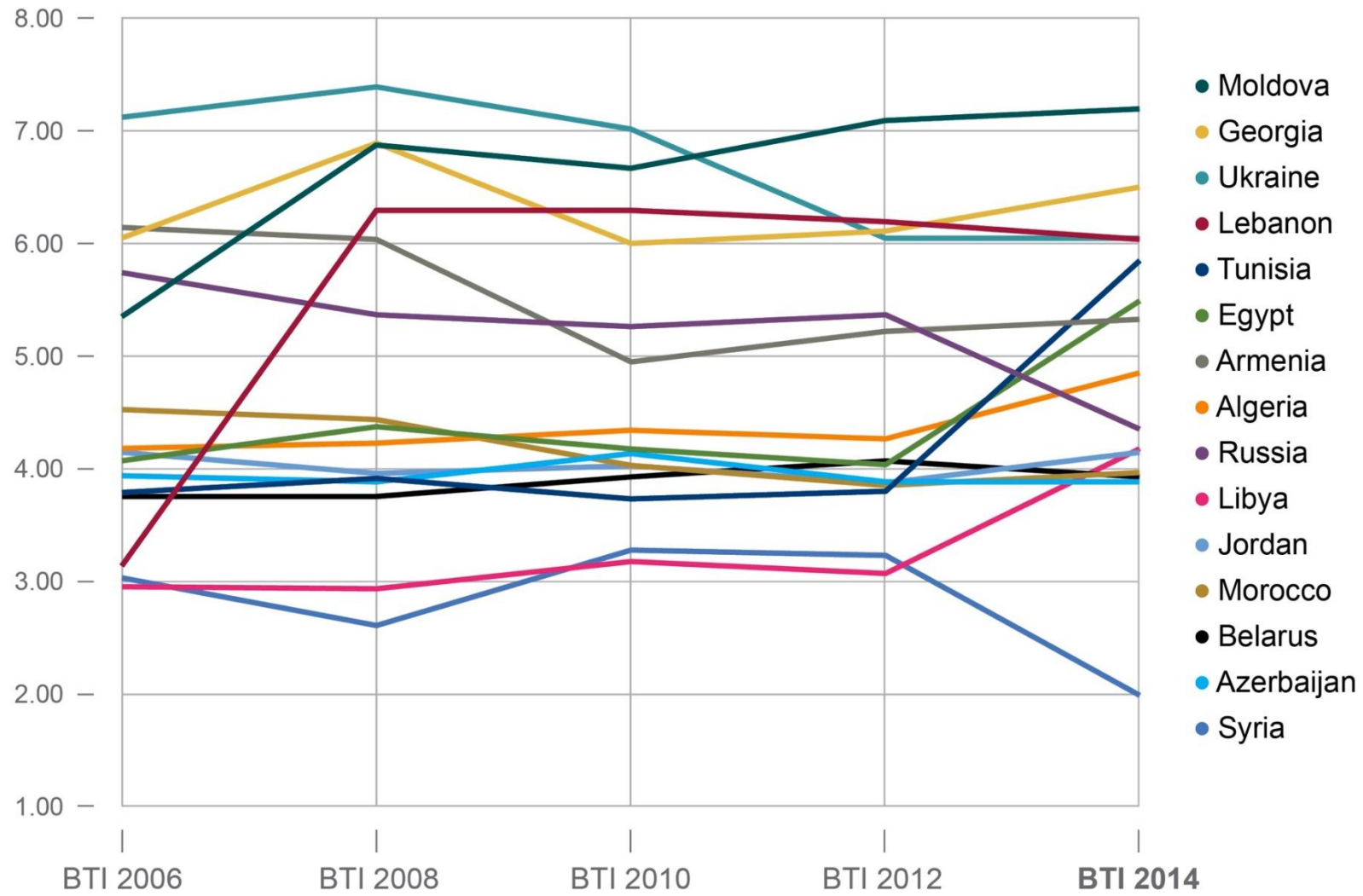
Democracy

Democracy and the rule of law are preconditions for the efficient functioning of the ENP's instruments. A striving civil society which can act freely and without constraint, a respected political opposition, and non-corrupt law-enforcement forces are only some of the elements which must be given in a country for the ENP to apply its instruments.

The political transformation which took place in our neighbourhood is impressive. It is far from uniform and large challenges are still ahead for most countries. It should be one aim of the ENP to accompany the neighbours on their way towards democracy and the rule of law. Countries such as Egypt and Libya show us that revolutions do not necessarily end in democratic structures and freedom of expression. It is all the more important to support actors of pluralism and democracy.

Every second year the Bertelsmann Stiftung publishes the Bertelsmann Transformation Index to monitor the political and economic transformation of 129 countries. One part of the index reflects the political transformation using indicators measuring the extent of "free and fair elections", "separation of power", "civil rights", "monopoly on the use of force", or "independent judiciary".

Bertelsmann Transformation Index – Quality of democracy (evolution 2006-2014)



The above slide shows the evolutions in the neighbouring countries as regards the quality of democracy between 2006 and today. We see two opposing trends: Some countries show significant improvement towards good government (Moldova, Lebanon, Tunisia, to a smaller extent also Algeria). The trend is not confined to one region but improvements and deteriorations took place in the southern as well as the eastern neighbourhood. The democratic situation worsened for example in Ukraine, Armenia, or Syria. Practically no change took place in Jordan, Azerbaijan and Morocco.

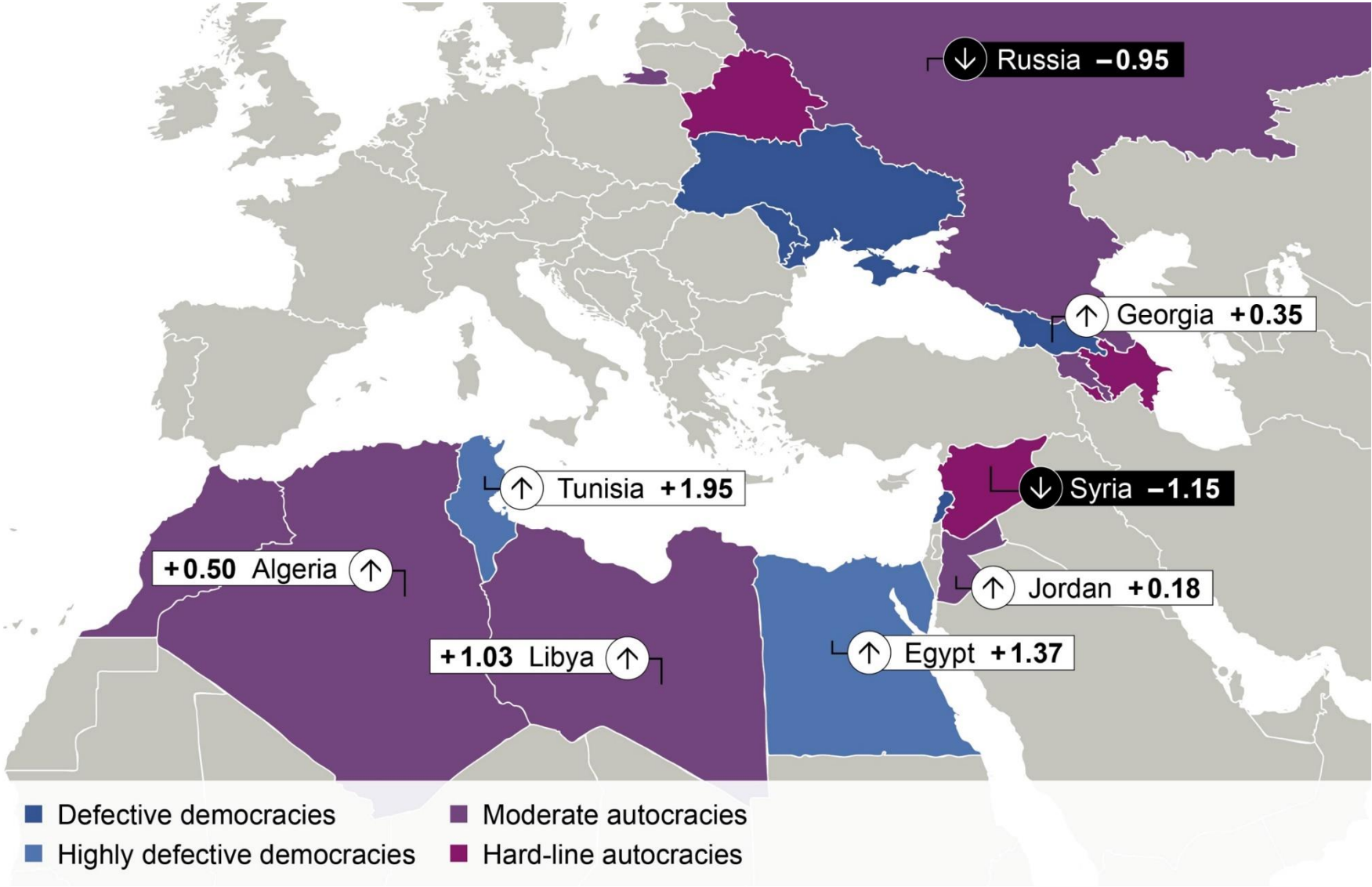
The current situation in the European neighbourhood is thus manifold: Hard-line autocracies such as Belarus or Syria coexist with defective democracies – for example in Moldova. Please note that on this map we see the state of the democratic transition at the end of 2013. In the last twelve month some deterioration took place. The Egyptian coup d'état and the civil war in Libya are not reflected yet. The current situation is thus somehow less shining than represented on this map.

Between 2012 and 2014 Georgia has risen by .35 points on the scale. Progress was especially significant in the southern neighbourhood where Tunisia improved by almost two points and can today be classified as a highly defective democracy. Same for Egypt, which increased by 1.37 points (and – as mentioned above – deteriorated afterwards). Other countries went into the opposite direction: Syria – already before a hard-line autocracy – lost more than one point and is today classified second last country in the panel.

A one-size-fits-all approach is inappropriate as regards to the promotion of democracy and the rule of law.

A country-specific approach is necessary. The ENP cannot “export democracy”. However, in its engagement with the neighbours, its exigencies have to be clearly stated. When countries make progress towards democracy, the ENP has to reward this, following the principle “more for more”. On the other hand, the ENP shall not hesitate withdrawing support when countries turn away from democratic institutions, applying the guideline “less for less”. This would increase the credibility of the ENP’s actions in favour of democracy and the rule of law.

Bertelsmann Transformation Index – Quality of Democracy (2014 and change 2012-2014)



Peace and Stability

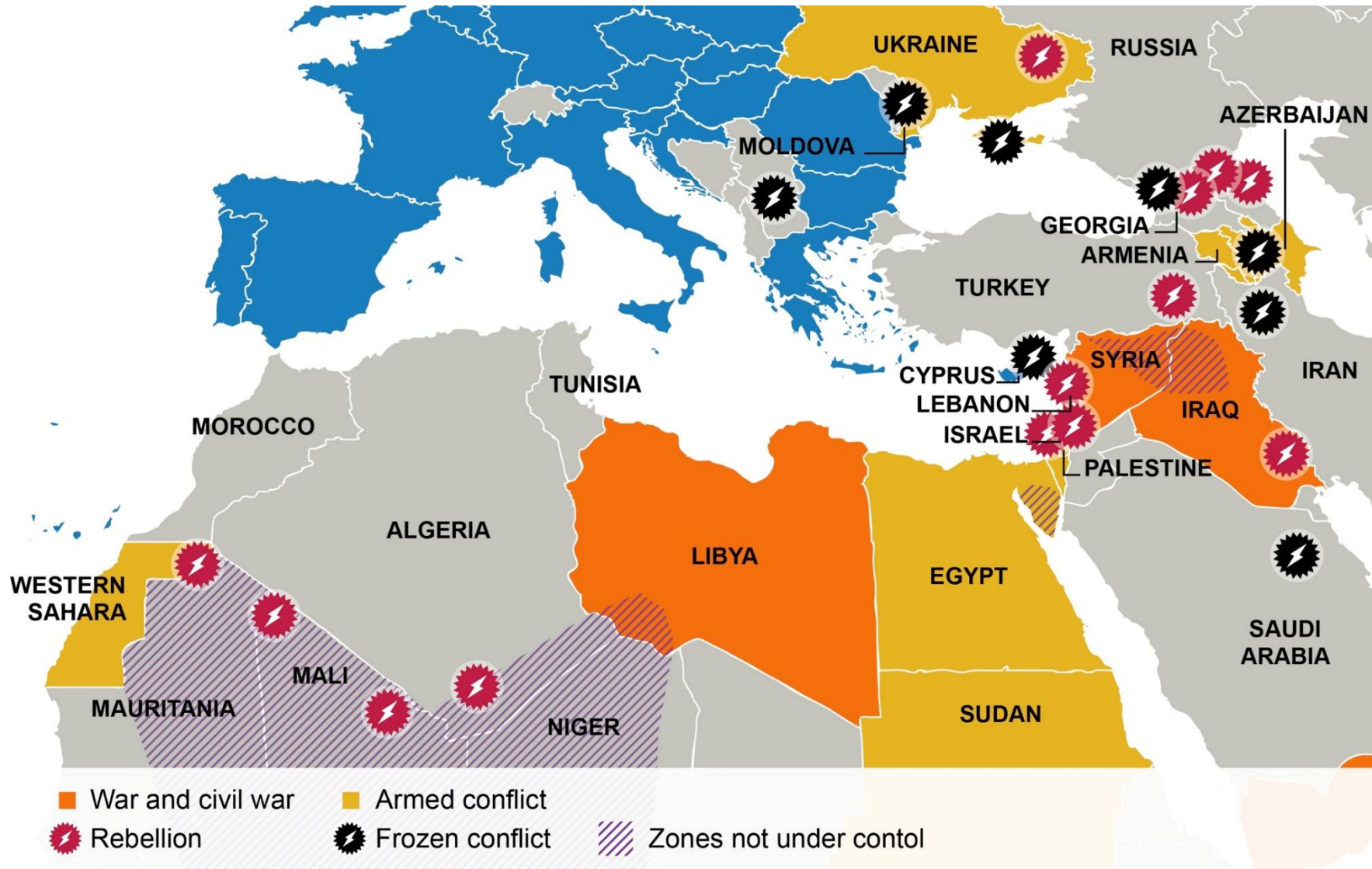
Democracy and the rule of law are highly correlated with secure and peaceful borders, the absence of territorial conflicts, and an effective state monopoly of force on the entire territory. Given that 70% of the world's military crises are within 3-6 flight hours from Brussels, the ENP might have to focus more strongly on this issue.

The countries of the Eastern Partnership are mainly confronted with territorial conflicts. Most of them have been ongoing for several years, remaining more or less frozen over time. In the south one of the dangerous threats are currently failing states such as Syria and Libya where the authorities do no longer have the monopoly of force within their borders. To this adds the presence of terrorist groups and religious conflicts tearing societies apart.

Apart from offering its political, civilian, and military support in favour of crisis resolution, the ENP should offer an incentive for the neighbouring countries to engage in much stronger bilateral and multilateral cooperation increasing trust, cooperation, and regional stability. If necessary, the neighbours of the neighbours and other important players should be involved in the resolution of conflicts.

We identify an alarming tendency that especially the southern neighbouring region is more and more seen through the perspective of security and the fight against terrorism. Some governments of the region use this tendency to divert public attention away from other important topics, as an excuse for the non-implementation of urgent socio-economic reforms, or even as a justification for the repression of civil society actors. While focusing so much on security and stability, we risk neglecting important challenges which are – just to name a few – the omnipresent corruption, the increasing gap between the rich and the poor, not only between, but also within countries, and the lack of economic perspectives for young people.

Crisis in the neighbourhood states



Economy

The Bertelsmann Transformation Index also analyses the transition of countries towards a functioning market economy. Evolutions in the political sphere are not necessarily paralleled by evolutions in the economic sphere. Look at Tunisia or Jordan which made progress towards democracy but where the national economy became less market-oriented.

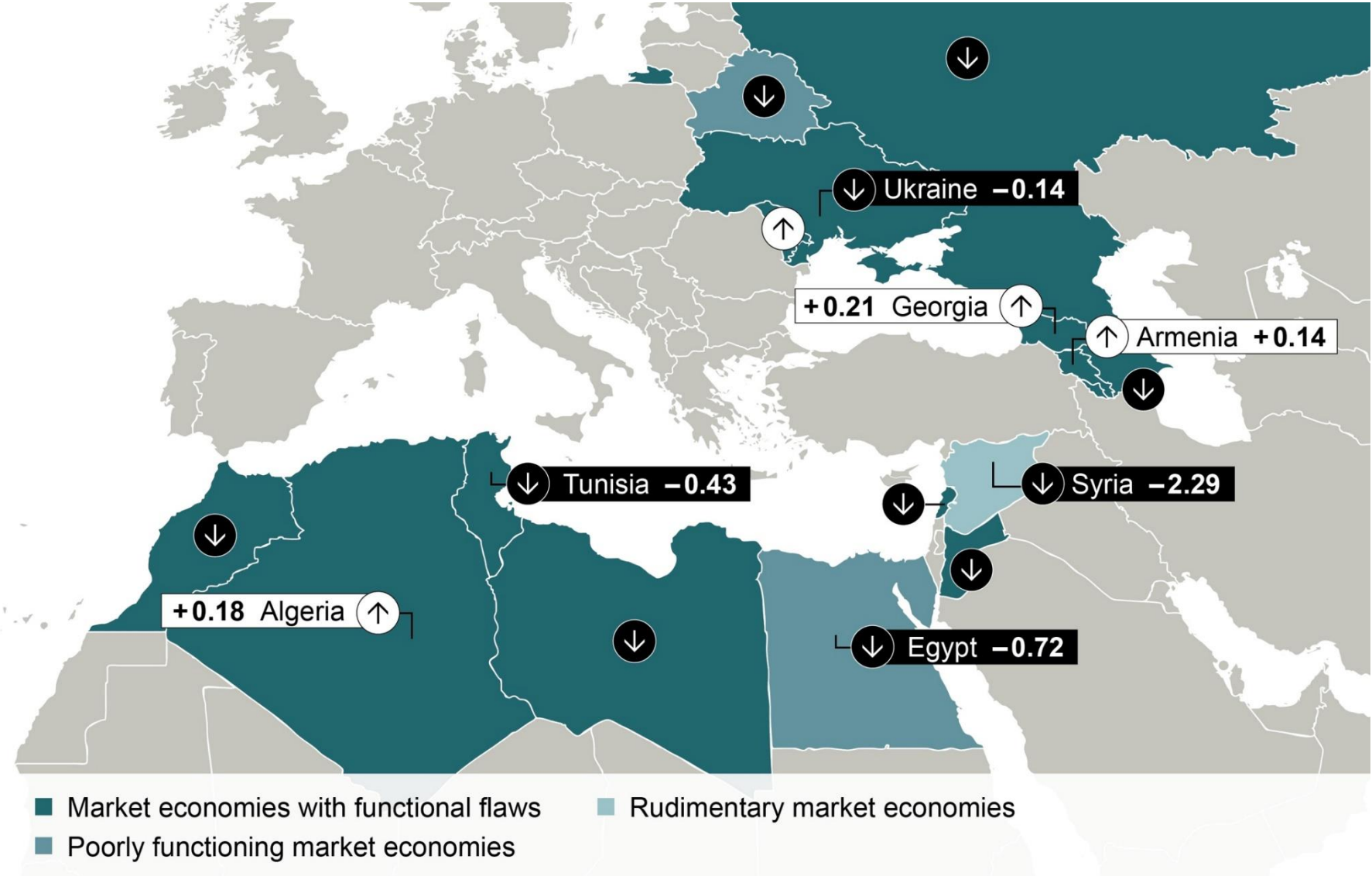
Focusing only on the economic aspect, only limited progress has been made in the neighbourhood towards functioning market economies. Georgia is one of the few countries which increased its rating, Algeria and Armenia also made small progress. Many of the neighbouring countries are today classified as market economics with functional flaws but the challenges they face differ: Sustainability, privatization, or the socio-economic development level show large differences between the counties.

The countries at these different stages of economic transition expect different types of support from the European Union. The ENP should therefore adapt more to this diversity and offer individual packages of political and economic support to each country, depending on the countries' needs and expectations.

The people in the neighbouring countries want perspectives for their future. Increasing exports could be one way towards raising investment, growth, and employment. In recent years, the EU offered Deep and Comprehensive Free Trade Agreements to countries which fulfilled the strict requirements and which had been able to implement European rules and standards.

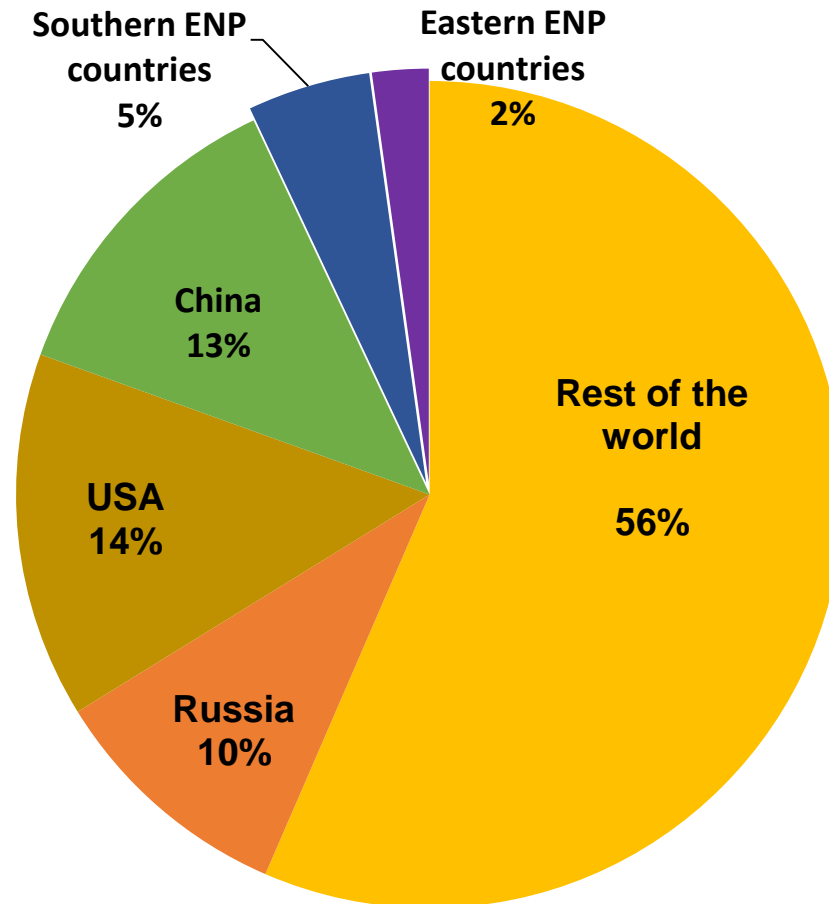
Nevertheless, most neighbouring countries do not yet have the capacities to fulfil such requirements. They need other types of economic cooperation. Hence, the EU should be disposed to open up its markets to products from the neighbouring countries.

Bertelsmann Transformation Index – Economy (2014 and change 2012-2014)



Comparing the trade relations of the EU with the Southern and Eastern neighbours and with other regions, we see the potential: Currently only 5% of EU's trade is with its neighbours to the south and 2% with its neighbours to the east. In comparison, the US makes up 14% of the EU's trade.

EU trade weight (2012)¹



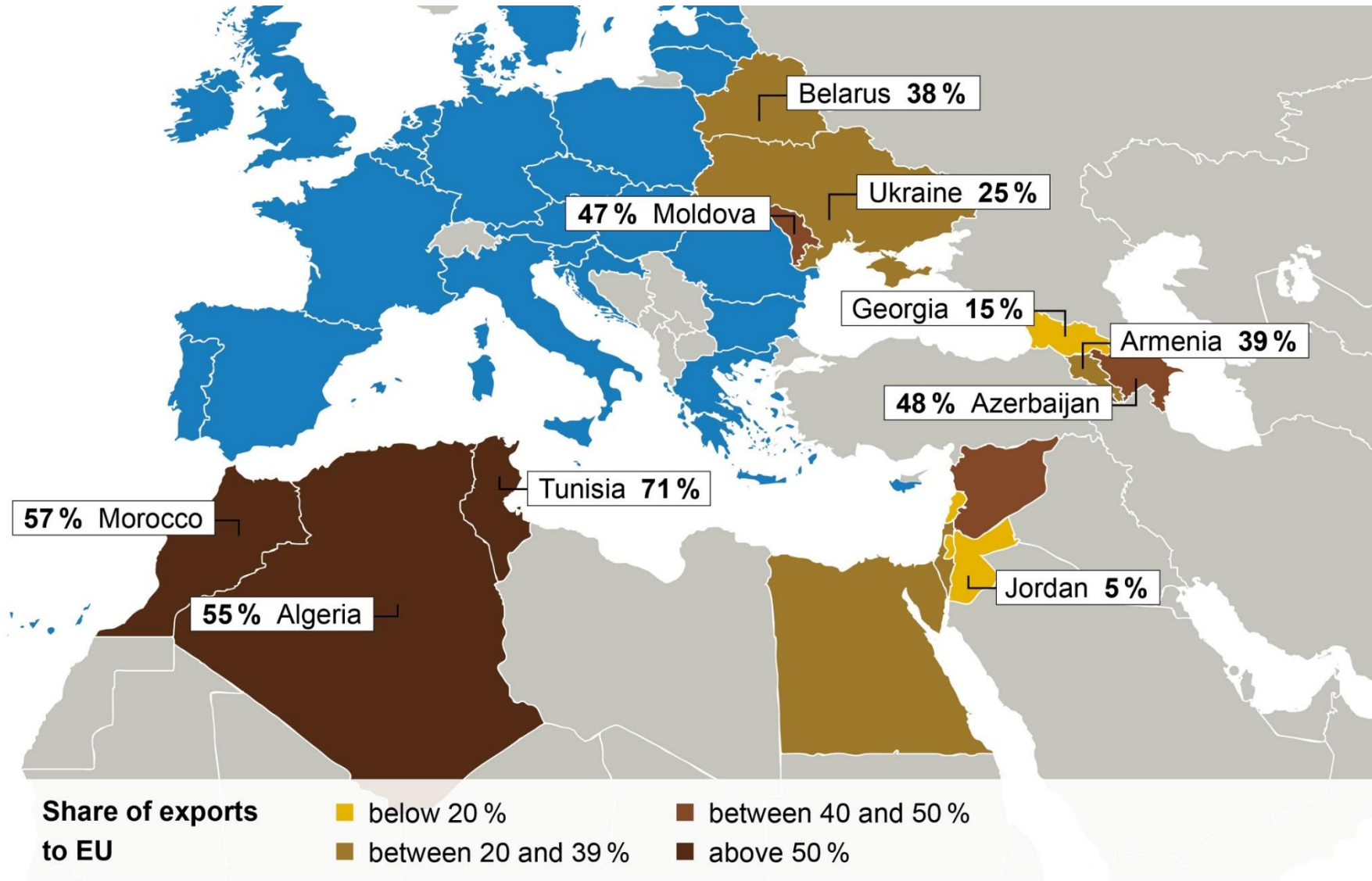
¹ Trade weight as the sum of import and exports.

We know that open markets and economic integration increase trade relations – the EU countries currently have more than 50% of their total trade between each other. In comparison trade between neighbours is very limited: Ukraine for example has only 4% of its total trade with Belarus. Morocco only has 2% of its total trade with Algeria. And Georgia has 27% of its total trade with the EU - but only 11% with Azerbaijan.

Keeping this in mind, the ENP should also encourage regional cooperation and integration of neighbourhood regions. The EU has much technical and administrative knowledge which it can offer in support of more regional cooperation among neighbourhood countries.

Open EU markets for products and services would be all the more in the interest of the neighbouring countries as the Union already is their most important trading partner: In 2012 several countries exported more than 50% of their total export to the EU (Algeria, Moldova, Tunisia). Only the Lebanon and Palestine exported less than 10% of their total export to the EU. Eliminating the remaining protective tariffs could thus be a first step towards increased economic cooperation and growth.

Neighbours' exports towards the EU (latest available data)



Migration

Mobility should not only be increased for products but also for persons: Just look at the demographic structure in Europe and its neighbourhood. The population in most EU countries ages quickly. In the EU as a whole, 18% of the population are older than 65 years, the trend pointing strongly upward. In some countries the percentage of persons aged 65 and above already exceeds 20% (Germany, Italy, Portugal, Bulgaria) leading to tensions in the pension system and on the labour market. Germany for example already suffers from a lack of skilled (young) workers. The demographic situation is similar in the Eastern neighbourhood.

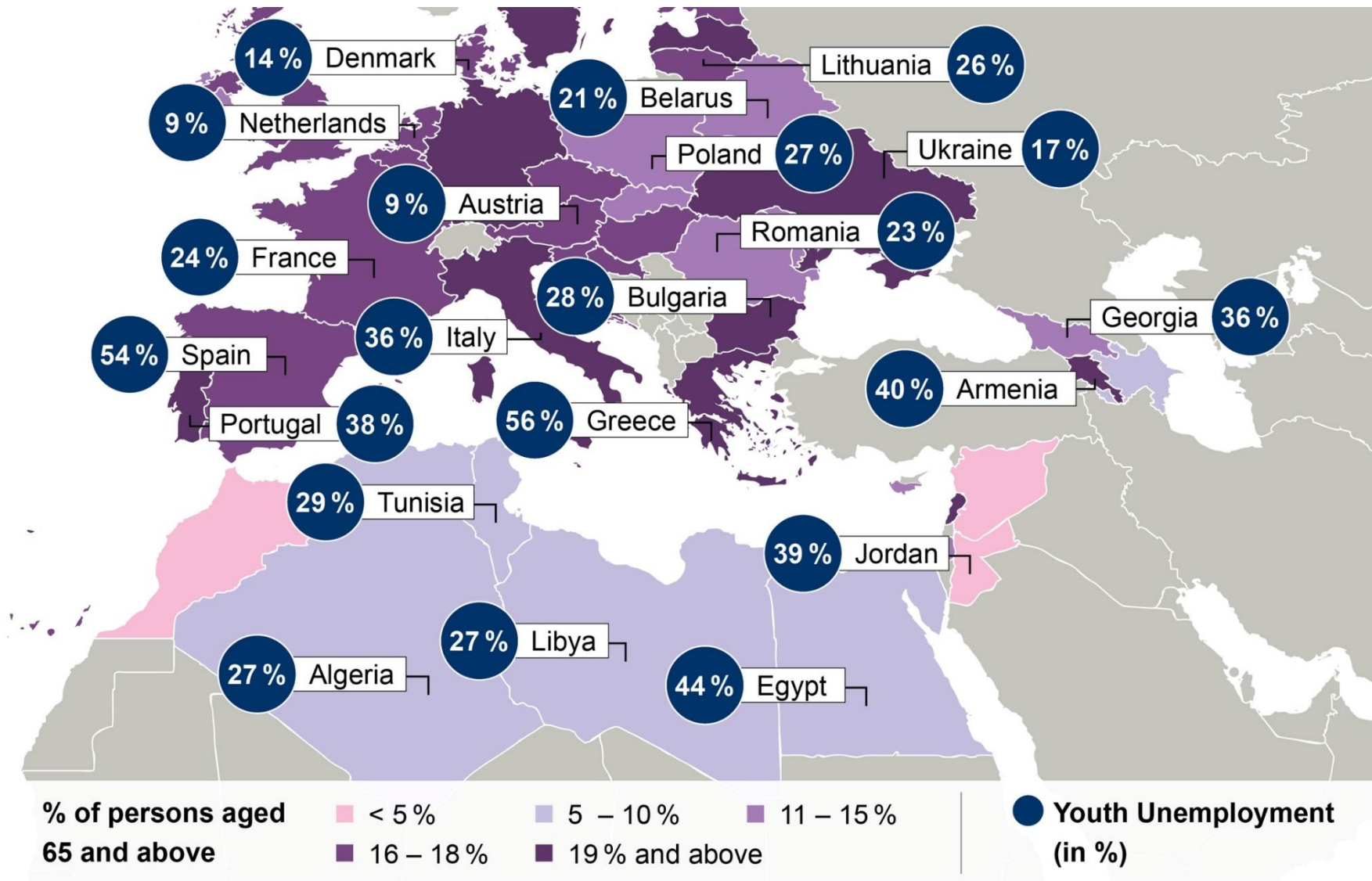
However, in the south, demography is the complete opposite: In most countries the percentage of persons older than 65 is below 10%. A young population puts pressure on the labour market.

If we supplant demography with the unemployment rate of young people, we see that youth unemployment is high in many southern European states. It is much lower in the central and northern countries (9% for example in Austria and the Netherlands).

In the southern neighbourhood, official figures suggest a similar situation. In fact, youth unemployment rates in the Maghreb countries are even higher than these numbers suggest due to a large informal sector and unreliable national statistics. Many young people work in precarious jobs without professional perspectives but do not appear as unemployed in the statistics. Some exemplary figures for countries of the Eastern partnership suggest a similar situation: 36% of young people in Georgia are officially unemployed.

The demographic situation combined with the unemployment rate require sensitive answers. The EU should investigate together with its neighbours how it can open up its labour market for skilled migrants. Arrangements of circular migration could be one possibility to benefit sending and hosting countries. People's mobility, exchanges between young people, between future leaders, can be a crucial element of creating ties between countries.

Demography and Youth Unemployment: A challenge for EU and neighbours



% of persons aged 65 and above

< 5%

5 – 10%

11 – 15%

16 – 18%

19% and above

● Youth Unemployment (in %)

However, let us not forget the thousands of migrants which each year try entering the EU illegally across the Mediterranean. We cannot ignore this human tragedy and we cannot leave the Maghreb regions facing this afflux of transiting migrant at their maritime borders alone. In order to enable legal migration and deal with illegal migration, an increased cooperation between the DG neighbourhood and enlargement and the DGs responsible for domestic policy, asylum and migration should be envisaged.

The ENP can only act as an efficient policy if it has the financial, human, and institutional resources, and if the member states do not contradict it with their bilateral foreign policy. The ENP thus needs the consistent and strong backing from the EU member states. The High Representative for Foreign Affairs and Security Policy should be a trusted and respected interlocutor. She should coordinate the ENP with the CFSP so that security risks do not undermine political progress and economic successes.

A thorough reform of the ENP is thus necessary if we want to create a *true* area of prosperity and stability (based on the EUs values) in our neighbourhood.

Cooperation has to be enlarged to policy fields such as trade and migration in order to really meet the expectations of the neighbours. The readiness of the neighbours to progress towards democracy should be the condition sine qua non of the cooperation.

I only touched at some aspects of reform. Knowing that the field of potential reforms is much larger, I now invite you to engage in fruitful debates on exactly this issue:

How has the ENP to be reformed so that it becomes an efficient and effective instrument serving both the expectations of the neighbours as well as of the EU? How can we break down the large ideas that we have, to specific and detailed suggestions for reforms?

I am looking now forward to our debate and hope for tangible results stimulating policy reforms for the better of our neighbours and us Europeans.

Thank you for your attention.