



The Black Sea as Epicentre of the Aftershocks of the EU's Earthquake

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It so happens that the epicentre of the EU's referenda earthquake – by way of its external impact – has now been located exactly in the middle of the Black Sea. Paradoxically, this comes at the same time that the region has begun to show signs of possibly getting a grip on itself.

Bulgaria, Romania, Turkey, Ukraine, Moldova and Georgia were the first hit by the tremors. But it goes further than that, up the Danube basin to Belgrade,¹ across the Caucasus to Armenia and Azerbaijan, and last but certainly not least up to Russia. For all states that have been espousing long-term EU membership aspirations – including all of the above, except Russia – it is now time for a reality check. For Russia, which had not anticipated this upset in the EU, it may be interpreted not so much a time for a rethink, as an encouragement not to have a rethink.

By comparison, the Mediterranean partner states of the Barcelona Process are not much affected, because the Arab states have no expectations or real desire for EU membership. One can speculate that the EU and member states may make even greater efforts to be coherent in foreign policy to compensate for their internal disarray, as for example in the ongoing case of the EU-3 initiative over Iran.

But for the Black Sea and Balkan states (in different degrees), there is a new question of strategic importance. The name of the game has changed. The prospects of accession to the EU have moved further into the distance ahead, maybe beyond the horizon. 'Pause' is the word being used, in a context where the unit of time may be a decade. Can the EU's hugely successful political conditionality machine and gravitational powers of attraction, as evidenced in its recent enlargement, continue to operate with some variant model of virtual, functional membership? Or, if not, are the prospects for the deepening and consolidation of democracy in these regions going to be seriously prejudiced?

Consequences of the Referenda

First come Bulgaria and Romania, which have recently signed their treaties of accession, yet now nervously wait to discover whether the ratification process is still going to be smooth. The EU is committed to take in both in either 2007, or with a year's delay in 2008 if some shortcomings are not rectified very fast. Commissioner Olli Rehn has called this the 'yellow card' treatment. The Commissioner himself rejects the idea that some member states might fail to ratify, and (thank God) all will ratify through parliamentary votes, and not by referenda. It remains to be seen whether the French or Dutch parliaments will make difficulties. The French prime minister Dominique de Villepin has said to the French national assembly that the commitment to Bulgaria and Romania should be honoured. The European Council on 16-17 June was encouraging towards both Bulgaria and Romania, noting that they will from now on participate as active observers in all Council and European Council meetings until accession day. Yet parliamentary ratification in France cannot be taken for granted, especially if Bulgarian and Romanian accession gets delayed to 2008, and the ratification laws were to come in the middle of the campaigning for the French presidential election due in 2007.

Second comes Turkey whose accession negotiations are due to begin on October 3rd. But the Turkey factor

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¹ Serbia-Montenegro is a member state of the Black Sea Economic Cooperation organization (BSEC).

was clearly a factor in the ‘no’ votes in the French and Dutch referenda. In addition there is now Schroeder’s call for early elections to take place just days before October 3rd. As of today, Mrs Merkel is likely to be the next Chancellor, and she rejects the idea of Turkish membership, favouring instead a close association arrangement with the code name ‘privileged partnership’. Moreover in France, Nicholas Sarkozy, who is positioned as front runner to succeed Chirac in 2007, agrees with Mrs Merkel on Turkey. Might Germany renege on the opening of accession negotiations with Turkey? Probably not, since the terms of the European Council’s decision of last December included a scenario for something like a privileged partnership to be the outcome of the negotiations should all the conditions for full membership not be attained. Mrs Merkel could say that her preferred outcome is compatible with the terms of reference, and therefore could agree to going ahead. Yet this would mean a bitterly confused start to the negotiations, since Turkey itself is adamantly against anything but full membership. The conclusions of the European Council of 16-17 June were ominously silent on Turkey.

Third come the other Balkans states that (as a matter of relevance to the present paper) have joined the Black Sea Economic Cooperation organization (BSEC), including Albania and Serbia-Montenegro, with Macedonia as a further applicant, and whose future has basically to be taken as part of the Western Balkans question. A few weeks before the referenda, a ‘group of wise persons’, chaired by former Italian prime minister Giuliano Amato, concluded their review of the Balkan question with the recommendation that the EU firm up the accession prospects for all countries in the region with 2014 as the target date, symbolically chosen to coincide with the centenary of the Sarajevo assassination that triggered World War I. Without this, they argued, there was a risk that the Western Balkans would relapse into a wretched ghetto surrounded by the EU. If this diagnosis is correct, some new EU strategy will have to be found, since it now seems inconceivable that the EU will embrace anything like the 2014 proposal. The European Council of 16-17 June concluded nonetheless with remarkably warm words for Macedonia and encouraging ones for Serbia-Montenegro, Bosnia and Albania. It reaffirmed the Thessaloniki commitment for all the Balkans to find their future in the EU. The most charitable comment is that the unspecified time horizon for their membership is sufficiently distant that it could allow time for the EU to sort itself out institutionally in the meantime.

Fourth come the ‘neighbours’, which EU official language uses to group Ukraine, Moldova, Belarus and the three South Caucasus states (in addition to the Mediterranean partner states). In particular, Ukraine and Georgia in their Orange and Rose revolutions have

announced their long-term membership aspirations, with precious little encouragement from the EU even before the referenda earthquake. Mrs Ferrero Waldner has been criticised for her dismissive remark earlier this year that for Ukraine “the door is neither open nor shut”. Following the referenda earthquake, many would say that it is not necessary to discuss whether is open or shut, since the conceivable time horizon is so distant. This means therefore a recalibration of discourse and expectations in Ukraine especially, with the risk that the staying power of the Orange revolution might be undermined, and with Yanukovitch and friends poised to decry the hollowness of Yushchenko’s European aspirations. This is reason enough for the EU to give maximum real content to the neighbourhood policy – to which we return below.

Fifth and finally will be the Russian reaction. Russia had recently just about got round to recognising that the EU’s enlargement had actually happened. Its Europe experts were beginning to assume that all the European CIS states would be progressively heading in the same direction, for all to become ultimately EU member states. Russia was losing, indeed seemed to have lost, its European near abroad. Russia’s political elite had also more or less come to appreciate that Putin’s aggressive near abroad policy of the last few years had been spectacularly unsuccessful, and even counterproductive in pushing Ukraine, Georgia and Moldova to the West. But no policy conclusions had been drawn, as illustrated by the very recent actions to sanction Moldova in trade and commercial policy for not being a compliant partner. And now before they had time to draw conclusions, Moscow receives new information. The seemingly inexorable expansion of the EU seems to have hit a roadblock. A specimen of Russian reactions is the following:

In this situation, Russia has a window of opportunity. Contrary to the EU with its antagonisms between member countries, Russia exercises sole political will. Russia offers its neighbours concrete and lucrative economic projects rather than hopes for integration in the distant future. Meanwhile Russia demands much less in return from its neighbours. On the contrary, each step of European integration, even the most preliminary, is accompanied by a massive number of economic and political conditions. Therefore, after the wave of ‘colour’ revolutions, the pendulum might sway in the opposite direction. Labourites in Georgia, progressive Socialists in Ukraine, and the Rodina movement in Moldova, those who strongly support integration with Russia, might get their chance.²

² Alexei Makarin, Centre for Political Technologies, Moscow, RIA Novosti, 7 June 2005.

Also on EU-Russia relations, while at the summit level documents on four common spaces have been signed in May, independent analysts on both sides are skeptical and consistent in their assessments. This was seen in a recent report of a large group of Russia's leading experts on European affairs:

The larger part of the experts (65%) believes that Russia would gain from a technical pause (not a freeze) in its relations with the European Union. This pause could be used to rethink and mend negative aspects of the present format of bilateral relations. A pause is needed because the Russian economy and businesses are unprepared for closer relations with the EU. The Russian business community and even the government lack enough knowledge about EU mechanisms, while the Russian state does not defend domestic businesses from pressure of rival businesses and bureaucracy of the EU. ... Moreover the work of the 'four common spaces' would only create the false impression of progress in bilateral relations and would thus undermine stimuli for creating and implementing specific projects.³

This view is rather consistent my comments at about the same time:

The four common spaces are indeed a manifestation of the 'proliferation of the fuzzy'. They represent the outermost extension of the EU's internal logic. The European Neighbourhood Policy, which Russia does not want to be covered by, is itself a weak and fuzzy derivative of the EU's enlargement process. This neighbourhood policy is embracing the same comprehensive agenda of the EU's internal policy competences and political values, but without the mega-incentive of accession. The four common spaces are now a weaker and fuzzier still derivative of the neighbourhood policy, giving only token attention to democracy and excluding explicit reference to EU norms as the reference for EU-Russia convergence.⁴

Our conference programme document asks where the EU's expansion 'can or must stop', or how it may manage the dilemma 'between stability export and overstretch'. It seems that more answers have been delivered than expected in the time since that note was drafted. The EU's expansion has almost come to a stop (only Bulgaria and Romania are likely maybe to get through in the foreseeable future), and the hazard of

overstretch is taking priority over stability export. This is not the preference of all the member states, but the unanimity rule for enlargement means that the preference apparently revealed in two referenda becomes binding. Interestingly the 'pause' word seems to echo also on both sides of the EU-Russia relationship too, which has to be more than a coincidence.

But will concern for the possible negative impact on the aspiring neighbours reach high enough up the agenda of EU leaders for the risks to be addressed? One must be doubtful as of now, until we receive information to the contrary. The primary rifts in EU politics today are multiple and deep: between the left and right on social and market policies, between those favouring more or less Europe institutionally, between those of more Atlanticist versus Gaullist priorities in foreign policy, between those wanting to continue or stop the enlargement process, and not to forget the current unholy row over money. These cleavages are themselves quite reasonable, they are the normal stuff of politics. But the sharpness of the debates brought about by the referenda campaign seems to be consuming all energies. Could Prodi's 'everything but the institutions' be an option to mitigate the disappointment of would-be accession candidates? The answer actually is yes, and this becomes rather obvious to see, as long as eyes are opened to look beyond the EU's frontier.

In summary, the EU governments reaffirm their commitments to Bulgaria and Romania, whose Treaties of Accession have been signed, yet ratification by the French parliament cannot be taken for granted. For other candidates or would-be candidates, the general message is 'pause'. The EU will not renounce its political declarations envisaging that all the Balkans will become full members in the long-run, but the time perspective will be beyond the political horizon. For Turkey negotiations may still open in October, but they are already framed with alternative outcomes. For the Western CIS states, some of whom have been looking for political declarations about their membership prospects, such language will be out of the question for the time being.

New Tendencies in the Black Sea Region

The paradox is that this has been happening at a time when the states of the region have begun to get their act together. In February 2005, four new EU member states (Estonia, Latvia, Lithuania and Poland) joined with Bulgaria and Romania to found a 'new friends of Georgia' club, which they even called the Baltic-Black Sea axis. Saakashvili and Yushchenko have been concerting together as if blood brothers. The GUAM (Georgia, Ukraine, Azerbaijan and Moldova) summit of May 2005 in Chisinau saw the beginnings of a new

³ "Russia-EU Relations: The Present Situation and Prospects", report of a group of experts chaired by Sergei Karaganov and published as CEPS Working Document No. 225, July 2005.

⁴ Michael Emerson, *EU-Russia – Four Common Spaces and the Proliferation of the Fuzzy*, CEPS Policy Brief No. 71, May 2005.

regional politics and diplomacy. They decided that a GUAM Mark II should be reconstituted to comprise only states of the region that were seriously interested in democracy. Uzbekistan did not attend. The successor organization shall have a new name along the lines Democracy and Development Organization. Ukraine was mandated to make a proposal (but about which we have not yet heard more since). Ukraine begins to assert itself as a key centre of diplomatic initiative, seeking to complete a huge set of circles of regional cooperation in which it is always present: old BSEC, new GUAM, '4+1' with the Visegrad countries, trilaterals with Ukraine-Moldova-Romania and Ukraine-Poland-Lithuania, not to forget old CIS and the newer Single Economic Space with Russia, Belarus and Kazakhstan.

Romania too, with Captain Basescu as its new president, with its NATO membership achieved and EU membership in sight, seems attracted to promoting more assertively the idea of Black Sea cooperation. The role model of Finland in relation to its Northern Dimension initiative of the 1990s seems to have rung a bell in Bucharest. This has been only one of several examples of the familiar process whereby with EU expansion the new member state transposes its own regional foreign policy preferences into EU policy.

Could it be that the newly revolutionary states of the region will now exhibit together a democratic momentum that is sufficiently robust to resist being undermined by the receding lure of EU membership? It seems possible to sketch a new phase in the post-communist democratic transition. In the period 1991 to 2004, there was a sharp differentiation between the EU accession candidates of Central and Eastern Europe and the European CIS states. The EU candidates became deeply engaged in the EU conditionality process. The conditionality was real and became credible. For example Slovakia fell behind so seriously with the Meciar regime that it almost lost its place on the first accession train. Bulgaria and Romania were relegated to the second accession train, and even now face the prospect of a further year's penalty delay for accession. The message got home. There is a recognisable standard for real democracy, while there is also a recognisable category of phoney democracies. This became the neat distinction between the accession candidates and the non-candidates of the European CIS region. In the last year, however, the new real democracies acceded to the EU and also became the EU's new frontier states, and with Ukraine in particular. At about that time Georgia decided that it had had enough of phoney democracy and the new revolutionary episode began: Georgia, Ukraine, and then even Kyrgyzstan, and then tragically the Andijan massacre in Uzbekistan. Maybe we are witnessing another one of those pan-European revolutionary episodes with manifest contagion: 1789, 1848, 1989-

91, and now 2004-05. Perhaps the democratic transformation of the EU's new member states has already served as diffuse inspiration for democratic reform in the wider neighbourhood, even without the mechanics of EU candidature.

Four Strategic Questions on the Agenda

1. *What are the risks of eroding or reversing the convergence of these states on European values, first of all democracy?*

While the new situation will cause disappointment and bitterness in Turkey, its democracy is probably no longer at risk. Turkey seems to have ratcheted itself up to a higher quality and maturity of its democracy these last years, with the important leverage of EU political conditionality. Turkish society has taken over. It is democratic and does not want to stop being so. This view may be plausible, but it is not rock solid. One may point to the still-fragile monetary/public debt situation, and speculate that a new financial crisis could lead to renewed political instability. For the Western Balkans, there are continuing pleas coming from politicians experienced in the region that dangerous scenarios should be expected in a regional ghetto of semi-failed states. For the Western CIS states, also the Orange and Rose revolutions are still fragile and incomplete, even if there seem to have been decisive breaks in the mindsets, expectations and demands of the population in these countries. Something of a ratchet effect seems to have happened there too. It is certainly the case that the Orange and Rose revolutions were driven by domestic politics. Armenia, Azerbaijan and Moldova are candidates for following in the manner of the Rose and Orange revolutions, and Moldova and Armenian societies are especially sensitive to the idea of 'joining Europe'. EU did nothing to encourage the Rose and Orange revolutions, except for the fundamental point that it had moved its frontiers massively to the East, but this movement is now on 'pause'. To this one can add the likelihood that Russia will feel newly emboldened in its near abroad policy, just as it had begun to concede that they had lost their periphery.

Overall it is difficult to judge where the balance is most likely to fall in the spectrum between two polar views: that the region's democratic transition is put at renewed risk versus the view that it has recently acquired a renewed and irreversible (ratchet effect) momentum. This very fluidity is of course an invitation to action.

2. *Could the EU upgrade its neighbourhood policies to compensate for the receding accession prospects?*

One consequence of the referenda earthquake is that the air should be cleared of illusions disseminated by

some leaders in the neighbourhood. But could the EU upgrade its neighbourhood policy now to mitigate disappointment, and increase its policy conditionality leverage compared to the policy so far, even if this has to remain lower-powered than the leverage of accession prospects? The answer to this could be affirmative, if the Commission and member states put their minds to it. The instruments of a powerful policy exist, since they are basically the instruments of the EU's existing internal policies. The EU has already opened up a set of association models, some of which have strong content, notably the EEA + Schengen model for Norway, with the more selective Swiss variant also of interest.⁵ What is needed now is for the Commission to prepare a comprehensive set of White (or Green) Papers detailing the range of options for the partner states to associate with EU policies. Romano Prodi's slogan 'everything but the institutions' may be a starting reference. The annex to this paper sketches in some detail what this could mean, proposing seven common European policy spaces, grouped under three major headings:⁶

- I. Political and human
 1. Democracy and human rights
 2. Education
- II. Economic
 3. Macroeconomics
 4. Market economics
 5. Networks
- III. Security
 6. Justice and home affairs
 7. External security

The neighbourhood Action Plans set out huge agendas for convergence on EU norms and standards. But the Commission has so far neglected to present even the sketch of a cost-benefit analysis of which parts of its stock of laws and policies ('*acquis*') warrant priority application by associate states, and which parts they can better set aside. The Commission should now produce a set of White or Green Papers to explain for each of the relevant policy domains what the possibilities are, analysing their potential costs and benefits for application for different categories of

partner state, depending on their economic structures and level of development.

The essence would be for the EU to make an open-ended offer of 'functional membership' as and when the partner state is ready. This would mean going as far as inclusion in various policies and in some cases almost all policies, but without a vote in the legislative and decision-making institutions of the EU. Actually the EU is already saying this in general terms, but the headlong plunge by the Commission into producing bilateral Action Plans for individual partner states has left the policy side of the matrix underspecified. Full 'political membership' would be deferred until the EU's political and institutional absorptive capacity was ready for it. Norway offers the model of a non-member state's full inclusion in most EU policies, together with a fully democratic preference to remain outside the institutions. That most other neighbours are not at Norway's level of development is obvious, but that is not the point, which is rather to note that the EU retains an extremely elastic continuum of degrees of functional inclusion in its policies – even as the full membership issue is becoming increasingly difficult.

If the content of the policy were seriously reinforced (as suggested in more detail in the annex), the EU should in the new situation go an important symbolic step further and change the name. The term Neighbourhood Policy would never have been adopted if the partner states had been consulted. As a choice of brand name, it has proved to be a categorical mistake, since the partner states read it as being exclusionary, cold and condescending. What might be the alternative? One obvious candidate could be 'European Integration Policy', since that corresponds to the terms widely used in the governments of the partner states themselves. It conveys an inclusive, dynamic and forward-looking message.⁷

3. What could be the role of a renewed Black Sea regionalism?

Regionalism in the present context means the organization of cooperative activity in a natural geographic-historical region of states that find themselves on different sides of some important political divides. This is the regionalism of the European neighbourhood, which attempts to bridge the primary divides with the states of the CIS to the north and east, and of the Arab world to the south. This

⁵ Norway through its membership of the European Economic Area (EEA) is fully compliant with EU internal market law and has full market access; it is also a member of the Schengen area for the movement of persons and visa policies. Switzerland is largely but not fully a member of the EU internal market, and in June decided by referendum to join the Schengen area.

⁶ For a detailed presentation, see M. Emerson, *The Wider Europe Matrix*, CEPS, 2004; and for an updated account, *European Neighbourhood Policy – Strategy of Placebo*, CEPS Working Paper No. 215, November 2004 (available at <http://shop.ceps.be>).

⁷ This would be used especially for the European partner states, whereas the southern partner states already have the heavily branded Euro-Mediterranean Partnership (or Barcelona Process). For the Mediterranean the current neighbourhood policy is only adding a bilateral dimension to this pre-existing policy. Yet much confusion is created, and time taken in explaining that the neighbourhood policy is an additional layer of Barcelona policy and not a replacement.

regionalism has both low politics and high politics. The low politics concern the technicalities of, for example, common transport and environmental concerns, and questions of border crossings and local government cooperation, of organising youth and sport activities, of combating cross-border crime, etc. The high politics of this regionalism have been described as a unique blend of security and integration strategies, in which partial integration across the natural region – notwithstanding the primary political divides – fosters a common sense of regional trust, values and identity, and so allows soft-security models to displace hard-security concerns.⁸

The EU has invested heavily in this regionalism in the Baltic and Mediterranean Seas, with the Northern Dimension initiative and the Barcelona Process. Lip service is given to regionalism in the EU's new neighbourhood policy, but the accent there is nonetheless on bilateralism. The Black Sea has so far been the only natural region of the EU's periphery to have been ignored.⁹ This is starting to change now, with the imminence of Bulgarian and Romanian accession. The current Greek presidency of the BSEC organization has wanted to push for a Black Sea Dimension initiative, but this does not seem to have taken off. However an additional impetus seems to emerge in Romania, which begins to contemplate a Black Sea role that draws inspiration from Finland's role in the Northern Dimension, and Bulgaria would surely want to join in this (with just a hint of brotherly competition as seen between Finland and Sweden). The Commission is of course aware of this normal post-enlargement EU dynamic, and begins to inscribe the words Black Sea into its neighbourhood policy documents more freely. The new neighbourhood financial instrument is explicitly designed to serve the purposes of neighbourhood regionalism, to facilitate cross-regional initiatives with a single instrument.

If the moment for a new impetus for Black Sea regionalism seems to have come, it remains to be determined who will take the diplomatic initiative, and which organizational route might be taken as between several options: a) re-animate the semi-dormant BSEC with an infusion of resources from the EU, b) back the emerging GUAM Mark II, for which Kiev has not yet delivered its promised proposal, and which would be for 'democracies only', excluding Russia for the time

being, c) an EU-Black Sea Dimension, d) a NATO-Black Sea Dimension or e) some new developments built on all or several of the preceding four options.

While the presumption in favour of enhanced Black Sea cooperation is now strong, it is far from obvious how a fresh initiative might most plausibly be initiated. There is a complex set of political jealousies inhibiting too much leadership from any of the big players – Turkey, Russia, Ukraine, EU, NATO or US. Even Ukraine, which has no negatives to its historical balance sheet, cannot be too pushy without upsetting Turkey, which is not in GUAM.

Some years ago, BSEC invited the EU to become an observer, which it declined, although it may now be persuaded to take a more positive view. More recently, however, Russia has been saying to BSEC high officials that active EU involvement would not be welcome. BSEC has also recently declined the offer by the US to become an observer of BSEC, which does not yet have a reply.

Maybe the line of least resistance would call for Bulgaria and Romania – as new member states (setting aside for the moment the remaining uncertainties over their accession) – to propose to the EU to co-sponsor a fresh initiative that might be called the Black Sea Forum. This would draw on the experiences of Finland's Northern Dimension initiative and the Balkan Stability Pact. Bulgaria and Romania would first form a determined alliance to be the initiators. As part of the initiating lobby, they might seek to co-opt Greece as the only pre-existing EU member state in BSEC, and Turkey as a founding state of BSEC and an EU candidate state. Following the Finnish Northern Dimension model, they would seek to get the EU to join in the initiative. The first act would be a conference of a Black Sea Forum, to which the Bulgaria and Romania with the EU would invite all BSEC member states, the BSEC secretary general and the United States. The EU would make an up-front offer of financial resources from the New Neighbourhood Financial Instrument, which is currently being finalised in Brussels, and which is being designed explicitly to solve the procedural-bureaucratic problems of supporting projects that cut across regions with states falling into different political categories for the EU (member states, accession candidates, neighbours, etc.). The EU would thus not be proposing to become a member of BSEC, but would be offering a Forum in which BSEC and its member states could submit ideas and projects of regional interest that could make use of extra resources from the EU or US. In this respect, it would also draw on Northern Dimension experience, which did not take over or displace the pre-existing Baltic or Barents Sea organizations, but offered them an enhanced political framework for their activities. It would draw on the

⁸ Fabrizio Tassinari, "Mare Europaeum: Baltic Sea Region Security and Cooperation from post-Wall to post-Enlargement Europe", Institute of Political Science, University of Copenhagen, 2004.

⁹ A comprehensive account of Black Sea cooperative initiatives to date is given by Mustafa Aydin in "Europe's New Region: The Black Sea in the Wider Europe Neighbourhood", *Southeast European and Black Sea Studies*, Vol. 5, No. 2, May 2005.

Balkan Stability Act model in including the US. Following a first meeting of the Black Sea Forum, the EU Commission would draw up a Black Sea Action Plan in the framework of its neighbourhood policy. The Black Sea Forum might meet with some regularity, without becoming institutionalised. Technical work on various sectors of policy or projects would be followed up in groups of the most interested parties or other network arrangements.

A final political question is whether Russia would join in such an initiative. According to past experience, Russia will initially express its scepticism or hostility. However, when the invitations go out for the first meeting of the Black Sea Forum, it might become apparent that all the invitees except Russia were accepting, and then Russia would come along too.

4. What about the US and NATO?

President's Bush's visit to Tbilisi in May was an eloquent testimony to the effectiveness of US diplomacy as a morale booster for democratic spirits in the region – whatever one's views are about his leadership on other accounts. Already in Turkey voices can be heard saying that the US should be looked to again as a primary source of political support, whereas a year ago the EU had been moving into the primary position. The same argument may be valid for Ukraine, although here there is still ample room for an upgrade in the EU relationship.

The same logic applies for NATO, which however is anxiously looking for its role in the northern suburbs of Brussels. In the new situation with diminished EU enlargement prospects, NATO has an opportunity to do something of great political value, namely to help anchor the most interested neighbourhood states – Ukraine, Moldova and Georgia for the time being – into the Euro-Atlantic community. The range of cooperative activities between NATO and its neighbours has been developing abundantly.¹⁰ Even in the Black Sea there are now going to be cooperative naval operations under the 'Active Endeavour' initiative, which was initially just a Mediterranean affair. More fundamental of course is the NATO accession question. Article 10 of the North Atlantic Treaty states: "No European democratic country whose admission would fulfil the objectives of the Treaty will

be excluded from consideration [for an accession invitation by the Allies]". Full accession has to be prepared by Membership Action Plans (MAP). NATO accession is certainly subject to conditions, but these are much simpler and less demanding than with the EU. Is there a risk that NATO would, like the EU, run the risk of over-expansion, making itself dysfunctional? To a degree yes, and many member states are concerned to digest the last NATO enlargements still, but the risks are less forbidding than for the EU. On the strictly operational military side, the US has already amply demonstrated that it can easily, and even prefers to, undertake military actions on a 'coalition of the willing' basis. On the other hand, the political value of NATO in Eastern Europe can be very vivid.

Conclusions

1. The EU's referendum crisis has worrying implications for all Black Sea littoral state that have either short- or long-term aspirations to join the EU, which means the whole of the Black Sea region except Russia.
2. It may be speculated whether, where or how far the Europeanising transformation of some states of the region may, as a result, be undermined. Such risks should not be exaggerated, nor dismissed.
3. But in any case, the EU could and should upgrade its neighbourhood policy to reduce these risks. The strengthening of its content should be accompanied by a re-branding of the policy, scrapping the condescending 'neighbourhood' name, to become instead 'European Integration Policy'.
4. Moreover, the time has come for some new Black Sea regional initiative. The issue is not so much whether, but how, given well-known political sensitivities. A line of least resistance might be for Bulgaria and Romania as newly acceding EU member states to co-sponsor with the EU an invitation to all Black Sea states, the BSEC chair in office and secretary general, and the US to a Black Sea Forum.
5. US bilateral activity in the region will doubtless be vigorous. Prospects for NATO membership for Ukraine, Georgia and Moldova could and should be advanced.

¹⁰ A thorough report on "NATO's Role in the NIS Area" has recently been published by the Centre for Eastern Studies, Warsaw, May 2005.

Annex

How to Upgrade the EU's European Neighbourhood Policy (ENP)

The Commission should prepare White (or Green) Papers for each of the seven policy spaces, detailing the options as regards degrees of alignment/inclusion in EU policies, and the associated costs and benefits for different categories of associate states; i.e. while focusing on the ENP partners, this should draw on the experience of the European Economic Area (EEA) and the Stabilisation and Association Agreements (SAAs).

1. Democracy & human rights. No problem with the norms for European neighbours. All are members of the Council of Europe and the Court of Human Rights. The EU could further its cooperation with the Council of Europe, co-funding a wide range of training programmes for civil society, media freedoms, judiciary and penal systems and offering constitutional advice, etc.

2. Education. Valuable progress has been made in bringing neighbours into the Erasmus and Tempus programmes, inter alia, for student scholarships and exchanges; also in 'Bologna process' for harmonising and mutually recognising academic standards. These programmes should be fully resourced and are an unquestionable priority.

3. Macroeconomics. The Maastricht criteria are useful benchmarks for public deficits and debt for all. The EU can contribute macro-financial assistance in co-financing and coordination of conditionality with the IMF.

4. Market economics. One of the major tasks is to translate vague ideas such as 'a stake in the internal market' and 'deeper integration' into operational detail. This requires that the Commission takes the lead in a) promoting trade policy liberalisation (free trade and customs union options) and b) working through the *acquis* for goods, services, labour and capital markets, analysing the costs and benefits of compliance by neighbourhood states for each important line of policy action. This requires a special effort of policy analysis and definition first of all by the Commission, since compliance is voluntary for neighbourhood partners, unlike for accession candidates for whom it is mandatory. Choice among complex options requires good information, which today is inadequately available, especially for governments with weak staff resources. Recommended plans of action for given sectors (such as financial and transport services) need to arrive at an optimal blend of EU *acquis* compliance and 'Washington consensus' policies, in turn requiring close coordination with the World Bank, as well as the EBRD and the EIB.

5. Networks. Progress is being made in the planning and implementation of pan-European transport and energy infrastructures, but with priority so far given to financing the extension of networks east into the new member states. The extension of core networks into neighbourhood states needs now to be upgraded, and to some extent this is happening (e.g. for electricity networks in southeast Europe). The resource of the EIB should be made as fully available for the Black Sea neighbourhood states as for the Mediterranean.

6. Justice and home affairs. The Commission should produce operational guidelines for what partner states have to do in relation to the hierarchy of degrees of openness for the movement of persons: visa-free status, less restrictive migration conditions, completely free movement and access to the labour market.

7. External security. The EU is making progress in forming Rapid Reaction Capabilities, Battle Groups and civilian peace-keeping and enforcement capabilities (gendarmerie, police, judicial, etc.) and in designating special representatives for conflict zones, notably in Black Sea area. However it has so far been timid in deploying these capabilities in such cases as Transnistria and the South Caucasus.

Regional dimensions. The Action Plans of the ENP are essentially bilateral, which is not a problem for the Mediterranean where the pre-existing Barcelona Process has the means to pursue possibilities at the regional or sub-regional level. However the Black Sea lacks this regional dimension, which should be rectified, with the Commission to produce a 'Black Sea Action Plan'.

Incentives. The EU has substantial incentives to offer (freedom of movement for goods, services and people; grants and loan finance; inclusion in EU policies). Yet these have not yet been put together in a clear, conditional incentive package. There is scope for obtaining stronger synergies with coordination of EU grant funding with loan/investment finance from the EIB, the World Bank and the EBRD and associated conditionalities. Hints at positive political conditionality in Commission policy documents are not yet clear and credible.

Institutions. Contrary to Prodi's 'everything but institutions' slogan, there are considerable possibilities for partial and progressive institutional inclusion, which is already starting to happen with various EU agencies, and could be extended for consultative bodies. A Green Paper exploring possibilities should be prepared by the Commission. While associate status implies of course being an outsider for main policy-making at the EU level, it is not so evident that the populations of neighbourhood states consider a seat in the EU Council of Ministers as their vital need, compared to functional advantages for the movement of persons and economic integration.

Policy Handbook. The Action Plans of the ENP already illustrate the comprehensive range of policy domains that are agreed by the partners to be relevant, as also confirmed by what is summarised above. The set of White or Green Papers recommended here should later be consolidated into a Neighbourhood Policy Handbook, whose purpose would be first to ensure coherence across the many departments of the Commission in elaborating their various elements of neighbourhood policy, and secondly to provide an adequate information base for the partner states. The Commission has not yet tried to lay out what this would mean. But it could now do this, acting within the powers that it already has. The task could be much more straightforward than the several 'missions impossible' that it has otherwise tried to undertake (e.g. Lisbon Process). The Handbook should be regularly updated.

Re-branding into 'European Integration Policy'. The term 'neighbourhood' should be scrapped, since it is perceived as condescending by the partner states and it fails to convey a constructive message.

Stratagen - Strategic Agenda for the Greater European Neighbourhood

A Programme of the Centre for European Policy Studies (CEPS), for 2005-2010

Stratagen mission statement

- To define a vision for a Wider European order and the relationship between the enlarged EU and its Arab/Muslim neighbourhood;
- To develop these proposals in-depth and in policy-operational terms;
- To combine in-house research capacity with networks of individuals from leading research institutes in the EU and the neighbourhood, and to disseminate and advocate proposals throughout the region;
- To work independently from the EU institutions but in close interaction with them; and
- To decide on the sequencing and selection of priority topics with core stakeholders.

Over the last five years, CEPS has developed an exceptional expertise in European Union policies in the area often called the Wider Europe. This has been reflected in publications that have been both regional and thematic: *CEPS Plan for the Balkans* (1999), *Stability Pact for the Caucasus* (2000), *The Elephant and the Bear – EU, Russia and their Near Abroads* (2001), *Cyprus as Lighthouse of the East Mediterranean* (2002), *Norway, the European Economic Area and the European Union* (2002), *Europe's Black Sea Dimension* (2002), *The Rubic Cube of the Greater Middle East* (2003), *The Wider Europe Matrix* (2004), *Economic Transition in Central and Eastern Europe* (2004), *Europeanisation and Conflict Resolution* (2004), *Readings in European Security*, Vols. I (2002) and II (2004). These publications and related working papers are available from the CEPS' on-line bookshop, at <http://shop.ceps.be>

CEPS has decided to build on and strengthen its work in this broad area through the **Stratagen** programme over the five-year period 2005-2010. The rationale for this initiative follows from both the EU's historic enlargement on 1 May 2004, which now leads the EU to define a new neighbourhood policy, and the unprecedented turmoil in the Middle East in the aftermath of September 11th and the Iraq war, with its consequences for transatlantic relations.

The **Stratagen** programme will be organised under the following broad geographic areas:

- Northern neighbourhood policy, covering CIS states targeted by EU neighbourhood policy
- EU-Russian relations
- Southern neighbourhood policy, covering Mediterranean states, but reaching also into what is now officially called the Broader Middle East and North Africa (BMENA)
- Implications for transatlantic relations will be considered for all three regions above.

The analytical methodology will be multi-disciplinary: political science, international relations and European studies, economics and law.

The programme is led by Michael Emerson, CEPS Senior Research Fellow, together with Daniel Gros, CEPS Director. CEPS gratefully acknowledges financial support for the **Stratagen** programme from the Open Society Institute and the Compagnia di San Paolo.

About CEPS

Founded in 1983, the Centre for European Policy Studies is an independent policy research institute dedicated to producing sound policy research leading to constructive solutions to the challenges facing Europe today. Funding is obtained from membership fees, contributions from official institutions (European Commission, other international and multilateral institutions, and national bodies), foundation grants, project research, conferences fees and publication sales.

Goals

- To achieve high standards of academic excellence and maintain unqualified independence.
- To provide a forum for discussion among all stakeholders in the European policy process.
- To build collaborative networks of researchers, policy-makers and business across the whole of Europe.
- To disseminate our findings and views through a regular flow of publications and public events.

Assets and Achievements

- Complete independence to set its own priorities and freedom from any outside influence.
- Authoritative research by an international staff with a demonstrated capability to analyse policy questions and anticipate trends well before they become topics of general public discussion.
- Formation of seven different research networks, comprising some 140 research institutes from throughout Europe and beyond, to complement and consolidate our research expertise and to greatly extend our reach in a wide range of areas from agricultural and security policy to climate change, JHA and economic analysis.
- An extensive network of external collaborators, including some 35 senior associates with extensive working experience in EU affairs.

Programme Structure

CEPS is a place where creative and authoritative specialists reflect and comment on the problems and opportunities facing Europe today. This is evidenced by the depth and originality of its publications and the talent and prescience of its expanding research staff. The CEPS research programme is organised under two major headings:

Economic Policy

Macroeconomic Policy
 European Network of Economic Policy
 Research Institutes (ENEPRI)
 Financial Markets, Company Law & Taxation
 European Credit Research Institute (ECRI)
 Trade Developments & Policy
 Energy, Environment & Climate Change
 Agricultural Policy

Politics, Institutions and Security

The Future of Europe
 Justice and Home Affairs
 The Wider Europe
 South East Europe
 Caucasus & Black Sea
 EU-Russian/Ukraine Relations
 Mediterranean & Middle East
 CEPS-IISS European Security Forum

In addition to these two sets of research programmes, the Centre organises a variety of activities within the CEPS Policy Forum. These include CEPS task forces, lunchtime membership meetings, network meetings abroad, board-level briefings for CEPS corporate members, conferences, training seminars, major annual events (e.g. the CEPS International Advisory Council) and internet and media relations.