

D1.2 SEARCH DELIVERABLE

Report on ENP Policy Concerning its Objectives and Policy Measures over Time.

January 2012



The research leading to these results has received funding from the European Community's Seventh Framework Programme (FP7/2010-2.2-1) under grant agreement n° 266834

Deliverable 1.2: Report on ENP Policy Concerning its Objectives and Policy Measures over Time.

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January 2012

1. Introduction

After the fifth enlargement round of the European Union in 2004 its external borders shifted drastically. Suddenly a range of poorer, economically and politically less stable and less democratic countries bordered the EU. In response to these changing circumstances the need was felt to create a unified policy towards the countries bordering the EU. This unified policy, the European Neighbourhood Policy, subsumed the patchwork of existing policy instruments. Its goal is to create a ring of countries around the EU with which the EU has close, peaceful and co-operative relations (COM 373 final, 2004).

The Search project will analyze the impact of this new policy on the integration between neighbouring countries and the EU in the areas of trade flows, mobility and human capital, technological activities and innovation diffusion, and the institutional environment. This report of deliverable 1.2 forms a baseline for these analyses, by offering an overview of the history and initial goals of the ENP, the development of the ENP over time, and the policy measures that have been implemented due to the ENP. Together with the report from deliverable 1.1, which gives an overview of the literature that has evaluated these policies, this report will support and inform further research of the SEARCH project.

This report consists of two working papers. In working paper 1.4 the origins and initial goals of the ENP are examined, the institutional structure that underpins the ENP is explored, the specific funding mechanisms are explained, and the implementation and evolution of the ENP through time is described. There is a particular focus on the policy in a number of themes that are relevant for the SEARCH project: trade and FDI; labour migration and tourism; research, innovation diffusion, and development; and institutions. There is also attention for the different scale levels in which these policies are implemented; at an interregional, regional, and bilateral level. This

overview is valuable because the SEARCH project will evaluate the spatial impact of the ENP in these policy themes, and provide policy recommendations. This report can provide a starting point to identify interesting policies that have been implemented, which could be further examined during the SEARCH project.

The second working paper, WP1.5, deals with the political dimension of the ENP. It analyses the rationale and motives behind the establishment of the ENP and the historical and political-economic dynamics that have shaped its structure, priorities and instruments. Through a critical review of the political and international relations literature on the topic, it reviews a number of issues that have been addressed in the academic literature, such as the role of the EU as a normative and transformative power, the limits to conditionality in the absence of a firm commitment to enlargement, the tension between political values (democratisation) and economic interests (integration, market access), and the problems of policy adaptation associated to the vagueness of a process that is inherently evolutionary and structured on a mix of multilateralist, regionalist and bilateralist elements. This review helps highlight the often contradicting priorities and objectives contained within the ENP and, by implication, the limited scope of the policy to act as an anchor for economic development in the EU's external periphery. The extent and implications of this is an issue which is taken up in the empirical parts of the SEARCH project.

These working papers together give an overview of our knowledge of both the actual implementation of policy measures through the ENP, and the political logic behind the choices for specific forms of policy implementation. Together, they set up the frame under which the subsequent analyses will examine specific aspects of the ENP as a policy seeking, amongst its other objectives, to enhance economic development and market integration in the European neighbourhood.

2. General Conclusion

This report consists of two working papers, which subsequently offer an overview of the history, structure and institutional instruments of the ENP and the policies that have been implemented due to the ENP, and a review of the political and political economy literature on the ENP. Together these working papers provide a background for the SEARCH project. This conclusion will give a brief overview of the most important conclusions of the working papers. Since the goal of this report is only to provide an overview of existing research in order to inform the SEARCH project, policy implications of this report are not further explored. The academic implications of this report for the SEARCH project will not be discussed in depth either, as that is the topic of the report of deliverable 1.3.

In working paper 1.4 a reference work is developed that provides a factual background on the history, institutional structure, and implemented policy measures of the ENP. The ENP has its roots in a 2003 European Commission communication and over the last seven years it has developed to the multifaceted policy that it is today, by gradually developing new institutional structures for specific gaps in policy. The ENP replaces or subsumes a number of previous regional and thematic policies, which are further detailed in the working paper. In the beginning period, the ENP was funded by existing funding instruments for the different regional and thematic policies it was supposed to replace. After 2006 the European Neighbourhood and Policy Instrument was developed as the main method of funding projects for the ENP. Further, the European Investment Bank has specific investment instruments that leverage funds from the European Neighbourhood and Policy Instrument to carry out investment projects in neighbouring countries.

The ENP has an interregional element, a southern and an eastern regional elements, and bilateral elements for all the ENP countries, except for a few which do not fulfill basic requirements for democracy and human rights. The most important policies and reforms that have been carried out in these elements are discussed in the working paper. This overview clearly shows that the regional and interregional aspects of the ENP are weakly developed, judging from the low amount of activity in these elements of the ENP. The bilateral elements have various amounts of activity, with some countries being extremely active and reform-minded, and other countries who have witnessed practically no progress in the reforms that are proposed by the ENP.

In working paper 1.5 the ENP is analysed from a political and policital economy perspective. Seen from this perspective the ENP sits – sometimes uncomfortably – between the realms of accession/integration and external relations. Given the emphasis of the policy on strengthening security (internally) and stability (externally), and the fact that its structure is largely built on the pre-existing instruments of accession conditionality, the main body of literature examining the ENP is located in the fields of political science and international relations – and, less so, political economy. Consequently, much less emphasis is given on the role of the ENP as a tool for economic development and convergence. The political / institutional literature identifies a number of issues with the rationale, instruments and implementation of the ENP. Analytically, these have to do with three distinctive but inter-related categories. First is the question concerning the ultimate scope of the policy. In the literature, ENP is seen as struggling to meet two sometimes conflicting objectives: on the one hand the establishment of a common security policy with its neighbours and on the other the management of their (real, perceived, or potential) accession aspirations.

Following from this, second, is the question concerning the role of the EU in this process and in particular the tension between a normative aspiration to instil 'European' values to its neighbourhood and a self-interested goal of achieving narrower economic (market access) and political (security, stability) objectives. Finally, a more central question concerns the effectiveness of the policy at large, given the above tensions. The use of conditionality, modelled as it is on the experience of past enlargements, has a number of unintended, but negative, consequences, as it blurs the objectives and scope of the policy and 'entraps' the EU into a constantly deepening process of institutional convergence and integration – which either becomes ineffective due to the absence of the prospect of accession or makes the objective of 'containing accession aspirations' largely impractical. In this process, adherence to objectives of democratisation, market openness and integration becomes piecemeal and thus the overall goal of strengthening security and stability through the economic and political development of the EU's external periphery is potentially compromised.

Together, these working papers provide a reference document which shows both the structure of the ENP and the policies that have been implemented, and the political tensions that guide the formation and implementation of these policies. The connections between these papers and the SEARCH project will be teased out more extensively in the report of deliverable 1.3.

WP1/04 SEARCH WORKING PAPER

Overview of the European Neighbourhood Policy: Its
History, Structure, and Implemented Policy Measures.

Edzard Wesselink, Ron Boschma

January 2012



The research leading to these results has received funding from the European Community's Seventh Framework Programme (FP7/2007-2013) under grant agreement n° 266834.

Overview of the European Neighbourhood Policy: Its History, Structure, and Implemented Policy Measures

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Abstract

The objective of this study is to provide an overview of the European Neighbourhood Policy (ENP). Focus will be on the history of the ENP and its goals, the institutional structure of the ENP, and the policy measures that have been carried out through the ENP. The evolution of the ENP is traced from its origins in a 2003 European Commission communication to the broad and multifaceted policy that it is nowadays. Then the institutional dimension of the ENP, with both its thematic and spatial elements, on a subnational, national, regional and interregional level, will be explored. Finally an overview will be presented of the specific policy measures that have been implemented on an interregional, regional, and national level.

Keywords

European Neighbourhood Policy, Historical Overview, Policy Implementation

Acknowledgments:

This research was supported by the Project Sharing Knowledge Assets: InteRregionally Cohesive NeighBorhoods (SEARCH) within the 7th European Community Framework Programme FP7-SSH -2010.2.2-1 (266834) European Commission.

¹ Many thanks go out to Andrea Ascani, who has contributed the country reports for Morocco and Tunisia.

List of terms

AA = Association Agreement

ACAA = Agreements on Conformity Assessments and Acceptance of Industrial products

BSS = Black Sea Synergy

CARDS = Community Assistance for Reconstruction, Development and Stability

CFSP = Common Foreign and Security Policy

CIB = Comprehensive Institution Building

DCFTA = Deep and Comprehensive Free Trade Agreement

DCI = Development Cooperation Instrument

EBRD = European Bank for Reconstruction and Development.

EDSP = European Defense and Security Policy

EIB = European Investment Bank.

EIDHR = European Instrument for Democracy and Human Rights

ENP = European Neighbourhood Policy

ENPI = European Neighbourhood and Partnership Instrument

EP = Eastern Partnership

EPF = Eastern Partners Fund

ERA = European Research Area

EES = European Security Strategy

EU = European Union:

FEMIP = Facility for Euro-Mediterranean Investment and Partnership

PHARE = Poland and Hungary: Assistance for Restructuring their Economies

FTA = Free Trade Agreement

INSC = Instrument for Nuclear Safety and Control

INTERREG = Interregional Community Assistance

IRP = Inter-Regional Programme.

MEDA = Euro-Mediterranean Partnership Instrument

NIF = Neighbourhood Investment Fund.

PCA = Partnership and Cooperation Agreement

RAPEX = Rapid Alert System for Product Safety

SEARCH = Sharing Knowledge Assets: InteRregionally Cohesive NeigHborhoods

SIGMA = Support for Improvement in Governance and Management

TEMPUS = Trans-European Mobility Scheme for University Studies

TACIS = Technical Assistance for Commonwealth Independent States

TAIEX = Technical Assistance and Information Exchange instrument.

UfM = Union for the Mediterranean

1. Introduction

After the fifth enlargement round of the European Union in 2004 its external borders shifted drastically. Suddenly a range of poorer, economically and politically less stable and less democratic countries bordered the EU. In response to these changing circumstances the need was felt to create a unified policy towards the countries bordering the EU. This unified policy, the European Neighbourhood Policy, subsumed the patchwork of existing policy instruments. Its goal is to create a ring of countries around the EU with which the EU has close, peaceful and co-operative relations (COM 373 final, 2004). The Search project will analyze the impact of this new policy on the integration between neighbouring countries and the EU in the areas of trade flows, mobility and human capital, technological activities and innovation diffusion, and the institutional environment.

In this working paper the origins and initial goals of the ENP will be examined, the institutional structure that underpins the ENP will be explored, the specific funding mechanisms will be explained, and the implementation and evolution of the ENP through time will be described. There will be a particular focus on the policy in a number of themes that are relevant for the SEARCH project: trade and FDI; labour migration and tourism; research, innovation diffusion, and development; and institutions. There will also be attention for the different scale levels in which these policies are implemented; at an interregional, regional, and bilateral level. This overview is valuable because the SEARCH project will evaluate the spatial impact of the ENP in these policy themes, and provide policy recommendations. This report can provide a starting point to identify interesting policies that have been implemented, which form the basis of the rest of the SEARCH project.

Over time the ENP has transformed quite drastically, and it has acquired a range of new institutional components. These new components have often been developed in reaction to weaknesses in the existing policies, and thus the structure of the ENP and the implementation of specific policy measures cannot be understood separately. In this report, for clarity, the institutional structures and the history of the implementation of policy measures will be discussed separately. Inevitably this leads to some level of overlap between the main sections. This overlap has been reduced as much as possible by use of cross-referencing, but cannot entirely be avoided.

This working paper starts out by tracing the origins of the ENP, in order to understand the underlying motivation to start the ENP. It then discusses the policy goals of the ENP, and the incentives that are used to reach the policy goals. Then, the institutional structures that fund these policies are discussed, and finally, the actual policies that have been implemented are described.

2. Origins and goals of the ENP

During the fifth enlargement round of the European Union, 10 countries joined the EU in 2004 and 2 in 2007. This shifted the borders of the EU drastically to the east, and created new outer borders in areas that are less stable and prosperous. In preparation for this shift, the European Commission produced a communication in 2003 titled: *The Wider Europe Neighbourhood, A New Framework for Relations with our Eastern and Southern Neighbours* (COM 104 final, 2003). In this communication they announced a proposal to unify the European Union's wide range of policies towards its neighbouring countries. The goal of this new unified policy would be to create a ring of friendly, stable and prosperous countries around the European Union in order to guarantee stability along the outer borders of the EU. This goal is coherent with the broader goals of the European Security Strategy, which strives to achieve a secure Europe by enhancing stability in its neighbourhood and around the world. The new policy would not offer accession perspective for these countries, as had been done before in order to drive reform in neighbouring countries. However, the policy would promote close political cooperation, close economic integration and ultimately access to the unified market, as a reward for convergence towards the EU 'Acquis' on economic regulations and progress in the areas of border security, prevention of illegal migration, an improved human rights record and expanded efforts towards democracy.

After the European council approved of the direction set in this proposal of the European Commission, the policy was elaborated upon in a further communication with detailed recommendations for concrete steps needed to implement such a policy. It was decided that the new policy would be called the European Neighbourhood Policy (ENP). Further, it was decided that this policy would build on existing policies, not replace them. Because the EU uses longer term plans for strategic development of its policies, it was decided to allow for convergence between existing policies until the end of the multiannual framework in 2006. In the new multiannual framework from 2007-2013 the ENP would incorporate all previous policies, and a new and unified funding instrument would be developed to guarantee a coherent institutional structure to support the ENP (Com 393 final, 2003).

The ENP strives to be an broad and integrated policy framework, and it encompasses almost all themes in which countries can collaborate with the EU. Some other discrete policy instruments deal with select themes, like the Instrument for Nuclear Cooperation and Safety (INSC, figure 1), but most other themes are dealt with by the ENP. The SEARCH project is mainly interested in cooperation on trade and FDI, labour migration, innovation, research and education, and institutional and cultural development and cooperation. Although the core focus of the ENP is on trade and economic

reforms, migration policies, institutional reform and collaboration in research and higher education are also part of the ENP, and all these elements are meant to contribute to the ultimate goal of creating a ring of stable, friendly and prosperous countries around the EU (Com 393 final, 2003).

Prior to the launch of the ENP in 2004 the EU supported reforms either through direct funding or through promises of enhanced relations with a range of different but partially overlapping mechanisms that each had their separate functionality and procedures (table 1). These previous policy mechanisms were all developed to support specific reform goals, and their functionality was not completely coherent, which complicated creating a comprehensive neighbourhood policy. The INTERREG programme for instance was funded from structural funds. These funds can only be used for programmes inside the EU. This means that any cross-border activity with neighbouring countries had to be funded partially by other mechanisms, which complicated project design.

Other programmes had a limited scope which created gaps in the foreign policy. The MEDA programme for instance was mostly focused on regional economic reforms and investment in order to develop a free market area, but had a weak bilateral component. The TACIS programme also had its weaknesses; it was designed to help the transition of the eastern ENP countries economies to market-led economies by giving technical assistance, and therefore had a much weaker focus on investment and on regional economic reforms (COM 628, 2004; COM 393 final, 2003).

Table 1 Policy mechanisms that preceded the ENP

| Name | Function |
|----------|--|
| INTERREG | To increase cross-border cooperation within the EU in order to enhance internal cohesion and dissipate borders. |
| TACIS | To support commonwealth of independent states (CIS)*. Regional, cross-border, and interstate elements, focused on technical assistance to enable political reform and transitioning to market economy. |
| MEDA | To support cooperation between Mediterranean countries and EU. Decisions made through the Barcelona Process. Mostly regional, goal to support creating free-trade area by promoting reforms and investing. |
| PHARE | To support East European countries in the EU accession process, mostly by providing support and funding for the adoption of EU Acquis. phased out after 5 th enlargement in 2004-2007 |
| CARDS | To Support Balkan countries in economic reform, reconstruction |

Source: COM 628, 2004

*Former Soviet-Union republics

The ENP was meant to rationalize and streamline this complex and sometimes overlapping set of programmes. This policy would be a one-stop shop for regional development and convergence in all partner countries that were not on track for accession to the EU. At first, the Balkan countries, supported through the CARDS programme, were also supposed to become part of the ENP (COM 628, 2004). A later decision by the council shifted the CARDS programme to the Instrument for Pre-Accession Assistance (EC 766, 2006). This instrument, launched in 2007, was meant to unify the variety of existing policy mechanisms that support accession countries. The Instrument for Pre-Accession Assistance will not be further analyzed in this report.

The ENP was initially supposed to incorporate Israel, Jordan, Moldova, Morocco, Palestinian Authority, Tunisia and Ukraine. All these countries had already formalized their contact with the EU in either Association Agreements (AA's) for the Mediterranean countries or Partnership and Cooperation Agreements (PCA's) for the eastern ENP countries. Belarus, Lybia and Syria were offered the possibility of joining the ENP as soon as they carried out the internal political reforms that would allow them to sign AA's or PCA's. (COM 373 final, 2004). Armenia, Azerbaijan and Georgia, though they do not directly border the EU, also wanted to be included in the ENP. In June 2004, it was decided that these countries could indeed become part of the ENP (COM 795 final, 2004).

Russia was also asked to participate in the ENP, but in subsequent negotiations it was decided that a separate policy instrument would be developed to guide Russian-European foreign policy (COM 393 final, 2003). This separate policy instrument, called the EU-Russia strategic partnership, has similar goals to the ENP and is funded through the same funding instrument, but differs in terminology. Russia for instance did not sign an action plan but developed a roadmap (table 2). The separate policy instrument, and its similarities and differences with the ENP, will be further elaborated upon in section 5.4.12 in the Russian country evaluation. Later on, even more countries requested or were invited to join the policy. Table 2 gives an overview of the countries participating in the ENP with details on the dates of important ENP milestones, and the extent of collaboration the EU has with these countries.

Table 2: Overview of countries that are part of the ENP and ENP milestones.

| Country | Initial EU Contract (PCA or AA) | Ratification Action plan | CFSP invitation* | FTA provisions** | |
|--------------------|----------------------------------|--|--------------------------------------|------------------|-----|
| Southern Countries | Algeria | 2005 | Roadmap, Negotiations pending for AP | No | No |
| | Egypt | June 2004 | March 2007 | No | No |
| | Israel | June 2000 | May 2005 | No | No |
| | Jordan | May 2002 | January 2005 | Yes | No |
| | Lebanon | April 2006 | January 2007 | No | No |
| | Libya | negotiations pending | No action plan yet | No | No |
| | Morocco | March 2000 | July 2005 | No | No |
| | Occupied Palestinian territories | July 1997 | May 2005 | No | No |
| | Syria | ratification pending | No action plan yet | No | No |
| | Tunisia | March 1998 | July 2005 | No | No |
| Eastern Countries | Armenia | July 1999 | November 2006 | Yes | Yes |
| | Azerbaijan | July 1999 | November 2006 | Yes | Yes |
| | Belarus | No negotiations until human rights situation improves. | | No | No |
| | Georgia | July 1999 | November 2006 | Yes | Yes |
| | Moldova | July 1998 | February 2005 | Yes | Yes |
| | Ukraine | March 1998 | February 2005 | Yes | Yes |
| Russia | December 1997 | Roadmap adopted may 2005 | No | No | |

Source: European Commission (1997, 2011r)

*CFSP = Common Foreign Security Policy statement (Section 3)

** FTA = Free trade agreement (Section 3)

3. Policy Mechanisms

The goal of the ENP is to create a ring of countries around the EU that are stable and friendly to the EU. The EU asks the ENP countries to reform their political system in order to align with EU democratic and humanitarian standards. Countries are also asked to adapt an extensive range of EU regulations in order to comply with EU internal market standards. They further need to develop a range of institutions that can guarantee the implementation of the reforms, on a political and economic level. Finally, the EU demands resolution of a number of ongoing conflicts in the ENP countries (COM 104 final, 2003). The EU incentivises these reforms through different mechanisms. The EU directly funds the implementation of legislation and the development of institutions, and extends technical support to programmes that initiate reforms. The EU also extends the promise for enhanced relations to ENP countries that carry out extensive reforms. Finally, the EU invests in the ENP countries through different facilities of the European Investment Bank (EIB). These three types of mechanisms are further discussed in this section.

The technical assistance that the EU can provide runs either through twinning, TAIEX, or SIGMA. Twinning entails the institutional collaboration between governance structures in the EU and ENP countries. The ENP supplies funding for a specific twinning advisor to work at least twelve months in an institution in a partner country to support with the implementation of legislation that approximates the *Acquis Communautaire* (*Acquis*) of the EU. Projects can be carried out at different institutional levels, and are funded by the respective bilateral funding envelopes (European Commission, 2011s).

TAIEX stands for Technical Assistance and Information Exchange, and it was launched in 1996 to help the CEE countries in adopting relevant EU legislation and harmonizing regulation in anticipation of the 2004 accession. Since 2006 TAIEX has broadened its goals to also include technical support for the ENP countries. TAIEX differs from twinning because it involves short-term technical assistance, whereas twinning supplies long-term assistance. TAIEX programmes can for instance involve seminars or training programmes for government officials of partner countries, but it also functions as a source of information on legislative approximation issues. (European Commission, 2011t).

SIGMA, Support for the Improvement of Government and Management, is the final tool that the ENP can use to supply technical support. It was founded in 1992 to support the transition in 5 former Soviet Union republics through the development of good governance and management. Since 2008, SIGMA also includes the ENP countries. Whereas the previous two mechanisms are mainly directed at support for legislative approximation, SIGMA is mainly involved in strengthening governance and

management structures. Its assistance is short term to medium term, and it is directed at high-level government officials, both decision makers and civil servants (SIGMA, undated).

The enhanced relations that are offered through the ENP are economic, political, and also cover a range of other thematic topics, but the economic relations are central in the policy. First and foremost, free access to the internal market is an important component of the promise of the ENP. This free access can be extended on different levels. An example is offered by the FTA's that have been agreed upon through the Barcelona process and are being phased in between the southern ENP countries and the EU. These FTA's reduce tariff barriers for manufactured goods and agricultural products over a twelve year period. Enhanced FTA's could go beyond the reduction of tariff barriers for goods and also liberalize the trade in the service industry. An even more extensive agreement could be reached by signing Agreements on Conformity Assessments and Acceptance of Industrial products (ACAAs). These agreements would allow industrial products from ENP countries to enter the internal market without any further testing, and would therefore remove most non-tariff barriers (SEC 1512/2, 2005). The concluding step would give ENP countries similar ties with the EU as the countries in the European Economic Area. The policy would in effect offer anything but accession in economic issues (COM 104 final, 2003).

The ENP can also offer enhanced relations in the political sphere. The EU has a Common Foreign and Security Policy (CFSP) which deals with trade, aid and security. Through this policy regular statements are issued, and ENP countries can be invited to support these CFSP's on a case-by-case basis (Table 1). Being invited to join the CFSP is a significant sign of political cooperation and trust. Action based on these statements is carried out through the European Security Strategy (ESS) and the European Defense and Security Policy (EDSP). ENP countries can also be asked to join these institutes.

The possibility also exists to invite the ENP countries for a range of other EU programmes, or to enter specific agreements that would enhance relations in a thematic area. These mechanisms can be used to create a broader integration between the EU and ENP countries in multiple thematic areas, and can be used as an extra incentive for further reforms. It is possible to accept ENP countries to thematic programmes like TEMPUS, which supports collaboration between universities to realize a common European Research Area and supports researcher mobility, or programmes like LIFE+ or Erasmus Mundus, which respectively work on environmental protection and student mobility (COM 373 final, 2004). It is further possible to create specific collaboration networks that enhance a specific collaboration network. These mechanisms should ensure cooperation on a broad range of themes beyond strict economic and political collaboration. Because the SEARCH project will

analyze the effectiveness of the ENP on a range of themes, the specific agreements that are relevant will be further discussed in section 5.

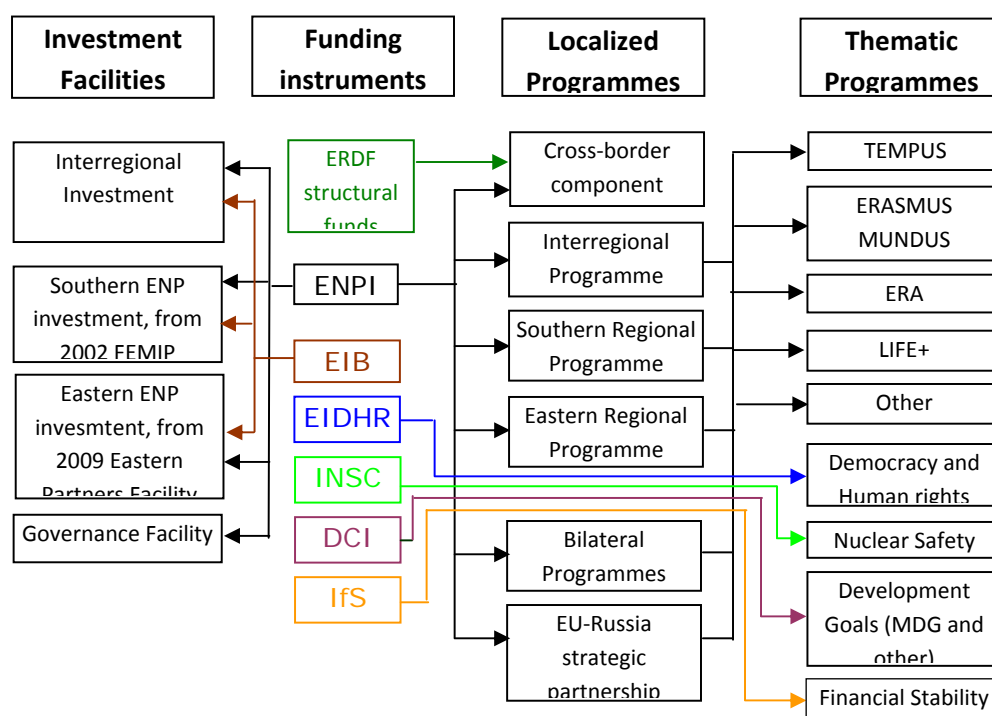
Finally, the ENP has the possibility of investing in ENP countries through the EIB. Investment facilities exist on both an interregional level for all ENP countries, and on a regional level for either the southern or the eastern ENP countries. The Neighbourhood Investment Facility (NIF) was founded in 2007, and leverages funding from the ENP to invest in interregional projects (interregional strategy paper 2007-2013). The FEMIP was founded in 2002, and before the launch of the ENP invested in countries of the Barcelona Process. Since 2004 it invests in the countries of the ENP, and it also receives some funding from the ENP to leverage investments (southern ENP strategy paper). Finally, the EIB has always invested in the eastern region through the leverage of EU funds and with an investment mandate, but since 2009 it has a special facility, the Eastern Partners Facility (EPF) (EIB, 2011a).

4. Funding Instruments

The three types of mechanisms: technical and financial support, promise of enhanced relations, and investment facilities, are the core drivers of reform for the ENP. This section will explore the specific structures that underly the ENP.

As explained in section 3, the ENP had a transition period from 2004 until 2006 in which previous policies had time to work on convergence and harmonization, and complete institutional integration was launched during the new multi-annual framework from 2007-2013. This was also when the funding instruments for the ENP were harmonized. Previously, all policy instruments as mentioned in table 1 had their own funding instrument. From 2007 on, most of the funding was centralized in the European Neighbourhood and Partnership Instrument (ENPI). Figure 1 shows the funding structure of the ENPI. The ENPI funds a range of localized programmes, and it funds investment facilities. The thematic programmes that concern ENP countries are partially funded by the localized programmes, and partially by separate funding instruments.

Figure 1: Structure of the ENPI



Sources: EaPCommunity (2011a), European Commission (2007a1-2007d1)

The ENPI funds all localized programmes; it funds inter-regional programmes, regional programmes, bilateral programmes, and the EU-Russia strategic partnership. The cross-border programme is co-funded by the structural funds, because cross-border programmes also involve areas within the EU. The parts of cross-border programmes that take place within the EU are funded by the structural funds (Figure 1). The bilateral programmes attract the vast majority of funding. The exact division of funds is discussed later in this section.

The EU has a range of thematic programmes that are open for the ENP countries. Most of these thematic programmes do not have an independent funding instrument, but they are funded by the appropriate localized programme. This means that any student exchange activities in for instance Armenia are funded through the Armenian bilateral programme (COM 628, 2004). For some thematic programmes however it is deemed necessary to have independent instruments, either because they are not dependent on bilateral or regional cooperation, or because the goals of the instrument do not overlap with the broader goal of the ENP. The European Instrument for Democracy and Human Rights (EIDHR) for instance has its own instrument so it can approve of projects that are not necessarily approved by the receiving country (EuropeAid, 2011). The Instrument for Nuclear Safety and Cooperation (INSC) also has its own funding instrument, and it is

mainly active in Russia and Ukraine. Because some ENP countries are relatively poor, even the Development Cooperation Instrument (DCI) has some activities in ENP countries. Finally, the Instrument for Stability is meant to ensure economic stability in the EU, and if necessary it also supports neighbouring countries (Figure 1).

Finally, the ENPI also encompasses a range of investment facilities. Leveraging grants from the ENPI, the EIB invests in interregional or regional projects through either the interregional or regional investment facilities. The NIF was launched in 2007 to enable interregional investment. The southern regional investment facility is called the FEMIP, and it has existed since 2002. Before 2002 the EIB did have an investment mandate for the region. In the eastern region, the EIB has also had an investment mandate, but since 2009 it has its own investment facility called the Eastern Partners Facility (EPF) (Figure 1).

The specific level of funding received by the different localized programmes and investment facilities is surprisingly difficult to trace. The EU has published indicative programmes that project the budget for the different localized programmes over the 2007-2010 period, and for the 2011-2013 period. However, some of these documents cannot be found in the EU document repository, like the indicative programme for the southern ENP countries in the 2011-2013 period, or the indicative programme for the EU-Russia strategic partnership over the same period. It is unclear if these documents have not yet been authored or if they have not yet been made accessible. To complicate matters, data given on the websites of the localized programmes sometimes contradicts data in the indicative programmes. This could be due to the fact that actual expenditure can differ from projected budgets, especially with demand-driven programmes like TAIEX, but this is not clearly stated.

The EU does publish yearly accounting data, but EU accounting data is only given on an aggregated level, in which the ENPI has a single budget line, or on a highly disaggregated level. This means that it is by no means trivial to reconstruct actual commitments and payments of the different programmes and investment facilities within the ENPI. Since this deliverable only strives to give an overview of the ENP, an accurate reconstruction of spending within the ENP is not attempted, and only the projected budgets as mentioned in the indicative programmes is given. Other sources, when used, are clearly marked. Therefore, the data in table 3 should be seen as indicative only, and be treated with the necessary precaution.

Table 3: Budget of localized programmes and investment facilities (In million euros)

| Instrument | 2007-2010 | 2011-2013 |
|---------------------------------------|-----------|-----------|
| Interregional Programme | 273.9 | 307.7 |
| Southern Regional Programme | 343.3 | 288* |
| Eastern Regional Programme | 223.5 | 262.3 |
| Bilateral Programmes | 3034 | 2783.4** |
| EU-Russia strategic policy | 120 | *** |
| Cross-border Component | 277.1 | 535.2 |
| Neighbourhood Investment Facility | 250 | 450 |
| Southern Regional investment Facility | 128 | *** |
| Eastern Regional Investment Facility | 21.5 | *** |

Notes: *Source: European Commission (2011u)

** Incomplete because data missing on Tunisia and Russia.

***Data missing because indicative programme of this period was not published, or did not mention budget. Other sources could not be found

Sources: European Commission (2007a-2007q2, 2011a-2011q)

The previous funding instruments that dealt with ENP countries had a total budget of 8.4 billion euros for the 2000-2006 framework period. The ENPI budget for the 2007-2013 framework period is around 12 billion, which gives a 32 per cent increase in real terms (European Commission, 2011u). As can be seen in table 3, the lion's share of the funding is earmarked for bilateral programmes. There is also some funding for cross-border, regional and interregional cooperation. In table 3 the first column covers 4 years and the second column covers 3 years, which means that yearly funding slowly increases during the 2007-2013 period. The funding for the Russia-EU strategic partnership was 120 million euros for the 2007-2010 period. To date no new indicative programme for the 2011-2013 period has been launched. The website of this partnership suggests that due to strong economic growth of Russia the majority of funding for Russia has been cut, and only a few reform programmes still get limited funding. It is not clear however how much funding will go to the EU-Russia strategic partnership in the 2011-2013 period (EEAS, 2011a).

The direct support of the investment facilities by the ENPI is also limited in scale, but due to leveraging quite a significant sum can still be invested (interregional strategy paper). Again, the exact level of investment by the EIB is difficult to determine, but the FEMIP has invested over 12 billion

euros between 2002 and 2010. In the eastern region, the mandate of the EIB over the 2007-2013 period covers 3.7 billion euro's, plus an additional 1.5 billion euros due to the launch of the EPF (EIB, 2011b).

5. Policy measures and institutional changes through time

Over the years the ENP has been subject to regular evaluations, which have led to a constant development of the policy and of the mechanisms used to reach the goals of the policy. This section will describe the policy measures that have been carried out within the ENP through a reading of the regular evaluation reports that the European Commission authors, and the changes in institutional structures that have happened over the years. The ENP explicitly recognizes the need for geographic targeting of policies at the right scale level, by incorporating a cross-border, bilateral, regional and interregional component. The SEARCH project strives to research the impact of these policies at the right spatial scale, and will not limit itself to analyses at a national level. That is why it is important to describe the ENP instruments on all different scale levels.

The policy will first be discussed on an interregional level. Then the eastern and southern regional policies will be described. Finally this section concludes with a country-by-country evaluation of the implementation of ENP policies. Because all localized programmes have implemented a wide range of very specific policy reforms, only the key reforms have been emphasized that are relevant for the further SEARCH project due to their thematic relevance. Further details can be looked up in the referred progress reports, strategy papers, and indicative programmes, where the details of all reforms are listed.

5.1 Interregional policies

When the ENP was launched in 2004 it was decided that other regional policies would have two years to work on convergence and harmonization before they would be subsumed under the new ENP structure. The previous policies did not have an explicit interregional component, so in the first two years the ENP did not have a programme that focused on interregional policies. However, in 2005 and 2006 the European Commission did carry out evaluations of the complete ENP programme on an interregional level.

The 2005 evaluation report concluded that most of the first reforms of the ENP had been carried out in the area of trade, regulation harmonization, and economic reforms (SEC 1512/2, 2005). The southern ENP countries at that time already had FTA's that phased out tariff barriers over a twelve-year period. The intention of the ENP was to strive for further reforms and eventually reach enhanced FTA's. In this light, the southern countries of the ENP committed to realizing Agreements on Conformity Assessments and Acceptance of Industrial products (ACAAs). These agreements

would allow industrial products from partner countries to enter the internal market without any further testing. The first negotiations also started with selected countries to expand existing FTA's to the market for services and establishments.

The 2006 evaluation of the ENP reaffirmed that most reforms that were carried out due to the ENP were in the area of trade and economic reforms, but progress on democratic and human rights reforms was slow and haphazard. The evaluation blamed the particular structure of the ENP for the slow uptake of reforms. The ENP does support short-term reforms with funding and technical support, but in the end the strongest motivation for reform is the potential enhanced access to the internal market. However, it was unclear what reforms countries need to carry out in order to become eligible for this type of access, and formal negotiations for access treaties would not even start before a large part of the regulatory harmonization has taken place. This means that the costs for partner countries of the ENP are front-loaded, whilst the rewards of the ENP are back-loaded. Aligning the policies of a country towards the Acquis is a very costly and time-consuming affair, but the benefits regarding enhanced market access can only be reaped once these alignments have been made. This creates little impetus for politicians to follow up on the promises of the action plans (COM 726 final, 2006). The European Commission also commissioned a report by the TEPISA offering a more detailed analysis of specific bottlenecks in the ENP (Avery & Nasshoven, 2008).

Based on this evaluation the Commission launched a series of discussions in order to strengthen the ENP. These discussions resulted in a series of non-papers, which analyzed the possibilities for improvement of the ENP in different areas to make the policy more effective. This resulted in a final communication which sets forward a range of proposals to strengthen the ENP (COM 774, 2007). Two of the suggested reforms would improve the enhanced relations that the ENP promises the ENP countries, and the other reforms would create more short-term benefits for reform.

The first proposed change to the enhanced relations would be to introduce the possibility of Deep and Comprehensive Free Trade Agreements (DCFTAs). A DCFTA is a specific form of an enhanced FTA in which industry, agriculture and services are incorporated. Further, it does not only remove tariff barriers, but also on non-tariff barriers to trade. By striving for DCFTA's with the ENP countries, the benefits of the ENP would become larger, which should enhance the power of the ENP to create incentives for reform (European Commission, 2006a).

It was also concluded that free movement of people should be a more central focus of the ENP (COM 774, 2007). At that time even officials from ENP countries that travelled to Brussels for negotiations often encountered problems with acquiring temporary visa, and partner countries often mentioned difficult visa procedures as a major disincentive for further integration (COM 726

final, 2006). It was decided that visa negotiations should be started with most ENP countries in order to make the ENP a more attractive policy for partner countries. Most of the southern ENP countries are already part of special visa regulations and Ukraine and Moldova had just started visa negotiations with the EU (Section 5.4), so this issue was most relevant for Georgia, Armenia, and Azerbaijan. However, there was still significant space in the existing treaties to further decrease the barriers for mobility (European Commission, 2006b).

The first change to the ENP that would create stronger short-term incentives for reform was the governance facility. The governance facility was suggested as a method to create short-term reform incentives. This facility would yearly reward the country or countries that had been carried out the most extensive reforms. The specific norms used to decide what countries are entitled to the governance facility were further described in a note of the European Commission (European Commission, 2008a). Each year this facility would reward the countries that have made the most progress in reforming the political system to become more democratic and human rights oriented. This reward for the countries that have progressed the most would free up extra money for reforms for those countries that have the most goodwill and perspective to advance, whilst at the same time motivating other countries to prioritize their reforms (COM 726 final, 2006).

It was also decided to develop a new funding mechanism that would increase the impact of the ENP. It was concluded that the funding of the ENP was relatively limited in comparison with its goals. In order to leverage the impact of the funds, it was decided to start a Neighbourhood Investment Facility (NIF) through the EIB. The ENP funding, combined with voluntary country contributions, can be used as a loan guarantee that would enable the EIB to invest a multiple of this amount in projects in the ENP countries (COM 774, 2007).

Finally the ENP launched InterRegional Programme (IRP) in 2007. This programme would fund all projects that have an interregional character. In the strategy paper of this programme, it was decided among other things to extend the TAIEX thematic programme to all ENP countries, in order to speed up the implementation of reforms. It was further decided to implement a specific scholarship programme for the ENP countries within the Erasmus Mundus programme, because experience with earlier student mobility programmes have shown the effectiveness of those programmes for furthering cooperation (European Commission a1).

In 2008 and 2009 few structural reforms on an interregional level were initiated, most notably the extension of SIGMA, Support for Improvement in Governance and Management, to nine of the ENP countries in 2008 (Website Sigma). Many of the changes proposed in the 2007 evaluation were implemented. Initial studies were done for the viability of DCFTA's in Georgia, Armenia, and Ukraine,

enhanced visa agreements were implemented with Ukraine and Moldova, and discussions for further trade liberalisations were executed with Egypt, Israel, Morocco and Tunisia. A conflict between Russia and Georgia suggested that ENP's capacity of resolving existing territorial disputes is still limited. However, the EU did support the cease-fire process and immediately continued further reform negotiations with Georgia. Overall, as in previous years, most progress was made in trade and economic reform, and politically little to no reform was visible (COM 188/3, 2009: COM 207, 2010). The details of these and other important events are further discussed in the country overviews of section 5.4.

The political turmoil in the spring and summer of 2011 took the European Commission by surprise. One of the primary goals of the ENP was political reform, but all yearly evaluations suggested that the ENP was largely ineffectual in reaching this goal. The drastic political shifts that were not related to any ENP policy in the Middle East underscored the weakness of the political dimensions of the ENP. This could explain why the communication that should review the implementation of the ENP on interregional level in 2010 is completely focused on the political turmoil in the spring of 2011 in the Mediterranean area, and does not give information about the implementation of the ENP in 2010 at all (SEC 638, 2011). Together with the communication: *"A New Response to a Changing Neighbourhood A review of European Neighbourhood Policy"* (COM 303, 2011) it gives an analysis of the primary weaknesses in the ENP in effecting political change, and suggests some immediate policy responses and structural changes to the ENP.

Some of the direct policy responses included increasing the investment mandate of the EIB in the southern ENP countries by 1 billion euros, and proposing that the EBRD would also open up its lending facilities to the southern ENP countries. Further, the indicative programmes of the countries where political unrest erupted were screened, and adjustments were made to projects that could not or should not be carried out. A humanitarian mission was launched for the affected countries. A later military intervention in Lybia was carried out through the EDSP, so the ENP does not have documents relating to this intervention (SEC 638, 2011).

A number of more structural changes were also proposed. In order to further incentivize reform, it was proposed that for future funding rounds the level of funding for a country would depend on the level of reforms that had been carried out in the years before. The European Commission also invented the term Deep Democracy as a goal for future reforms. Deep Democracy goes beyond elections and includes strong provisions for free press, an independent judiciary, strong systems in place to fight corruption, and democratic control over armed forces. In order to promote deep democracy a European Endowment for Democracy was launched, which would yearly reward an

organization or institution that has done the most to enable democratic reform. Finally, a dedicated Civil Society Facility would be launched to strengthen the civil society in ENP countries (COM 303, 2011). In order to support these ambitious steps, it was proposed that the funding in the ENPI in the 2014-2020 would be increased with over 40 per cent to 16.1 billion euros (ENPI Info Centre, 2011b).

A final 2011 report focused on the way in which the economic incentives in the form of enhanced relations could become more tangible for ENP countries and therefore more effective in instating reforms. Previous evaluations criticized the vague and undefined pathway of reforms that countries need to traverse before they can even start negotiations on enhanced relations. In this report a clear pathway is defined which countries need to work through in order to become eligible for DCFTA's, ACAA's, and other enhanced trade agreements (SEC 650, 2011).

It is not clear yet to what extent these proposed reforms will be implemented. The exact institutional structure for the European Endowment for Democracy for instance has not yet been further elaborated upon, and it is not clear how this endowment complements the existing governance facility. The details for the Civil Society Facility are likewise scant. It is to be expected that in the months following the publication of this deliverable more light will be shed on these issues by the European Commission.

5.2 Eastern Regional Programme

When the ENP was launched in 2004, few regional programmes existed for the eastern ENP countries and Russia. The TACIS programme gave technical support for the transition of CIS countries to market economies, but no integrated regional efforts existed. The implementation of the ENP changed this state of affairs drastically. The eastern countries suddenly experienced a strong upsurge of EU support on both a bilateral and regional level (COM 726, 2006).

Because the EU imports a lot of oil and gas from eastern ENP countries, it is not surprising that energy policy is at the heart of the most important regional programmes launched from within the ENP. In 2004, the Baku initiative was launched with a meeting which included representatives from the Eastern ENP countries, Russia, and 5 central Asian countries. This initiative has the goal of unifying the energy markets of the EU and the other participating countries through the harmonization of environmental, safety and efficiency standards, and a gradual liberalization of the energy markets. A 2006 meeting reaffirmed the goals as set out in the 2004 meeting (European Commission, 2006c). Although elements of the roadmap developed in this meeting were adopted by Inogate, the organization that manages energy cooperation of the EU (Inogate, 2010), and by national indicative programmes, the Baku initiative as a regional cooperation programme did not receive further attention within the ENP.

The second eastern regional policy initiative launched from within the ENP was the Black Sea Synergy (BSS) in 2007. This regional platform tries to form a basis for resolution of common problems suffered by the countries around the Black Sea in the areas of environment, transport, and energy. Since it is recognized that the existing institutional structures are already active in these areas, the main purpose of the initiative would be to: *“focus political attention at the regional level and invigorate ongoing cooperation processes. The primary task of Black Sea Synergy would therefore be the development of cooperation within the Black Sea region and also between the region as a whole and the European Union”* (COM 160 final, 2007). The initiative thus uses the existing institutional structures but focuses attention on the black sea region. Two main initiatives have followed from this initiative: the Black Sea Environmental programme, which tries to focus environmental policies of national governments and of the ENP on regional environmental problems (European Commission, 2011v), and the Black Sea Research Network, which tries to focus attention on the regional research infrastructure using the Framework Programme of the European Research Area (ERA) (BlackSeaScene, 2011). However, the BSS as overarching policy is receiving limited attention, because the commission has only reviewed its activities once, in 2008 (COM 391 final, 2008).

This lack of attention could stem from the high-profile launch of the Eastern Partnership (EP) in 2009, as yet another regional partnership. A total of 350 million euros was pledged above the funds already available for eastern regional cooperation, which might have contributed to the rapid institutional development of this initiative. New elements in this policy are Comprehensive Institution Building programmes (CIB's) which try to create synergy between TAIEX, SIGMA and twinning programmes to maximize reform potential, and an eastern civil society forum which enables regional civil society cooperation. As of yet the European Commission has not systematically reviewed the progress of the EP, but reports of the minister of foreign affairs meetings suggest that the EP lacks focus and clearly measurable results

(European Commission, 2010b).

Although the individual country reports will show that some eastern ENP countries have made considerable progress in reforms, overall the evidence for the effects of regional collaborations is weak.

5.3 Southern Regional Programme

The EU has a long history of close collaboration with the southern ENP countries. The first formal regional collaboration, the Euromed collaboration, was launched during the Barcelona process in 1995. This process started negotiations for trade reforms within the area and culminated in the signing of FTA's by the participating countries. These FTA's would gradually lower the tariff barriers on industrial products and some agricultural products over a period of 12 years. The collaboration also supported political reforms and social and cultural partnership, although the evidence for the success of these collaborations was weaker (European Commission, 2007c1).

With the launch of the ENP, the Barcelona process and the Euromed collaboration were kept intact. They became the regional cooperation structures of the ENP, whilst further bilateral collaboration was developed separately through the ENP. A 2005 summit reaffirmed the importance of the Euromed collaboration for regional cooperation and development, and set out a five-year plan in which further economic integration and political cooperation were central (EEAS, 2011b).

For the European commission security and control over migration flows are also a very important topic of collaboration. Because the majority of illegal migrants enter the EU in the Southern member states, and many ENP countries are transit countries for illegal migration from Sub-Saharan Africa, the commission emphasized the importance of initiatives to control these flows. Core goal in these policies is the control of illegal migration through readmission agreements with neighbouring countries, whilst at the same time reducing the barriers for legal migration through visa facilitation agreements (European Commission, 2007c1).

Because regional evaluations showed that progress on most contentious issues was weak at best, it was decided in 2008 that the regional cooperation needed to be revitalized. This revitalized programme would first be called the Barcelona Process: Union for the Mediterranean, and was later renamed: Union for the Mediterranean (UfM). The UfM is a regional initiative that incorporates the southern ENP countries, the accession countries Turkey and Croatia, and the Balkan countries. The UfM did not get extra access to funding, but it would be completely dependent on the existing southern regional programme funding of the ENP. The UfM did introduce new institutional structures by creating a new dedicated institution specifically to enhance regional cooperation. The UfM has a European president and a president from one of the partner countries, who are chosen every 2 years. The UfM also has a secretariat, a number of thematic working groups, and it would meet bi-annually. These meetings are meant to re-focus attention on regional development issues (UfM, 2011).

The progress of the UfM has not yet been formally reviewed by the commission, but it is telling that in the most recent ENP strategy report suggested that the UfM should be revitalized (COM 303, 2011), which suggests that in the first three years the UfM has affected relatively little change. The general evaluation of the effectivity of the ENP also devotes relatively little attention to the UfM, and only describes the institutional structures that have been implemented due to the UfM. However, it does note that the bi-annual general summits that were supposed to take place in 2010 were postponed twice, which further strengthens the suggestion that the UfM has relatively low effectiveness (SEC 880 final, 2011). Finally, a main goal of the UfM was to support regionally relevant projects. An overview of the projects initiated through the UfM can be found on the website (website UfM, 2011). This list shows that the first project that was supported through the UfM was launched in June 2011, the construction of a desalination plant in the Gaza Strip in the Occupied Palestinian territories. The two other projects that have been initiated subsequently are relatively minor, which also suggest that the UfM as of now has not significantly influenced regional policy in the southern ENP countries.

The IEMed institute, as mentioned in working paper 1.2, has done a more detailed analysis of the policy measures as proposed and carried out through the Euro-Mediterranean partnership and the UfM. Details about the progress in collaboration and reforms can be found in Lannon and Martin (2009), and details about the economic and financial dimensions of this regional collaboration can be found in Lannon (2010).

5.4 Bilateral Policy programmes

The bulk of the ENP is bilateral. The EU strives for a differentiated policy in which each country is supported to reform in its own speed, and with its own priorities. In order to achieve such a differentiated bilateral policy, it is necessary to have independent policy objectives for each partner country. That is why, after the launch of the ENP, the European Commission drafted a range of country reports that described the state of different institutions and sectors within the different countries, and the gap between the respective countries and the EU. Based on these country reports action plans were negotiated that describe key priority areas for policy reforms. The first action plans were mutually recognized in February 2005. Based on these action plans, the EU has also drafted a strategy paper for almost each country for the 2007-2013 budget framework, and indicative programmes for the 2007-2010 and 2011-2013 period. Finally, the commission yearly evaluates the policy and publishes a progress report (SEC 1512/2, 2005).

The nature of these documents precludes a simple summary. Most action plans have a list of eight to ten key priority areas, and for each priority area list an extensive range of preferred reforms. The

progress reports are similarly wide-ranging and extensive. For this deliverable, key focus will be on policies that are relevant for the further SEARCH project. The ENP has a strong focus on human rights and democracy reforms, but the SEARCH project is mostly focused on trade, the economy, research and education, and labour migration. In this overview the human rights and democracy reforms will only be discussed in case they are relevant to understand the progress of other reforms relevant for the SEARCH project, but overall the progress in democracy and human rights reforms has been much weaker than progress in economic reforms. This report will mention the most important agreements and policies that relate to these elements, but for the sake of brevity will gloss over the details. More in-depth information can be found in the referred communications. The ENP was launched in 2004 and the first action plans were adopted in 2005. However, funding for reforms in the 2005-2006 period was already decided upon earlier, and based on a range of different earlier funding instruments. Because the ENPI was instated in 2007, and ENP strategy papers were developed for the 2007-2013 funding period, this document will limit itself to reforms from 2007 onwards.

The ENP and the EU-Russia strategic partnership cover 17 countries. The EU does not yet have action plans for four of these countries, due to various reasons. Libya, Syria, and Belarus do not have action plans yet because the EU demands that a basic level of democracy and human rights is available in these countries before incorporation in the ENP can take place. As a result, the ENP does not have any activity in these countries. The EU has kept a close watch on the humanitarian situation in Belarus, and has commissioned an indicative programme for the 2007-2011 period and for the 2012-2013 period, but because the commission has not detected significant progress, no formal planning documents have been signed and these documents have not been implemented. The severe political turmoil in Libya and the armed intervention by the EU have shifted the focus of EU policy towards Libya, which is mainly governed by the European Defense and Security Policy, and the development Policy. Up to 2012 the commission has not authored reports that specifically discuss the role of the ENP post-conflict. The commission has not authored a report on the ENP and Syria in light of the sharply deteriorated situation either.

Algeria and the EU are still in negotiations over the ratification of an action plan, but in the meanwhile they have signed a roadmap with five key priorities on the basis of which the EU has developed its strategy paper and indicative programmes. Finally Russia has a strategic partnership with the EU that is substantively similar to the ENP and therefore is discussed in this report. Libya, Syria and Belarus will not be further discussed, but Russia and Algeria will be discussed in the following country reports.

5.4.1 Algeria

In 2005 Algeria signed an Association Agreement (AA) with the EU under the Barcelona Process. This AA became the basis for further contractual ties between Algeria and the EU, and among others established an FTA that would gradually phase out tariff barriers on a range of industrial and selected agricultural products over a twelve year period (European Commission, 2007e1). With the signature of an AA Algeria became eligible for the ENP. However, the negotiations on a commonly agreed action plan stalled, and up to date no mutually agreed action plan has been signed. In order to still be eligible for ENPI funding, Algeria proposed an intermediate roadmap agreement. The core goal of this roadmap was to ensure the implementation of the AA. The EU agreed to base initial funding on this roadmap, and in 2008 this roadmap was ratified by both the EU and Algeria (ENPI Info Centre, 2011a).

In the 2007-2010 indicative programme, 220 million euros was reserved for bilateral programmes between Algeria and the EU, on average 55 million a year (table 4). Because of the unusual set-up of the contact between Algeria and the EU, no yearly progress reports were published by the European Commission. The European Union did however develop a new indicative programme for the 2011-2013 period, in which the 2007-2010 period was briefly discussed. The overall conclusion was that implementation of projects worked in a satisfactory manner. Although most projects relied solely on technical support through TAIEX, and there were some problems with the absorptive capacity of projects, the overall pay-out rate for projects was relatively high. It was also noted that collaboration on projects did not only occur through the central government, but that local parties were also engaged in reform programmes. No specific mention was made of FTAs or other special programmes that were signed in the 2007-2010 period (European Commission, 2011e).

In the 2011-2013 period a number of projects will be supported that strive for a range of development goals. The most major reform which is strived for is a new agreement on migration flows. The EU wants Algeria to sign a re-admission agreement, but for Algeria signing such an agreement is inextricably linked with the facilitation of visas for its citizens who want to travel to the EU legally. The negotiations for enhanced migration agreements should have started in 2011. Overall, the funding envelope for the 2011-2013 period was increased by 4.2 percent per year (European Commission, 2007e1). The break-down of funding according to focus areas that are relevant for the SEARCH project, is described in table 4.

Table 4: ENPI indicated budget for Algeria bilateral programmes (million euros)

| Priority Area | 2007-2010 | 2011-2013 |
|---------------------------|-----------|-----------|
| Various Economic reforms | 65 | 88 |
| Labour market reforms | 24 | x |
| Education reforms | 30 | x |
| support implementation AA | 24 | 30 |
| Other | 77 | 54 |
| Total per year | 55 | 57.3 |

Sources: (European Commission, 2007e2; European Commission, 2011e)

5.4.2 Armenia

Armenia was part of the second wave of countries that became member of the ENP. The European Commission wanted to support the substantive economic reforms that had been realized before, and wanted to stimulate further political reforms. In June 2004 the commission officially affirmed the decision that Armenia should become member of the ENP (COM 72 final, 2005). The further policy process occurred relatively swiftly, with the ratification of the action plan in November 2006, and the development of a strategy paper and indicative programme in 2007 (Sources: (European Commission, 2007e1). The funding in the 2007-2010 period was relatively modest, with 24.6 million euros a year reserved for reforms (table 5). In this period, Armenia has made significant reform steps, especially in the area of economic and trade liberalization. The most important reforms and agreements in this area will be discussed.

In 2007, Armenia applied for the GSP+ scheme, which extends the trade preferences of the GSP. This started a review process on the possibilities for this action. Further, Armenia signed readmission agreements with several separate EU countries in order to become eligible in the future for negotiations on visa facilitation. Finally, in the area of education integration with EU programmes like Tempus and ERA remained limited (SEC 392, 2008).

In 2008 political ties were further enhanced when a formal EU delegation was instated in Yerevan, the capital of Armenia. It was decided that Armenia could partake in the GSP+ programme in the 2009-2011 period, and a study was done on the possibility of a DCFTA with Armenia, which concluded that significant steps were still needed before negotiations could start on a DCFTA. Social unrest after contested elections in 2008 was curbed violently by the government, which led to condemnations of the EU. However, Armenia quickly promised reforms and no severe repercussions

followed. Armenia adopted new migration legislation which is more harmonized with EU standards as a second step towards visa facilitation agreements (SEC 511/2, 2009).

The economic downturn led to a significant contraction of the economy in 2009, which led to a slow-down of reforms. Limited progress was made towards meeting the entry requirements for signing a DCFTA, but there was improvement in the educational sector, with an uptake of the usage of the TEMPUS programme, more active participation in the framework programmes, and a strong increase in student mobility due to adoption of the Erasmus Mundus programme for ENP countries (SEC 516, 2010).

Negotiations for an enhanced AA started in July 2010, with provisions for the implementation of a DCFTA. Although economically Armenia stabilized with a drop in unemployment and a stabilizing of GDP levels, reforms were still slow-paced due to the strong contraction suffered in 2009. Armenia did make a significant step for a DCFTA by becoming a member of RAPEX, the rapid alert system for food and phyto-sanitary issues. This is an important step towards signing a DCFTA (SEC 639 2011).

Because the EU wanted to reward the steps that Armenia took in reforms and support further political reforms in the country, the funding envelope for Armenia was more than doubled in the 2011-2013 period. This enhanced funding would support Armenia in realizing the more ambitious goals of the enhanced AA for which negotiations are now pending (European Commission, 2011e).

Table 5: ENPI indicated budget for Armenia bilateral programmes (million euros)

| Priority Area | 2007-2010 | 2011-2013 |
|--|-----------|-----------|
| Democratic and governance reforms | 29.5 | 47-55 |
| Regulatory and Administrative Capacity reforms, trade and investment | 29.5 | 31-39 |
| Poverty Reduction efforts | 39.4 | x |
| Socio-economic reforms and development | x | 63-71 |
| Total per year | 24.6 | 52.3 |

Sources: (European Commission, 2007f2; European Commission, 2011f)

5.4.3 Azerbaijan

Azerbaijan was part of the second wave of countries that became member of the ENP. The European Commission wanted to support the slow reforms towards a democratic market economy, and wanted to stimulate further political reforms. In June 2004 the commission officially affirmed the decision that Azerbaijan should become member of the ENP (COM 72 final, 2005). The further policy

process occurred relatively swiftly, with the ratification of the action plan in November 2006, and the development of a strategy paper and indicative programme in 2007 (European Commission, 2007g1). The funding for the 2007-2010 period was relatively modest, with 23.5 million euros a year (table 6).

In 2007 and 2008, relatively little to no progress was made in Azerbaijan with respect to the goals as set out in the action plan. Azerbaijan did implement a range of reforms which made it a top reformer for the ease of doing business according to the World Bank; however, these reforms were not made with the goal of harmonizing regulations with the EU. Azerbaijan did take a leading role in the Baku process on energy and Transport, which underscored its central role as both a producer and transit country of oil and gas. Azerbaijan also implemented a new education law which is broadly harmonized with the principles of the Bologna process in 2008, and student mobility increased drastically due to a special programme (SEC 391, 2008; SEC 512/2, 2009).

In 2009, the tremendous GDP growth over the previous years enabled Azerbaijan to increase its spending in socio-economic areas. This increased attention for socio-economic priorities is in line with the ENP. However, further reforms have been weak. In 2010 a continuation of this trend was apparent. Overall, Azerbaijan has seen strong economic growth and has carried out limited socio-economic reforms, but it has made little progress in harmonizing legislation. Notably, in the 2007-2010 period, no progress was made to enable Azerbaijan's accession to the WTO (SEC 519, 2010; SEC 640, 2011).

That is why in the 2011-2013 indicative budget a strong focus was put on implementing the goals of the ENP action plan. The yearly budget increased significantly in order to create stronger reform incentives. Finally, the EU decided to start negotiations on an enhanced AA, in which provisions would also be adopted for the implementation of a DCFTA. However, this DCFTA will only be implemented after the necessary reforms, most importantly the accession to the WTO (European Commission, 2011g).

Table 6: ENPI indicated budget for Azerbaijan bilateral programmes (million euros)

| Priority Area | 2007-2010 | 2011-2013 |
|---|-----------|-----------|
| Democratic and governance reforms | 30 | 30.5-37 |
| Socio-economic reforms, regulatory approximation and administrative capacity reforms building | 32 | 43-49 |
| Legislative and economic reforms for transport, energy and environment | 32 | x |
| Implementation of ENP action plan | x | 37-43 |
| Total per year | 23.5 | 40.8 |

Sources: (European Commission, 2007g2; European Commission, 2011g).

5.4.4 Egypt

Under the Barcelona process, Egypt signed an AA in 2004 which had provisions for an FTA. This FTA would gradually phase out tariff barriers on industrial products and a range of agricultural products over a 12 year period. The adoption of an action plan under the ENP commenced in March 2007 (European Commission, 2007h1). The 2007-2010 indicative programme shows that the EU supports Egypt with significant funding of almost 140 million euros per year (table 7). A limited amount of funding was made available for democratic and human rights reforms, less than 10 per cent. The rest of the funding is focused on projects that should enable socio-economic reforms or legislative harmonization (table 7).

Even though Egypt only ratified its action plan in March 2007, it got off to a quick start by making significant policy reforms in its first year. It made reforms to its customs and tariff regime, and significantly cut down on the bureaucratic procedures needed to start new businesses. 120 million euros was used to support ambitious educational reforms, and another 110 million euros was used to reinforce the primary health care services. Discussions were opened for an enhanced liberalization of trade in specific goods, beyond the already existing FTA between the EU and Egypt (SEC 395, 2008).

In 2008 the social and economic reforms continued at a steady pace, especially in fiscal and monetary policies. Basel II principles for banking supervision were adopted, and specific economic courts were instated for conflict resolution. However, reforms in the political and judicial sphere were weak. Egypt did specifically file a request for enhancement of its relations with the EU, suggesting the importance of the ENP for Egypt (SEC 523/2, 2009).

In 2009 the negotiations on enhanced liberalization of bilateral trade were concluded with the ratification of an agreement on free trade in agricultural, processed agricultural, fish and fishery products. This agreement entered force in June 2010. Egypt was very active in both research and education, and had the largest share of framework projects and exchange students in the southern ENP countries (SEC 517, 2010). In 2010 Egypt continued the general course of previous years by mainly focusing on economic reforms and neglecting political reforms. The EU continued its strong financial support of education and health services in the country, and technical support for legislative reforms. However, talks on the liberalization of trade in services stalled (SEC 647, 2011).

Because Egypt demonstrated the capacity to effectively absorb funding in the 2007-2010 period, and because Egypt has made significant progress in economic reforms, the EU decided to increase the yearly funding envelope of Egypt by 5.4 per cent (European Commission, 2011h).

Table 7: ENPI indicated budget for Egypt bilateral programmes (million euros)

| Priority Area | 2007-2010 | 2011-2013 |
|---|-----------|-----------|
| Democratic, human rights, and justice reforms | 40 | 49.9 |
| Implementation Action Plan for trade and economic reforms | 220 | 189.6 |
| Legislative reforms of education, health and investment in transport, energy, environment | 298 | 209.8 |
| Total per year | 139.5 | 149.8 |

Sources: (European Commission, 2007h2; European Commission, 2011h).

5.4.5 Georgia

Georgia was part of the second wave of countries that became member of the ENP, because the European Commission wanted to further strengthen the economic integration of Georgia with the EU and support political reforms in Georgia. In June 2004 the commission officially affirmed the decision that Azerbaijan should become member of the ENP (COM 72 final, 2005). The further policy process occurred relatively swiftly, with the ratification of the action plan in November 2006, and the development of a strategy paper and indicative programme in 2007 (European Commission, 2007i1). In the 2007-2010 period 31.1 million euros a year was reserved for support of internal reforms (table 8).

In 2007, the EU started a feasibility study in order to investigate the possibilities for an FTA with Georgia. Georgia was successful in reforming its tax regime and customs administration, which increased state revenues significantly. Further, the business climate was significantly improved with a

further reduction of the regulatory burden. In the area of migration, the first three readmission agreements were signed with members countries of the EU. In the beginning of 2008, Georgia further consolidated its reforms by significantly improving the customs code and harmonizing it with EU regulations. As a result, the EU sent a mission investigating the possibility of closing a DCFTA with Georgia. It was also decided that Georgia would be eligible for the GSP+ scheme in 2009-2011. Based on Georgia's progress on migration issues, it was decided to open negotiations for visa facilitation agreements. Finally, Russia and Georgia had an armed conflict in August 2008, which resulted in a displacement of 192,000 people, hundreds dead, and a lot of damage. The EU supported Georgia through efforts of finding a diplomatic resolution of the conflict and by supporting reconstruction efforts with a special fund of up to 500 million euros (SEC 393, 2008; SEC 513/2, 2009)

In 2009 a strong focus was put on reconstruction and stabilization of the economy after the armed conflict with Russia in 2008. However, reforms have still continued. Negotiations for a mobility pact with a visa facilitation and readmission agreement were concluded in November 2009, and Georgia made strong progress in realizing the reforms needed to start talks for a DCFTA. Georgia also stepped up its efforts to partake in the Erasmus Mundus mobility scheme, and enhanced its participation in the framework programme for research. In 2010 talks were started to launch an enhanced AA, in which a DCFTA would play a central role. Further progress was made towards the reforms needed to start talks for a DCFTA. The International Labour Organization did note with concern that core elements of labour conventions were not being complied by Georgia, and suggested that the preferences under GSP+ might have to be retracted if Georgia did not step up compliance (SEC 518, 2010; SEC 649, 2011).

In order to support the strong economic and regulatory reforms made by Georgia, and in order to incentivize the somewhat weaker political reforms, the yearly allocation to Georgia has been almost doubled in the 2011-2013 period (Table 8).

Table 8: ENPI indicated budget for Georgia bilateral programmes (million euros)

| Priority Area | 2007-2010 | 2011-2013 |
|---|-----------|-----------|
| Democratic, governance, and justice reforms | 31.5 | 45-63 |
| Implementation Action Plan for trade and economic reforms | 31.5 | 27-45 |
| Poverty reduction and social reforms | 38.4 | 63-81 |
| Settlement of internal conflicts | 19 | 9-18 |
| Total per year | 31.1 | 60.1 |

Sources: (European Commission, 2007i2; European Commission, 2011i).

5.4.6 Israel

Israel is a long-standing partner who had extensive ties with the EU even before the ENP launched. Israel signed an FTA under the Barcelona process in 2000, phasing out tariffs on industrial products and selected agricultural products in 12 years. An enhanced agreement was signed in 2004, further deepening the liberalization of trade in agricultural products. After the adoption of an action plan in April 2005, Israel has had an active uptake of the possibilities offered by the ENP (European Commission, 2007j1). Because Israel is an advanced economy, the ENP does not reserve significant funds for project support, but a small amount of 2 million euros is reserved each year for twinning programmes and other forms of collaboration in the 2007-2013 period Sources: (European Commission, 2007e2; European Commission, 2011e).

In 2007, investigations began for the possibility of a special status for Israel in the ENP. This special status would enable a deeper integration of Israel in important EU programmes. Israel was a very active collaborator in research and education. The Framework programme accepted 267 Israeli research projects worth over 51 million euros, and the number of students partaking in the Erasmus Mundus programme increased with 70 percent. Negotiations on further liberalization of agricultural and fishery products continued, and the decision was made to start negotiations on liberalization of trade in services (SEC 394, 2008).

In 2008, reforms continued to enable further economic integration between Israel and the EU. Negotiations on enhanced liberalization of agricultural and fishery products were successfully concluded, and a horizontal air transport agreement was closed which harmonizes Israel's air service agreements with the EU with EC law. Also, negotiations were launched for even more extensive aviation agreements which would highly converge aviation regulations and gradually open up the aviation market between Israel and the EU. Finally, negotiations were started on an ACAA in

pharmaceutical products. Together, these reforms constituted a significant step towards market integration between the EU and Israel. Finally, after a six month truce with Hamas, Israel started armed operation in the Gaza strip in December 2008. Although the EU deplored the loss of life and possible human right violations during this conflict, negotiations for trade liberalization were not suspended (SEC 526/2, 2009).

In 2009 and 2010, the negotiations that were initiated in 2008 continued, but no new initiatives were launched. In 2010 negotiations on the ACAA in pharmaceuticals was concluded and a new agreement entered force, which was Israel's first entrance to the single market. Israel continued to be an active user of the programmes open to ENP countries, notably the Framework programme, TEMPUS and Erasmus Mundus. Negotiations on an enhanced agreement with Israel, as initiated in 2007, stalled because the EU condemned the policies adopted towards the Gaza strip after the 2008 armed conflict which severely disrupt flows of goods and negatively affect the human rights situation of the people in the Gaza strip. In stead, the EU opted to explore the possibilities offered within the existing AA, and by mutual agreement extended the validity of the AA. This means that for the 2011-2013 period, no substantive new policies were suggested (SEC 520, 2010; SEC 642, 2011).

5.4.7 Jordan

Under the Barcelona process, Jordan signed an AA in 2002 which had provisions for an FTA. This FTA would gradually phase out tariff barriers on industrial products and a range of agricultural products over a 12 year period. The adoption of an action plan under the ENP commenced in June 2005 Sources: (European Commission, 2007k1).The 2007-2010 indicative programme shows that the EU supports Jordan with funding of over 66 million euros per year (table 9). Again, little of the funding is focused on democratic and governance reforms, and the majority of funding is directed at economic development, socio-economic reforms or legislative harmonization (table 9).

In 2007, Jordan made progress in the areas of public finance management and financial sector reforms, and it reduced the regulatory burden for companies. At the same time, an ambitious drive was started to reform the education sector and make it universally available. For example, education was opened up to all Iraqi children in August 2007, regardless of their legal status. Finally, cooperation with the EU was especially strengthened in the area of energy by the signature of a joint declaration 2007. In 2008, progress on economic reforms continued, for instance by applying the Basel II regulations on banks, and reforms were introduced to reduce corruption. Two agreements were signed. The first agreement increased collaboration in the aviation sector, and the second agreement was meant to promote collaboration on research and education. Although Jordan's

participation in the Framework programmes and Erasmus Mundus is relatively high, this agreement was meant to further boost progress in the area (SEC 396, 2008; SEC 517/2, 2009).

In 2009 and 2010, regulatory reforms continued at a steady pace, and several political and social reform goals were reached. On an economic level the most significant evolution was the signature of a comprehensive agreement which would gradually harmonize Jordan's legislation and standards with the EU and integrate Jordan into the common aviation area. In the end, this would remove all market restrictions between Jordan and the EU in the aviation sector on prices, routes and quotas. In order to support this gradual progress of Jordan in economic, political and social areas, Jordan was the first to conclude negotiations on an advanced status partnership. Based on this advanced status the negotiations for a new AA became much more ambitious and wide-ranging (SEC 525, 2010; SEC 648, 2011). As a result of the effective absorptive capacity of Jordan during the 2007-2010 funding round, and the enhanced status of Jordan, funding was increased in the 2011-2013 funding period (table 9).

Table 9: ENPI indicated budget for Jordan bilateral programmes (million euros)

| Priority Area | 2007-2010 | 2011-2013 |
|--|-----------|-----------|
| Democratic, governance, and justice reforms | 17 | 45 |
| Trade and investment, SME, and transport | 78 | 40 |
| Development of education, sanitation and environment | 63 | 93 |
| Institution building and regulatory approximation, supporting implementation Action plan | 107 | 45 |
| Total per year | 66.25 | 74.3 |

Sources: (European Commission, 2007k2; European Commission, 2011k).

5.4.8 Lebanon

Under the Barcelona process, Lebanon signed an AA in 2002, which would enter into force in 2006, and open up the ENP for Lebanon. The AA had provisions for an FTA which would gradually phase out tariff barriers on industrial products and a range of agricultural products over a 12 year period. In 2005, after Syria withdrew its troops from Lebanon, general elections were held. The new government adopted a general reform strategy on the basis of which it wanted to appeal to international donors. The ENP action plan was developed so as to largely overlap with this reform strategy plan. Just after the adoption in May 2006 of the action plan, hostilities ensued between Lebanon and Israel, leading to a large-scale destruction, loss of life, and displacements within

Lebanon. The 2007-2010 indicative programme for Lebanon reserves a limited funding envelope for recovery efforts, but mostly focuses on longer-term structural adjustments that would lead to more internal stability. The majority of support for the reconstruction of Lebanon will come from the international donor community and development cooperation funds (European Commission, 2007L1). The 2007-2010 indicative programme shows that the EU supports Lebanon with funding of almost 50 million euros per year (table 10). The majority of funding is equally divided between social and economic reforms, and reconstruction and recovery.

In 2007 the main priority of the government was directed at reconstruction and stabilization, due to the aftermath of the 2006 hostilities. However, Lebanon still managed to make progress on a range of structural reforms to improve the opening of markets and the business climate. A range of other reforms were agreed upon even if they were not carried out. Due to a political stalemate the legislative branch of government did not have the ability to adopt draft laws in 2008. This meant that there was a considerable slow-down in Lebanon's reform efforts (SEC 397, 2008; SEC 518/2, 2009). Even though a new government was sworn in in 2008, the legislative blockage continued into 2009 and 2010 due to tensions over the investigation of the assassination of former Prime Minister Rafiq Hariri and 22 other people, with very limited potential for the adoption of new legislation. However, negotiations did start on the adoption of an aviation agreement between Lebanon and the EU (SEC 522, 2010).

Even though the political stalemate in Lebanon precluded any meaningful reforms over the majority of the 2007-2010 period, the EU decided to slightly increase funding for Lebanon in the 2011-2013 period. Due to the progress in the reconstruction process and funding by other donors, the EU relocated a lot of the reconstruction funding to the support of social and economic reforms (table 10).

Table 10: ENPI indicated budget for Lebanon bilateral programmes (million euros)

| Priority Area | 2007-2010 | 2011-2013 |
|-----------------------------|-----------|-----------|
| Political reform | 22 | 25 |
| Social and economic reform | 86 | 91 |
| Reconstruction and recovery | 79 | 34 |
| Total per year | 46.75 | 50 |

Sources: (European Commission, 2007L2; European Commission, 2011L).

5.4.9 Moldova

Moldova was one of the first countries to adopt an action plan under the ENP, in February 2005 (European Commission, 2007m1). Funding for reforms in Moldova amounted to little over 50 million euros per year in the 2007-2010 period (table 11). Contrary to most other countries, in Moldova less funding was directed to regulatory reforms than to democratic development or poverty reduction and economic growth. This is probably the case because Moldova has by far the lowest per capita GDP of the ENP countries.

In 2007, the main negotiations with Moldova were directed towards visa facilitation and readmission agreements for a comprehensive mobility partnership. This is particularly relevant for Moldova as a large percentage of its labour force works abroad in Romania or other countries in the EU, and facilitating their movement would have a direct tangible effect on their life. In January 2008 Moldova became the first country of the ENP to sign a mobility partnership, marking an important integration step. Because Moldova made important institutional improvements on the control and certification of origin of products, Moldova was also granted Autonomous Trade Preferences (SEC 399, 2008).

In 2008, the original action plan was extended, and research was started on the possibility of a future enhanced agreement, which would include a DCFTA. Further, significant progress was made on anti-corruption measures and customs services. Finally, negotiations were started for the accession of Moldova to the Energy Community Treaty, which foresees a gradual convergence of regulations and liberalization of energy trade (SEC 514/2, 2009).

In 2009, due to unrest after the elections and repressive measures by the government, significant human rights violations were recorded in Moldova. Nevertheless, Moldova saw steady further reforms in the areas of economy and migration. A new asylum law was adopted that approaches EU standards in March, and in December it was decided that a dialogue would be started to examine the possibilities of an enhanced mobility partnership that would culminate in visa-free travel. Finally, the feasibility study on a DCFTA was finalized and it concluded that whilst it would be beneficial to Moldova, significant regulatory harmonization would have to occur before a DCFTA could be implemented. Moldova significantly increased its involvement in European research by increasing its participation in the framework programme (SEC 523, 2010).

In 2010, economic reforms of the business and investment climate were limited, due to the strong focus on structural reforms needed to weather the effects of the 2008 economic crisis, and limited availability of resources for other reforms. The investigation into an enhanced mobility partnership

was concluded, and it was decided that negotiations for such an agreement would start in January 2011 (SEC 643, 2011).

In the 2011-2013 indicative programme funding increased significantly, reflecting the desire of the EU to deepen cooperation with Moldova and to consolidate and build on reforms that have been carried out. The thematic priorities have been redefined in the new funding period. Additionally, 15 per cent of the total funding has been earmarked for peacebuilding projects, within the three priority areas (European Commission, 2011m).

Table 11: ENPI indicated budget for Moldova bilateral programmes (million euros)

| Priority Area | 2007-2010 | 2011-2013 |
|--|------------|------------|
| Democratic development and good governance | 52.4-73.4 | 95.5-109.3 |
| Regulatory reform and administrative capacity building | 31.5-41.9 | x |
| Poverty reduction and economic growth | 83.9-125.8 | x |
| Social and human development | x | 68.3-81.9 |
| Trade and sustainable development | x | 95.5-109.3 |
| Total per year | 52.4 | 91 |

Sources: (European Commission, 2007m2; European Commission, 2011m).

5.4.10 Morocco

Morocco has since long had strong relations with the EU, and in 2000 it has signed an AA which among others ratified an FTA which would gradually phase out tariff barriers on industrial products and a range of agricultural products over a 12 year period. It is therefore unsurprising that it was among the first southern ENP countries to adopt an action plan (European Commission, 2007n1). Funding in the 2007-2010 period was significant and ambitious, with 163.5 million euros per year (table 12). This reflects the advanced relations Morocco and the EU enjoy, and the ambitions of the ENP. The two main focus points in the 2007-2010 funding period were social development and economic support of agriculture, transport and energy.

In 2007, negotiations between Morocco and the EU have covered a rather large range of subjects, thus witnessing the solidity of existing relations as well as the strong willingness of both actors to reinforce cooperation. Further steps towards a more democratic political system have been registered in terms of enhanced transparency of political elections. Negotiations with the EU have also started with respect to security, illegal immigration and human rights protection. Furthermore, energy has been at the core of cooperation in the 2007, with the aim to integrate Moroccan energy

sector in the European one. Indeed, Morocco is a fundamental actor in the energy policy of the EU due to the relevant geographical position of the African country for natural gas provision to Europe. Some other reforms have been realized in Morocco with the support of the cooperation of the EU, notably in areas such as air traffic, fisheries, poverty reduction, privatization of transports and fiscal system modernization (SEC 398, 2008).

2008 has been a remarkable year for cooperation between Morocco and the EU, as it has been declared by the EU Commissioner for External Relations and the ENP. Democratic transition has been furthered, with the adoption of strategies aimed at alleviating gender disparities, at the reinforcement of local governance and for the reduction of corruption. Negotiations related to the liberalization of services, agricultural products and fisheries have notably progressed. Moreover, a relevant agreement of cooperation has been signed between Moroccan authorities and the European Patent Office (EPO) in October. Some other reforms have been realized in education, with the adoption of policies for the alphabetization of population, and in the health sector, with the instauration of compulsory insurance (SEC 520/2, 2009).

In 2009, a Joint Parliamentary Commission between Moroccan and European Parliaments has been created. With respect to the political system, some changes in the legal electoral system have supported the ongoing process of the democratization. In this same year, cooperation has initiated between Morocco and the Council of Europe. In August, the reform of justice has been strongly encouraged by the King. Finally, in terms of external relations, the national agency for investment has been created in this year with the aim of attracting foreign investors in Morocco (SEC 521, 2010).

In 2010, a commission for regionalization has been launched with the objective of analyzing the directions for a Moroccan model of decentralization of powers. In terms of democratization, some restrictions to press and manifestation freedom have been reported in this year. As such, this certainly represents an area where cooperation needs to be reinforced. Successful reforms in 2010 include that of the modernization border duties and the alignment of Moroccan standards for sanitary and phyto-sanitary measures to European rules. Finally some improvements have been registered with respect to the reform of the education system. However, most reforms did not progress much during this year (SEC 651, 2011).

Table 12: ENPI indicated budget for Morocco bilateral programmes (million euros)

| Priority Area | 2007-2010 | 2011-2013 |
|--|-----------|-----------|
| Social development | 296 | 115-120.3 |
| Governance and human rights | 28 | 85-90 |
| Institutional support and action plan implementation | 40 | 230-235 |
| Economic support agriculture, transport, energy | 240 | 68.3-81.9 |
| Environment | 50 | 85-90 |
| Total per year | 163.5 | 193.5 |

Sources: (European Commission, 2007n2; European Commission, 2011n).

5.4.11 Occupied Palestinian territories.

The Palestinian Authority (PA) and the EU first entered into contractual relations after the PLO signed an interim AA on behalf of the PA. A first action plan was adopted in May 2005, but due to the political situation in the occupied territories no progress was made in the bilateral cooperation in 2006 and 2007. The PA does not have its own indicative programme because the PA does not have full control over its territories, but the EU gives substantive funding to the PA through a range of different instruments, like the DCI and the EIDHR. The PA does receive some funding from the regional and cross-border tranches of the ENPI, but this funding is for projects that are not confined to the PA (SEC 400, 2008; SEC 519/2, 2009).

Up to the first half of 2007 the EU did not have substantive relations with the PA, which meant that progress in the ENP was frozen. After the first half of 2007, normal relations resumed and the first institutional structures for implementing ENP reforms were formed. In 2008 some progress was made because the Palestinian reform and development plan, also used to attract foreign donors, was partially implemented. However, progress was hampered by the continuing split between the West Bank and the Gaza strip, and the lack of authority of the PA in the Gaza strip. Towards the end of 2008 an armed conflict between Israel and the PA led to a collapse of any reforms, as more than half of the legislative body was incarcerated in Israel (SEC 400, 2008; SEC 519/2, 2009).

In 2009 and 2010, the PA focused on reconstruction after the devastating human and economic impact of the armed conflict in the beginning of the year. Again, progress on institutional and economic reforms was hampered by the lack of control of the PA over the occupied Palestinian territories. The ENP was mainly focused on supporting efforts of the PA to develop the Palestinian National Plan 2011-2013 which calls for a two-state solution in which the PA would regain full

sovereign control over the occupied Palestinian territories. It decided in 2010 that the Palestinian National Plan would form the basis of a new Action Plan, to be developed in 2011 (SEC 515, 2010; SEC 644, 2011).

5.4.12 Russia

After the launch of the ENP, Russia and the EU negotiated that a separate policy instrument would be developed to support EU-Russia collaboration during a summit in St. Petersburg. This policy would be called the EU-Russia Strategic Partnership and would consist of four common spaces: the common economic space; the common space of freedom, security and justice; the common space of external security; and the common space of research and education. For each of these common spaces a roadmap was developed that set out a plan for cooperation. During the Moscow Summit in May 2005 these roadmaps were agreed upon, and for the 2007-2010 period 30 million euros a year was reserved for the policy. This funding is sourced from the ENPI, and the four common spaces have similar substantive goals as the action plans of the ENP countries, striving for economic integration, political collaboration, and cooperation on themes like energy or research and education. 80 to 90 per cent of the funding was reserved for the realization of the four common spaces, and 10 to 20 per cent was reserved for further development of the Kaliningrad-Oblast region, as it is completely surrounded by EU countries (European Commission 2007o2).

In 2007, a mobility partnership was concluded with Russia which consists of both visa facilitation and readmission agreements, and a dialogue was launched to explore opportunities for more extensive visa agreements. Also, Russia agreed to co-fund a range of cross-border cooperation projects of the ENP that involve EU countries and a number of eastern ENP countries, contributing up to 122 million euros above the 307 million euros already pledged by the ENPI. Further progress was limited. Some economic reforms were agreed upon in principle, like the reduction of Siberia overflight fees, but were not implemented yet. Negotiations were launched for the possibility of a range of enhanced roadmaps, extending cooperation for future years (European Commission, 2008b).

In 2008, relations between Russia and the EU deteriorated due to two main reasons. Firstly, the economic crisis hit Russia hard, and led it to roll back some reductions and removals of trade barriers, and introduce new protectionist measures, negating the progress made in earlier years. Secondly, the war between Russia and Georgia, which resulted in Russia's unilateral recognition of the breakaway regions of South Ossetia and Abkhazia, and its non-adherence to the stipulations of the subsequent peace agreements, led the EU to freeze negotiations on a set of enhanced agreements. Russia refused to sign a number of financing agreements on cross-border cooperation;

the consequence of this refusal was that a range of programmes could not be carried out because the funding of these programmes was not authorised (European Commission, 2009).

2009 started off with a gas dispute between Ukraine and Russia, which disrupted the flow of gas to the EU, led to a further deterioration of political cooperation between the EU and Russia. Russia continued enforcing a range of protectionist measures, and still did not ratify a number of cross-border cooperation agreements. Russia withdrew from the Energy Community Treaty. A bilateral fishery agreement between Russia and the EU was concluded in april 2009, but Russia had not ratified the agreement by the end of the year. Negotiations on an enhanced set of cooperation agreements was restarted in 2009 (European Commission 2010a).

Collaboration in 2010 was a continuation of the uneven progress made in 2008 and 2009. Russia continued to enforce protectionist economic measures, and still did not ratify the fishery agreement and a number of financing agreements. Russia still did not adhere to the 2008 agreements with Georgia. Negotiations on a new set of collaboration agreements continued (European Commission, 2011o). However, no indicative programme was published for the 2011-2013 period, which suggests that progress in these negotiations has not been satisfactory.

5.4.13 Tunisia

Tunisia was the first country to sign an AA through the Barcelona process in 1995. This AA proposed a wide range of reforms: among others it ratified an FTA which would gradually phase out tariff barriers on industrial products and a range of agricultural products over a 12 year period Sources: (European Commission, 2007p). Funding in the 2007-2010 period amounts to 75 million euros per year (table 13). The indicative report for the 2011-2013 period has not yet been published, which makes it impossible to complete table 13 for now

In 2007, economic and social reforms have notably progressed in Tunisia. Negotiations were launched with respect to trade liberalization in services and agricultural goods. Intensifications of efforts have also registered in education, where the EU supported Tunisia through programs ranging from formation of teachers to the development of universities and research centers. In the health sector the reform has focused on the gradual widening of the insurance to those portions of population that were substantially excluded. Cooperation has also covered infrastructures: in particular, the Tunis harbor has been crucially empowered with both commercial and tourist advantages. With respect to rural areas, the water system has been improved through the construction or improvement of existing dams. This measure aims at maintaining a relatively stable

income in rural areas and avoiding massive immigration flows towards urban centers (SEC 401, 2008).

In 2008, almost all negotiations that were already launched have progressed steadily. Business climate has also ameliorated sensibly through measures related to the protection of investment. In this year, important strategies have been put in place at borders against illegal migration. For instance, adequate infrastructures have been realized to allow more efficient controls. In Mars Tunisia has ratified the UN Convention against corruption while in April it has ratified the Convention on the Rights of the Child as well the Convention for the elimination of discriminations against women (SEC 521/2, 2009).

In 2009, political elections have taken place. In this occasion the lacks in terms of freedom of expression have been evident, as witnessed by the number of obstacles faced by opposition parties. As far as economic reforms are concerned, Tunisia succeeded in dismantling tariffs for trade in industrial goods as part of the Euro-Mediterranean free trade area. In this respect, Tunisia is the country which has advanced the most. Finally, in the education sector, Tunisia has adopted the Bologna processes for higher education (SEC 514, 2010).

In 2010, Tunisia has adopted an internal policy which dramatically restricted political freedom. In December, manifestations against the government started in a large part of the country as a result of bad national economic and social conditions. This situation also had a negative impact on other areas such as justice, human rights and the reduction corruption as well as tourism, foreign investment and external trade. Notwithstanding, reforms in some respects progressed. For instance, this is the case of technical regulation for industrial products, sanitary and phyto-sanitary measures and intellectual property rights. Moreover, the reform of fiscal system has been launched in June (SEC 652, 2011).

Table 13: ENPI indicated budget for Tunisia bilateral programmes (million euros)

| Priority Area | 2007-2010 | 2011-2013* |
|--|-----------|------------|
| Research and education | 77 | ? |
| Institutional support and action plan implementation | 30 | ? |
| energy and environment | 43 | ? |
| Economic governance (trade, business environment, SMEs, etc) | 150 | ? |
| Total per year | 75 | 193.5 |

*The EU has not published an indicative programme for the 2011-2013 period yet.

Sources: (European Commission, 2007p2).

5.4.14 Ukraine

Ukraine and the EU adopted their ENP Action Plan in February 2005, and it additionally supported a 10-point list of reform priorities. Following the Orange revolution in 2004 the national government had sweeping reform goals, which the EU supported wholeheartedly. Ukraine also plays a key role in the EU energy policy, as 80 per cent of Russian gas is transferred through the infrastructure of Ukraine. That is why the 2007-2010 indicative programme calls for significant yearly support of 123.5 million euros (table 14). The majority of this funding was reserved for investments in infrastructure, in order to ensure the integrity of the energy transport system. However, the EU has also reserved significant levels of funding for support of the implementation of the action plan through regulatory reform and capacity building (European Commission, 2007q1).

In 2007 Ukraine started negotiations on an enhanced agreement under the ENP. It also finalized a mobility partnership in which both visa facilitation and readmission agreements play an important role. Further, important investments were made in energy infrastructure, and Ukraine was active in the Black Sea Synergy initiative launched in 2007. In order to reward the progress made in 2006, Ukraine received an extra 22 million euros from the governance facility (SEC 402, 2008).

In 2008, negotiations on an enhanced AA continued, and it was decided that a DCFTA would become part of the goals of this enhanced AA. Ukraine launched negotiations on a comprehensive aviation agreement with the long-term goal of creating a common airspace with the EU. Negotiations also ensued on Ukraine's accession to the Energy Community Treaty, which foresees a gradual convergence between energy markets concluding in a common market. Building on the mobility partnership, a dialogue was started to develop the criteria for the launch of an enhanced mobility partnership with visa-free travel as a long-term goal (SEC 512/2, 2009).

In 2009, progress on reforms slowed down somewhat, partially due to political instability and partially due to a severe economic crisis which caused a contraction of GDP of up to 15 per cent. However, Ukraine still progressed significantly on important elements of reform. The negotiations on an enhanced agreement were finalized, and a new Association Agenda was concluded in place of the old action plan. Ukraine was accepted as a new member of the WTO, underscoring the economic reforms it made over the past years. The dialogue on the establishment of visa-free travel was deepened, and the negotiations on a comprehensive aviation agreement continued. Finally, Ukraine was conditionally accepted into the Energy Community Treaty pending the adoption of a new gas sector law (SEC 524, 2010).

In 2010 this gas law was adopted, and Ukraine was accepted into the Energy Community Treaty per January 2011. Significant progress was also made with respect to the roadmap of requirements leading up to the initiation of the DCFTA, and parties reiterated the wish to conclude negotiations in 2011. Further, an action plan on Visa liberalization was announced, with a number of steps leading up to the long term goal of visa-free travel between Ukraine and the EU. Political reforms stalled and even backslided in 2010 with deterioration of respect for human rights after the presidential election in the beginning of the year (SEC 646, 2011).

In spite of the partial reversal of reforms on a political level, the indicative programme for 2011-2013 increased the budget available for projects in Ukraine in order to maintain the momentum of regulatory reforms and of various agreements of the previous years (European Commission 2011q). More recent political developments, specifically the jailing of opposition leader Tymoschenko, have led the EU to freeze progress in negotiations surrounding the DCFTA implementation (EaPCommunity, 2011b).

Table 14: ENPI indicated budget for Ukraine bilateral programmes (million euros)

| Priority Area | 2007-2010 | 2011-2013 |
|--|-----------|-------------|
| Democratic development and good governance | 148.2 | 94-141 |
| Regulatory reform and administrative capacity building | 148.2 | 117.5-164.5 |
| Infrastructure development | 197.6 | x |
| Sustainable development | x | 211.5-258.5 |
| Total per year | 123.5 | 156.7 |

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WP1/05 SEARCH WORKING PAPER

Political and Political Economy Literature
on the ENP: Issues and Implications.

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January 2012



This research leading to these results has received funding from the European Community's Seventh Framework Programme (FP7/2010-2013) under grant agreement n° 266834.

Political and Political Economy Literature on the ENP: Issues and Implications

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Abstract

Seen from the perspective of academic enquiry, the European Neighbourhood Policy sits – sometimes uncomfortably – between the realms of accession/integration and external relations. Given the emphasis of the policy on strengthening security (internally) and stability (externally), and the fact that its structure is largely built on the pre-existing instruments of accession conditionality, the main body of literature examining the ENP is located in the fields of political science and international relations – and, less so, political economy. Consequently, much less emphasis is given on the role of the ENP as a tool for economic development and convergence. The political / institutional literature identifies a number of issues with the rationale, instruments and implementation of the ENP. Analytically, these have to do with three distinctive but inter-related categories. First is the question concerning the ultimate scope of the policy. In the literature, ENP is seen as struggling to meet two sometimes conflicting objectives: on the one hand the establishment of a common security policy with its neighbours and on the other the management of their (real, perceived, or potential) accession aspirations. Following from this, second, is the question concerning the role of the EU in this process and in particular the tension between a normative aspiration to instil ‘European’ values to its neighbourhood and a self-interested goal of achieving narrower economic (market access) and political (security, stability) objectives. Finally, a more central question concerns the effectiveness of the policy at large, given the above tensions. The use of conditionality, modelled as it is on the experience of past enlargements, has a number of unintended, but negative, consequences, as it blurs the objectives and scope of the policy and ‘entraps’ the EU into a constantly deepening process of institutional convergence and integration – which either becomes ineffective due to the absence of the prospect of accession or makes the objective of ‘containing accession aspirations’ largely impractical. In this process, adherence to objectives of democratisation, market openness and integration becomes piecemeal and thus the overall goal of strengthening security and stability through the economic and political development of the EU’s external periphery is potentially compromised.

Keywords: Neighbourhood policy; transformative power; conditionality; security; domestic adaptation

Acknowledgments:

This research was supported by the Project Sharing Knowledge Assets: InteRregionally Cohesive NeighBorhoods (SEARCH) within the 7th European Community Framework Programme FP7-SSH - 2010.2.2-1 (266834) European Commission.

1. Introduction

As is evident from working paper 1.3 of the SEARCH project in the report of deliverable 1.2, the European Neighbourhood Policy (ENP) occupies a central position in the EU's external relations. Naturally, a significant body of academic literature has emerged since the early 2000s that examines an array of aspects in relation to this policy, ranging from analyses of its rationale and instruments to evaluations of its effectiveness and limitations. Given the historical development of the ENP, as a policy that emerged out of the EU's experience with the so-called "fifth enlargement" and the accession conditionality that was applied to the countries of Central and Eastern Europe (CEE) that eventually became members of the EU, a large part of this field of academic enquiry has its origins in the accession conditionality literature. More specifically, it is located within the realm of political and political economy analysis and examines the ENP mainly as a conditionality and/or socialisation mechanism, which operates essentially as a means for instigating economic and political reforms in the EU neighbourhood. A distinctive but increasingly convergent volume of research originates instead from the international relations literature, focusing predominantly on issues of security and conflict prevention, as well as issues of political stability and diplomacy more generally. Given the strong political and security aspects of the ENP, the literature looking at the ENP from a more economics viewpoint is, rather unsurprisingly, limited. Of course, a number of studies have addressed the trade and foreign direct investment (FDI) effects of ENP specifically and the wider EU approximation process more generally, but the vast majority of these studies have a narrow economics focus and thus are not considered in this review. Studies that look at the economic and, especially, the developmental effects of ENP within a context and approach much more readily identifiable with political economy are largely missing from the literature (Vincentz, 2007). This is rather unfortunate, as ENP has the potential, if not the mandate, to play an important role in mobilising economic development in the EU's external periphery. But it is also characteristic of the dominance of two (rather narrow, it could be argued) considerations in both the policy-making world and the academic literature on ENP: those concerning the issue of security and those relating to the debate about conditionality. It is essentially this deficit that the present project is seeking to address – by aiming at providing a large volume of original research on the national and sub-national developmental effects and potential of ENP for the countries located in the EU neighbourhood.

In support of this wider objective, in this section we offer a selective but critical review of the existing political and political-economic literature on the origins, objectives, instruments and evaluation of ENP. The review is selective in that it does not aim to provide a full coverage of the studies that have looked at the ENP as an external relations and – unavoidably – an EU association process: this would be unnecessary given the wider objectives and interests of this project. But the review is critical in the sense that its main purpose is to highlight a number of key issues that concern both the implementation and the objectives of the policy, as a means for informing the subsequent discussions,

both in this theoretical Work-package and in later ones that have a more empirical orientation, about the direct and indirect goals of the ENP and about its intended and unintended consequences. To do so, the review of this section addresses a series of questions that seek to inform the reader about the priorities and dynamics underlying the process of institutional and economic integration under the ENP as well as about the nature of this process. At large, there are three main questions that are key to the political-science and political-economy discussion concerning the ENP. First, whether the ENP represents a rationalist ‘negotiation’ of EU-centred interests or instead a constructivist ‘projection’ of EU values and norms. This question has been addressed in various forms in the literature, for example through discussions about the soft power of the EU, about whether the EU constitutes a hegemonic power or a normative force, and about whether the ENP itself constitutes a framework of conditionality or a socialisation strategy. Second, to what extent the ENP constitutes an external relations or, rather, an enlargement policy – or, almost equivalently, to what extent it is a policy that should be viewed as part of the EU’s Common Foreign and Security Policy (CFSP), thus encompassing issues of security, migration, stability and crisis management. Third, whether the framework under which the ENP has been developed is ‘fit for purpose’, in other words to what extent it is sufficiently coherent internally and consistently applied externally and able to mobilise the reforms that it trying to instigate. In the discussion of these issues, much of the focus is on the EU as an international actor and there is a relatively secondary attention to the extent of domestic adaptation and learning as a process that takes place not in the abstract space of EU–NC interactions but in the particular economic and political constituencies of the recipient countries – and which, by implication, is thus filtered through the unique political, economic, social and institutional characteristics and circumstances of these constituencies. Our approach in this section maintains this focus. Thus issues of domestic adaptation, preference convergence, policy downloading and institutional learning are not addressed in relation to specific countries (and national contexts) in the European neighbourhood, but rather solely in relation to the ENP policy framework as developed and ‘projected’ by the EU.

The remainder of this section is structured as follows. The next sub-section considers the rationale and motives of the ENP as have been discussed in the academic literature, focusing in particular on whether the policy serves predominantly the wider normative goals of the EU or rather narrower rationalist interests, but also extending to a discussion about the structure of the ENP, combining as it does multilateralist, regionalist and bilateralist elements. Section 3.3 looks at the framework of conditionality within the ENP and examines how this reflects a dual objective of establishing a security policy in the EU’s external periphery and managing accession aspirations in the EU neighbourhood. In section 3.4 we turn to questions concerning the effectiveness of the ENP as a policy seeking to stimulate political, economic and institutional change and the limitations to this that arise from the structural characteristics of the policy. The last sub-section concludes by drawing some implications about the role of the ENP as a tool for economic development and convergence in the region.

2. Rationale and motives of the ENP

A central question in the political and political-economic literature on the ENP concerns the rationale under which the EU engages in the development of strategic relations with countries in its immediate and farther neighbourhood – as well as why it does so in a, seemingly at least, multilateralist manner and under a broader institutionalised framework, such as the European Neighbourhood Policy. To address this question the literature places emphasis on the institutional character of the EU and on its innate qualities and characteristics as a global institution. In this vein, the ENP – and more generally the EU's external relations with the countries in its broader neighbourhood – is conceptualised through the prism of the so-called “transformative power” of the EU. This concerns the ability of the EU, on the one hand, to instigate political and institutional changes towards democratic governance and market liberalisation and, on the other, to export its moral values and norms to countries outside its borders. Under this framework, a number of issues are addressed, relating to the rationale of the ENP as well as its structure, instruments and policy implementation.

The traditional, and perhaps dominant, view about the rationale of the EU's external relations is based on the notion of the EU as a ‘normative’ or ‘ethical’ power (Manners, 2002 and 2006; Sjursen, 2006; Aggestam, 2008; Whitman, 2011). This view portrays the EU as a distinctively “European” institution that embodies a socially and historically specific set of moral values and norms with regard to both policy/governance and rights/society (democracy, rule of law, respect for minorities, economic freedoms). Given the strong role of the EU as an international actor, it follows naturally that the EU will seek to ‘project’ and extend these values and norms to constituencies (countries) beyond its borders. Under this view, the EU's external relations today are seen as a continuation of its role, historically, as a ‘democratising force’ – following, for example, from its contribution to securing the ‘restoration of democracy’ in the countries of the southern (Greece, Spain, Portugal) and later the eastern (CEECs) enlargement. In this literature, a distinctive feature of the EU's normative power is its ‘soft’ character (Wood, 2009), i.e., its emphasis on voluntary participation rather than on military or economic coercion. This is not to deny the fact that a power asymmetry exists between the EU and the countries that wish a closer association with it, which tends to assign to the EU a hegemonic role in the region (Biscop, 2010) – although others emphasise more the role of the EU as a gatekeeper than as a hegemon (Grabbe, 2006; Bechev, 2011). But as the EU does not possess sufficient military capacity (or a normative preference for it) and – especially – as economic coercion through conditionality becomes delegitimised in the absence of a credible commitment to enlargement (Tulmets, 2007; Haukkala, 2008a), the EU is led almost inevitably to rely more on normative and soft aspects of socialisation rather than coercion (Emerson and Noutcheva, 2005; Kelley, 2006; Sasse, 2008). Based on these views, the EU engages in contractual relations with its neighbours in order to promote its values, offering in exchange a range of rewards (knowledge transfers, political

association, market access) subject to the degree of adaptation by the neighbourhood countries and the EU's own 'integration capacity' (see later).

The critique to this view comes from authors that adopt a neo-realist perspective and emphasise the function of the EU as a 'hegemon' which uses its asymmetric power to essentially project its own interests to its periphery (Diez, 2005; Hyde-Price, 2006; Gawrich et al, 2010). Seen from this perspective, the main rationale and function of EU's external relations is the guarantee of stability, security (including energy security) and prosperity internally, which is to be achieved through ensuring that external security issues are either resolved in a "European fashion" or remain external. This line of thought asserts that the EU engages in a number of processes with its neighbours not in order to 'export' its own values, to 'democratise', but rather in order to contain negative spillovers (illegal migration, human trafficking, arms trade, etc) and externalities (e.g., security concerns arising from involvement or non-involvement in territorial conflicts) from being 'imported' into its own territory.² Although in a rather different line of argument, somewhat similarly Grabbe (2006) emphasises the function of the EU as an "exclusive members' club" which maintains its (collective or member-states') interests through exclusivity (e.g., the 'threat' of barring access from the internal market) and not exclusively through the 'transformative power' of its processes of association and membership.

Of course, in practice it is difficult to separate between normative and interest-based motives. Indeed, Pace (2007) argues that the ENP constitutes a mixture of (normative) constructivism and a more interest-based rationalism. In the same line of argument, Kratochvil and Tulmet (2010) assert that from an empirical view-point both of these dimensions can find support in the EU's approach to ENP and that, moreover, this mixture is evolving over time, with rationalist elements becoming stronger (especially as the countries in the EU neighbourhood come to realise the limits to EU association imposed by the ENP), while the normative elements are maintained on the side of the EU.

An interesting perspective under which this can be examined further is through the analysis of the geographical approach that the EU has instilled in its Neighbourhood Policy. As the literature notes, underneath the application of a complex overarching policy framework – the ENP – there is substantial fragmentation of processes: on the one hand, through the development of parallel sub-processes of regionalisation (Smith, 2005; Emerson et al, 2007; Barbéa and Surrallésba, 2010); on the other hand, through the bilateralist relations that underpin the ENP structure (Seeberg, 2009; Bicchi, 2010; Gawrich et al, 2010). The former suggest a gatekeeping and socialisation role for the ENP: by emphasising and strengthening existing and new sub-regional processes (EuroMed, Eastern Partnerships, Black Sea Synergy), the EU seeks to strengthen the development and convergence of

² It should be noted, however, that the ability of the EU to achieve this exclusion condition has been questioned in the literature (Aliboni, 2005).

common values and ideas (as well as regional cooperation and conflict prevention) in a much more 'transformative' than 'hegemonic' fashion. The latter (bilateralism) is instead meant to maintain the asymmetric power of the EU and to guarantee its (normative) hegemonic role (Haukkala, 2008a – see also Smith, 2005, Vahl, 2005 and Pace, 2007).

Irrespective of whether this multi-scalar structure is an intentional bridging of coercion/conditionality and socialisation/soft power, it is important to note that due to this the ENP constitutes essentially an aggregation of pre-existing and newly created external relations policies, not all of which have the same origins and scope. Indeed, for some areas policies have originally been designed to facilitate goals more closely linked to democratisation and conflict prevention, while for others policies were developed more with an emphasis on economic integration and (weak) association. For example, as Smith (2005) notes, the ENP was not originally designed for, or extended to, the countries participating to the so-called Barcelona Process, as for the latter security issues were less imminent and the emphasis was more on the economic dimension while the EU had sought to keep a reasonable distance from direct intervention on domestic institution building (Bicchi, 2010; Thepaut, 2011). Instead, the ENP was first launched as a policy for the EU's immediate eastern neighbourhood and as a framework that sought to incorporate processes that had developed independently, such as the Partnership and Co-operation Agreements signed in the 1990s with Russia, Ukraine and Moldova (Sasse, 2008; Niemann and de Wekker, 2010). Importantly, as the ENP framework expanded geographically to include essentially all countries in the eastern and southern neighbourhood, the regional and sub-regional processes remained and in some cases existing processes were re-launched or new initiatives were developed seeking to reconstitute pre-existing regions and processes. This is for example the case with the Black Sea Economic Cooperation Organisation and the recently launched Black Sea Synergy (Emerson et al, 2007; Emerson, 2008; Andreev, 2008; Manoli, 2010; Tassinari, 2011).

In this sense, through its ENP, the EU attempts to incorporate important elements of regionalism in its overarching policy for its neighbourhood (Smith, 2005; Pace, 2007), not least as a means for mobilising policy cooperation, preference convergence and economic integration and development. Emerson and Noutcheva (2005) discuss how the launching of the ENP and the eventual inclusion of the Euro-Mediterranean Partnership (EMP) countries in the policy provided a new impetus to the EU's relations with its southern neighbourhood and promised to be a catalyst for reform in the Mediterranean Countries after the partial failure of the Barcelona Process. This was particularly important as, despite the notable progress recorded by the Barcelona Process in terms of confidence-building and, to an extent, institutional convergence, the process had not been sufficient to act as a driving force for major economic, social and political changes –as the Arab Spring so blatantly revealed.

But it should be noted that with this support for regionalism comes unavoidable some horizontal fragmentation. For example, despite the effective incorporation of the EMP into the ENP, the instruments that apply to the EMP countries under the neighbourhood policy differ (although in many respects only marginally) from those applied to countries that form part of the Eastern Partnership (Aliboni and Amor, 2009). Moreover, the EU has signed a number of ‘Advanced Status’ agreements with some southern countries (Jordan, Morocco and prospectively Tunisia) within the ENP framework, while in the east the EU is progressing towards signing ‘Association Agreements’ and ‘Deep and Comprehensive Free Trade Area’ (DCFTA) agreements with countries such as Moldova and Ukraine. As we discuss later, this differentiation has implications for the coherence, credibility and overall effectiveness of the ENP as an overarching policy.

3. The strategic goal of ENP: security and (non-)enlargement

As has already been mentioned, the EU considers its Neighbourhood Policy to be its main policy tool for establishing a ring of countries around its periphery that will be “stable” and “friendly to the EU”. In this sense, the ENP is perceived as a predominantly external relations policy, one that seeks to stabilise politically and economically the EU’s external periphery and instil to it values and institutions that are shared amongst the EU member states. Despite this, the historical development and current structure of the ENP points for many scholars and analysts to a different interpretation of the policy’s goals and objectives.

Specifically, there is a wide recognition in the literature that the ENP is inexorably linked to the EU’s enlargement process, as it relies (a) on a structure that has essentially been borne out from the accession process of the Eastern enlargement and (b) on a process – conditionality – whose objectives and instruments have been defined exactly for this process of enlargement, as decided in the Copenhagen Council of 1993 (the so-called Copenhagen Criteria). Gordon and Sasse (2008) highlight an interesting dimension to this point: like the CEE accession process, in its initial phases the ENP was under the responsibility of DG Enlargement and was only later transferred to DG External Relations. Although to an extent this reflects simply the historical evolution of the policy, it also crystallises how the ENP sprung out of the 2004 enlargement process and the conditionality applied to the New Member States during their accession to the EU. Moreover, it illustrates the fact that the ENP has in many respects been developed as a means for managing the accession aspirations of its neighbours and containing the pressures for enlargement (Haukkala, 2008b).

Emerson (2004a) was among the first authors to make this point, suggesting that the ENP has been constructed in a way that seeks to address the dilemma that the EU faced after the fifth enlargement in 2004. This was a dilemma between, on the one hand, extending the enlargement process to neighbouring countries at the risk of seriously jeopardising its own governability and, on the other, irrevocably stopping the enlargement process, thus breaking with one of the core EU values (to be

open to all European democracies) and losing its leverage over its neighbourhood – with the risk, subsequently, of endangering the emergence of negative political and economic effects in the neighbouring countries. In relation to this, Gawrich et al (2010), introduce the concept of “Neighbourhood Europeanisation”, as a distinctive category from Membership and Accession Europeanisation (internal and accession-related conditionality, respectively) and argue that this is an uneasy mixture of top-down interest projection and weak conditionality.

This point, about the question of managing accession aspirations, has been more broadly discussed in relation to the so-called ‘enlargement fatigue’ of the EU, in other words its increasing reluctance or inability to accommodate more members into its club. Although some key authors in the literature have occasionally questioned the extent to which enlargement fatigue is a real constraint to deeper integration (Schimmelfennig, 2008), the argument here is that the EU finds it difficult to continue its process of enlargement in the presence of deep internal imbalances as have been manifested both with the rejection of the 2004 Constitutional Treaty (and the subsequent problems with the Lisbon Treaty – Marchetti, 2007) and more recently with the Eurozone crisis. Anastasakis and Bechev (2003) and Grabbe (2006), among others, have made this point in relation to the Candidate and Potential Candidate countries of the Western Balkans (as well as Turkey). The issue of the EU’s ‘integration capacity’ specifically with regard to the ENP countries has similarly been discussed in studies such as those by Emerson et al (2006), Dervim and Schulz (2009) and Szolucha (2010).

Another dimension to this issue of ‘management/containment’ has to do with the role of Russia in the region. Smith (2005) considers the fact that the original application of the ENP concerned a small group of countries in the Eastern neighbourhood (and was at the time unrelated to pre-existing processes in the Southern neighbourhood, such as the Barcelona Process), which had historically fallen under the sphere of influence of Russia. Thus, while the EU wanted to forge its links with, and its influence on, countries such as Ukraine, Belarus and Moldova, especially with regard to strengthening or stimulating their process of democratisation, it also wanted to do so in a way that maintained stability in the region at large and specifically in its relations with Russia (Zagorski, 2004; Dannreuther, 2006; Emerson et al, 2007; Youngs, 2008; Haukkala, 2008b). The effect of this was the implementation of a looser framework of association, under the ENP, which would maintain elements of leveraging and conditionality without having to fully commit to (or fully clarify) a process of institutional integration (accession) – and without aggravating Russia (Haukkala, 2008b; Popescu and Wilson, 2009).

Such geo-political considerations add to the ambivalence concerning the ‘final destination’ of the ENP which, as discussed earlier, reflects the EU’s own ambiguity about its priorities with regard to its engagement with the countries in its eastern and southern neighbourhood – and specifically the tension between its role as ‘democratising force’ and an exclusive club of self-interested

constituencies. But as far as it concerns the question of whether the ENP can be best seen as an enlargement or an external relations policy, the literature, especially studies coming from the international relations tradition, finds the ENP's dual origin and dual objective less problematic. Cremona and Hillion (2006) assert that although "the methodology underpinning the ENP heavily draws on the techniques of the pre-accession strategy" (p.15), it is nevertheless a comprehensive security-oriented policy, as is reflected in the strong linkages between ENP and the European Security Strategy, which is "designed to meet the challenge of ensuring coherence between the three EU pillars". In a different, but consistent, line of argument, Browning and Joenniemi (2008) analyse the ENP as a 'fluid process' for the development of a flexible and dynamic geo-political strategy which aims at guaranteeing stability in its neighbourhood and security in its borders. As they argue, "questions of the Union's borders (...) cannot be separated from questions regarding the Union's security" (p.3). Under this view, the strong traces of pre-accession conditionality that can be found in the ENP framework do not constitute an obstacle to the policy but rather a constructive integration of different dynamics that support its coherence and adherence to the EU's overall objectives. Similar arguments are made in the collections of papers edited by Dannreuther (2004) and Whitman and Wolff (2010).

In a different vein, other authors question the ENP as an instrument that facilitates security issues. For example, Christou (2010) offers a much more critical evaluation of the security achievements of the ENP. He argues that the fragmentation of the process (e.g., the 'double security narrative' that emerges between the ENP and the Eastern Partnership) have so far failed to deliver the security and stability sought after by the EU. This is not only true in the case of the near eastern neighbourhood, where developments have historically been strongly linked with the regional role of Russia (Sasse, 2008; Haukkala, 2008b; Popescu and Wilson, 2009), but also in the cases of the South Caucasus republics and the southern neighbourhood in North Africa. In the first case, the ENP is seen as having played a positive but minor role, as the EU was unable to exert sufficient influence in the case of the Georgia crisis in 2008 (Fischer, 2009; Sadri and Burns, 2010; Delcour and Duhot, 2011). In the second case, in relation to the developments concerning the Arab Spring, the ENP is seen instead as having played, if anything, a negative role – especially as its pursuit of stability has often been seen as being in conflict with the wider and more value-based objective of fostering democratisation (Perthes, 2011; Emerson, 2011; Tocci, 2011; Ioannides, 2011; Thepaut, 2011). This reflects wider concerns expressed in the earlier literature about the ability of the ENP to deliver on its security objectives, for example due to the paradox of becoming increasingly involved in crisis management in its external periphery but without the tools that would allow it to exert so-called 'hard power' (Aliboni, 2005).

4. Incentives, effectiveness and domestic adaptation

The preceding discussion has highlighted two important issues that concern the structure of the ENP and the motives behind it. These are, on the one hand, the extent to which it aims at extending the EU values and norms to its external periphery or rather at protecting its internal stability and security; and on the other, the extent to which it constitutes a policy for association (and, perhaps, eventual accession) or instead a pure external relations policy. These dilemmas play a crucial role in the overall effectiveness of the policy, in the structure of the incentives it extends to the associated countries and, ultimately, in the degree of domestic adaptation and change in the EU periphery. In the literature, three issues are discussed in particular: the tension between securing economic interests and credibly pushing for democratisation and political-institutional change; the weaknesses associated to so-called ‘conditionality-lite’ and the lack of a firm commitment to accession as a device that locks countries into a stable reform path; and the concern that through its institutional entrepreneurialism and increasing involvement in the region the EU becomes ‘procedurally entrapped’ into a process that is essentially one of pre-accession. In relation to these issues, various authors have discussed the ability of the ENP to act as a socialisation (rather than coercion) mechanism, the legitimacy of a policy that seeks to engineer political and economic change while maintaining the EU’s exclusive character (offering ‘all but institutions’), and the empirical problems associated to the so-called ‘capabilities-expectations gap’, i.e., the distance between how the ENP is perceived in the neighbourhood and what the EU can offer to its neighbourhood through the ENP.

As we discussed, the ENP has deep roots into the accession conditionality of the fifth enlargement as it has developed out of it both historically and institutionally. This path-dependency has significant implications for the ability of the ENP, as a policy, to deliver in its dual objective of managing accession aspirations while instigating political, economic and institutional change. The problem here is that conditionality under the ENP has lost its ‘bite’ and credibility, as it has been stripped of its “golden carrot of accession” (Kelley, 2006). Schimmelfennig (2005) asserts this by highlighting that the weak incentives entailed in the ENP raise the costs of domestic adaptation, thus hindering the effectiveness of the policy. Similar is the argument made by Schimmelfennig and Scholtz (2008). This has been taken further up by Sasse (2008), who argues that the ENP incorporates a form of ‘conditionality-lite’, where the lack of clarity (vagueness) with regard both to commitments (by the EU) and rewards (to the neighbourhood countries) weakens the pro-reform constituencies in the neighbourhood and affords more influence to euro-sceptic elites there. The lack of clear benchmarks, and especially the lack of a clear linkage between progress and rewards, is also highlighted by Gordon and Sasse (2008), in their comparative analysis of the performance of ENP conditionality in the eastern neighbourhood.

Paradoxically, however, despite this weakening of conditionality, the ENP also reproduces the accession aspirations of at least some of the countries in its neighbourhood. This is best understood under the notion of ‘procedural entrapment’ proposed by Sasse (2008), a concept that builds on the earlier notion of ‘rhetorical entrapment’ (Schimmelfennig, 2003). The logic of this is as follows. The EU is motivated by the need to establish stability across its borders as a means to ensuring security internally. In doing so, it offers some form of association to its neighbouring countries. But because it is not in a position to offer full membership (due to the ‘integration capacity’ discussed earlier), and in order to maintain the relevance of its conditionality for instigating reforms, it has to revert to offering participation to the EU internal market as the main carrot of the policy (Ganzle, 2009).³ This however implies that it has to enforce/incentivise institutional convergence on specific policy areas, which effectively necessitates the adoption of specific chapters of the *acquis* by the associated countries. This has three effects. First, the whole process of monitoring and evaluation becomes a technocratic matter (technocratic engagement – Sasse, 2008) that weakens the role of political actors in incentivising institutional change towards democratisation in line with the EU’s normative ambitions. Second, as adoption of the *acquis* requires strong domestic actors (strong states – Grabbe, 2006), it creates a conflict between the pursuit of institutional and economic integration and the very goal of democratisation. Third, it creates an oxymoron, as ‘good performers’ who adopt the *acquis* remain excluded from the EU club: this weakens further the incentives for compliance and institutional adaptation or, inversely, ‘entraps’ the EU into a procedure which inevitably leads to stronger claims for accession. This is the essence of the so-called ‘capability-expectations gap’ (Tulmets, 2007; Sasse, 2008 – see also Dannreuther, 2006), i.e., the distance between what the associated countries expect from their relations with the EU and what the EU has to offer, which demotivates the NCs and delegitimises the ENP as an external relations policy at large (Haukkala, 2008a; Thepaut, 2011).

Given these problems, many authors have placed more emphasis on the ‘socialisation’ function of the ENP – and have subsequently argued for the strengthening of this dimension of the policy. For example, Emerson and Noutcheva (2005) consider socialisation, namely the process of persuading the associated countries to adopt policies and institutions that are consistent with the EU’s own institutions and norms, to be a separate pillar in the EU strategy in the region that falls outside the reward/punishment logic of conditionality. Kelley (2006) defines socialisation as a process whereby “actors generate behaviour changes by creating reputational pressures through shaming, persuasion and other efforts to socialize state actors” (p.39) and argues that the EU has shown evidence of learning through its ENP and has shifted over time its strategy from hard conditionality to soft diplomatic socialisation. Barbe et al (2009) also discuss this, arguing that the EU policy towards its external periphery contains elements not only of top-down policy transfers but also of more horizontal

³ In fact, the ENP was initially thought to allow, eventually the neighbourhood countries to participate in the four freedoms. Given, however, that this approach blurred the distinction between association and membership, the offer was reduced to participation in the internal market (Sasse 2008).

policy convergence based on rules that are either adopted from third parties (e.g., the WTO) or developed bilaterally. Similar arguments can be found in Youngs (2008) and in Lavenex (2008), who proposes the shift to a model of non-hierarchical “network governance”, where the top-down process of policy transfers is replaced by a multi-level and polycentric trans-governmental network of policy exchange, policy learning and diffusion of policy-relevant knowledge.

However, not all authors share this negative view about the ENP’s conditionality and top-down governance approach. Ganzle (2009), for example, asserts that the ENP constitutes a “form of externalised EU-centred governance in order to partially integrate third countries of the immediate vicinity into ‘policy-taking’ rather than ‘policy-making’ processes of the EU” (p.1716). This is achieved through the shifting of a number of ‘governance boundaries’ that concern geopolitical, cultural, transactional (financial-economic), legal and institutional aspects. According to Ganzle (2009), by shifting these boundaries depending on country-specific circumstances and the bilateral context, the EU is able to manage the accession aspirations of its neighbours and to decouple the process of association from the issue of accession, as the “ENP partner countries ... pursue further options beyond just falling short of fully-fledged membership” (p.1729).

Similar ideas have been expressed by authors who argue in favour, not of a sidestepping of conditionality (e.g., through an increasing emphasis on soft power, socialisation and polycentric governance), but of transforming and instrumentalising it. For example, Trauner (2009), talking about the case of the Western Balkans but in an argument that easily extends to the ENP, has argued that the “dismantling of membership conditionality” (p.5) will produce a stronger tool for instigating institutional adaptation and convergence through elements of both coercion (policy downloading, monitoring, carrots-and-sticks) and socialisation (policy learning, knowledge transfers, etc) – what he identifies as the “mechanisms of Europeanisation” (borrowing from Grabbe, 2001). He proposes a move to policy-related conditionality, where the EU leverage is decoupled from the overall question of accession and the influence that the EU exerts is focused on specific policy areas which may evolve and increase over time and depending on circumstances. Emerson and Noutcheva (2005) make independently a similar argument, emphasising the central potential role of “sectoral policy conditionality” as a driver of change in the ENP periphery, an argument that they link to the strengthening of incentives for compliance through positive elements of conditionality (such as increased financial assistance) and the process of competition amongst the countries that belong to the EU neighbourhood. This argument links strongly to the idea about the mixing of regionalism and bilateralism as an explicit EU strategy for the ENP region. In earlier work, Emerson (2004a and 2004b) emphasised the importance of focusing the ENP towards the creation of denser political, economic and societal links through a cobweb of overlapping regions (sometimes encompassing

existing member states) and policy spaces.⁴ Emerson et al (2007) put forward the idea of an “ENP plus”, which will take into account more holistically the changing geo-political context (the rise of China in the global field, the rising economic and political strength of Russia, the declining prestige and legitimacy of the US as an international power) and will draw dividing lines not across geographical areas but along the conceptual axis of willing-reluctant partners. Their proposal argues for the strengthening of the ENP’s facilitation of regionalist processes (e.g., the Black Sea Synergy) that will give a new character to the ENP, more towards a geo-political strategy of external relations and less so as a strategy for transformation, either through conditionality or through socialisation – both of which, the authors argue, seem to have reached, or exceeded, their limits. The emphasis on the regional and regionalist components of the ENP, as opposed to the bilateralist conditionality relations, is favoured also by Smith (2005) and by Haukkala (2008a), who proposes, as one of the options for resolving the capabilities-expectations gap and the legitimacy problems identified with conditionality as applied in the ENP, the adoption by the EU of a more modest (less hegemonic or top-down) strategy in the region, that will offer tangible cooperation in different areas while taking on board only those values and norms that are prerequisites for good governance.

Generally speaking, such proposals seek to address one of the two key weaknesses identified with the ENP, namely the loss of credibility, legitimacy and overall ‘bite’ in the absence of a firm commitment, or ability, to facilitate future enlargements. They seek to restore the incentives for political and institutional change, towards democratisation and economic reform, and the avenues through which these can take place in the EU neighbourhood. But besides this, under specific conditions the proposed compartmentalisation and ‘decoupling’ of conditionality, either geographically or sectorally (e.g., policy-related conditionality – Trauner, 2009; shifting boundaries of governance – Ganzle, 2009; overlapping policy spaces – Emerson, 2004a; or sub-regionalism – Emerson et al, 2007), may also prove suitable for addressing the other weakness identified in the functioning of the ENP, namely its goal conflict and inconsistency (Schimmelfennig, 2005). On this, the literature seems to stress the importance of mobilising domestic support for the policies that seek to instigate political, economic and institutional change and of being responsive to the diversity of the circumstances and context of the ENP countries (Gordon and Sasse, 2008). By shifting to a more contextual and less top-down approach to its neighbourhood the EU may be better equipped to instigate more targeted and more effective changes there (Gawrich et al, 2010; Biscop, 2010; Thepaut, 2011). Although coherence, consistency and credibility have long been identified as three key ingredients for the success of conditionality and the EU’s transformative power (Grabbe, 2006), the flexible and context-sensitive application of strategies of coercion (conditionality) and socialisation (learning) appears to be essential for the ENP to maintain its effectiveness and legitimacy. As Lavenex and Schimmelfennig (2009) assert, the perceived appropriateness of the rules/values that the

⁴ It can be noted that this is also consistent with Lavenex’s (2008) idea of network governance.

EU seeks to project through its ENP, and the overall legitimacy of the process, are crucial for the selection, adoption and implementation of these rules by domestic actors in the EU external periphery.

5. Conclusions

In this closing section we briefly summarise the main issues that have been covered in the review of the political and political-economic literature and develop some thoughts about the implications of the issues raised for the role and ability of the ENP to mobilise economic development and convergence in the EU external periphery through process of economic integration and institutional-political convergence.

As we saw, the EU approach to its neighbourhood, and the ENP in particular, entails a number of important dilemmas and tensions that bring to question the rationale, coherence and effectiveness of its policies. One first such dilemma concerns the rationale of the EU approach. It appears from this literature review that the ENP combines, sometimes uneasily, aspects of interest negotiation and of norm projection that do not always work in synergy. Thus, while the EU goal of democratising its external periphery by instilling to it European norms and institutions may in some respects not be in conflict with specific interests, such as containing negative spillovers in the areas of security and gaining access to markets and energy resources, in other respects this relationship is rather problematic. Institutional adaptation in the periphery requires strong states, some of which may not be democratic or may show resistance to some areas of reform while being positive to change in other areas.

This tension is reinforced by another dilemma, namely the contradiction between seeking to transfer policy rules in a largely top-down fashion and offering too little in exchange – at least in the sense of not being able to offer a clear route to full participation in the EU (membership). This weakens the credibility and legitimacy of the EU's policy towards the region and ultimately its ability to instigate wholesale and sustainable change in its external periphery. Given the absence of a strong anchor to reforms (the “golden carrot” of accession) the ENP countries are allowed to cherry-pick on specific policy sectors and suffer little penalties if they exhibit hesitation and policy reversals. A third dilemma comes to add to this. Clearly motivated by a concern to avoid a ‘rhetorical entrapment’ that will make the offer of membership politically inevitable, the EU is moving to a model of policy-related conditionality which fragments the overall policy and allows differentiation in compliance across sectors within each ENP country. Moreover, unable (or unwilling) to offer the prospect of full membership, the EU has removed the participation in the ‘four freedoms’ from the list of rewards included in the ENP and has reduced this to an offer of participation in the internal market. Both of these developments tend to de-politicise conditionality. Paradoxically, however, as the monitoring of compliance is shifted to the technocratic level, the EU runs the danger of becoming entrapped in a procedural fashion, pushing countries in its neighbourhood to adopt an increasing number of rules that

apply inside the EU and thus inevitably signalling full participation in the EU institutions as the ‘ultimate destination’ of the policy.

The response of the EU to these dilemmas is multi-faceted. First, the EU now treats the ENP as an almost exclusively external relations policy – thus trying to dissociate ‘neighbourhood conditionality’ from ‘accession conditionality’. Second, it seeks to introduce more flexibility in the policy, by allowing more horizontal policy and knowledge transfers within variable but overlapping policy and geographical spaces. This approach has at least three dimensions: the sectoral, the geographical and the functional. In sectoral terms, this is manifested in the separation of policy spheres and the application of the so-called policy-related conditionality which seeks to offer more incremental but also more immediate rewards (e.g., access to markets, financial assistance) for achievements registered in particular policy areas largely irrespective of developments in other policy areas. In geographical terms it is best exemplified by the EU’s support of regionalist processes and sub-regional initiatives and its quest to accommodate these and integrate them organically within its overarching (and seemingly multilateralist) framework of the ENP. Finally, in functional terms, it is reflected in the way in which this regionalist approach is integrated with the underlying differentiated and bilateralist fashion in which the EU develops its relations with its neighbouring countries (for example, the spatial status of Russia and its non-participation in the ENP, the ‘advanced status’ offered to selected countries in the southern neighbourhood, and the country-specificity of the Action Plans through which the ENP operates). The combination of the two allows the EU to instil elements of positive competition and policy learning through information sharing and trans-governmental networks of policy exchange.

Although the elaboration of this complex policy framework has obvious advantages, it is nevertheless susceptible to maintaining the weaknesses already identified with the ENP. Lack of consistency and coherence of the policy is an important impediment to legitimising the role of the EU in the region and to mobilising advocacy coalitions and, ultimately, sustainable reforms in the ENP periphery. Too much flexibility and differentiation can lead to processes of ‘de-learning’ and compartmentalise, rather than unify, the EU’s external relations in its neighbourhood – while the technocratisation of these relations may in fact maintain prospective claims for accession and full participation to the EU market and institutions.

What is the relevance of these issues to the question about the role of the ENP for the fostering of economic development, market integration and, above all, convergence in the neighbourhood countries? The answer we can give here can only be tentative and exploratory. It is clear from the above discussion that issues of economic development – and, moreover, of balanced and sustainable development not only at the national but also at the sub-national level – figure rather peripherally in the ENP agenda. The dominant goals, of instilling democratisation and forging stability-security, put

the economic-developmental dimension on a secondary role and turn it into an instrument for the successful application of the policy, rather than a direct policy concern in itself. Thus, conditionalities related to the building of western-like market institutions, the opening-up (externally) and liberalisation (internally) of domestic markets, and the implementation of effective and equitable economic policies are largely deployed and examined under the prism of the effective adaptation of domestic institutions to the EU legal (institutions, *acquis*) and normative (democratisation) agendas.

Nevertheless, the economic-developmental issue remains central in at least two other respects. First, the rewards associated to ENP conditionality remain largely (and, it can be argued, become increasingly) economic, related as they are to market access and financial assistance. Second, irrespective of conditions, the opening up of relations with the ENP periphery allows and encourages the development of closer economic ties between the ENP countries and the EU member states, as is manifested in the fast growth of trade and FDI flows registered over the last two decades between the two country blocks. Thus, both in institutional and in market terms, the ENP region becomes more closely integrated, but also more exposed, to the market forces operating inside the EU. In the absence of any prospect of accession to the EU, at least in the foreseeable future, and thus of benefits associated with the redistributive and developmental policies of the EU (CAP, Cohesion Policy), this exposure can have both positive and negative developmental effects. As has been observed in the cases of earlier (and deeper) associations (e.g., in Central Eastern and Southeast Europe), the economic gravity of the EU can distort domestic production structures, trade specialisations and orientations and, importantly, lead to an over-concentration of economic activity and human and financial capital (Monastiriotis and Petrakos, 2010). Further, as was also reflected more recently with the global financial crisis (see Bartlett and Monastiriotis, 2010), with processes of industrial restructuring, capital deepening, technological upgrading and production diversification progressing only slowly (especially in the more backward countries), speedy liberalisation and market integration (e.g., in the form of strong and fast inflows of FDI and speedy financial liberalisation) can create deep imbalances (e.g., unsustainable credit expansion and over-indebtedness) that will threaten to destabilise the economies in times of crisis.

It is rather unfortunate in this context that the process of economic integration falls outside the debates about the role and effectiveness (or, appropriateness) of the ENP. As the 'economic' (market access) becomes a carrot for the 'political' (democratisation, security), attention to institutional adaptation in the economic domain is reduced to the implementation of rules about market access – while attaining a critical stance to the process (and speed) of integration becomes counter-productive and anti-modernising (Euro-sceptic). Further, as compliance with the ENP rules is imperfect and enforcement (conditionality) remains weak, economic openness also remains incomplete and asymmetric, thus generating greater exposure risks and threatening more imbalances in the young economies of the

neighbourhood countries. These are some of the key issues that are addressed in subsequent parts of this project.

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