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ENLARGEMENT AND NEIGHBOURHOOD

The EU and its Eastern Neighbourhood: Challenges of Engagement

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Since their independence 20 years ago, Eastern Europe and the Southern Caucasus have lived in the paradoxical situation of representing a crucial geographic, security and energy crossroads for the European Union (EU) while failing to reach the top of the its foreign policy agenda. Since 2004, six countries have become the EU's direct Eastern neighbours, while at the same time remaining Russia's Western neighbourhood, a traditional area of Turkish economic and security interests in the Black Sea region, and an increasingly attractive terrain for China's power projection, especially in the economic dimension. From a broader perspective, the EU's Eastern neighbourhood represents a strategic bridge connecting Europe with the Middle East (Iran) and, through the Caspian Sea, with Central Asia. The EU's Eastern neighbourhood also represents a transport corridor between the EU and China. And, last but not least, it is of geostrategic importance as a transit route for European energy supplies. Currently, around 20% of the EU's gas supplies transit through Eastern Europe.

While offering these sets of opportunities, the region remains volatile. Internal political tensions (post-electoral unrest and riots), gas wars between Russia and the Eastern European countries, ecological risks, illegal immigration, smuggling, organised crime, and the frozen conflicts in Moldova and the Southern Caucasus have all contributed to undermining stability and reform processes. Political instability in the region is strongly linked to economic and social weaknesses, where economic and social conditions are precarious. The global economic crisis hit almost all Eastern European countries exceptionally hard, bringing a period of fast growth to a halt and putting the region's financial system under duress. The most serious hard security challenges are frozen conflicts and Russia's assertiveness in maintaining its leverage on the region, as the 2008 "August War" in Georgia dramatically demonstrated.

Despite these opportunities and challenges sitting on the EU's doorstep, the region has not appeared on Brussels' foreign-policy radar screen. The coherence and effectiveness of EU engagement in Eastern Europe has suffered from a lack of consensus on two crucial

issues. Relations with Russia remain one of the most divisive issues when trying to develop EU common foreign policies. Some Member States are keen to avoid developing policies that Moscow could interpret as interfering with what it sees as its "sphere of privileged interests". To various degrees, maintaining good bilateral relations with Russia remains a priority for some important EU states (France, Germany and Italy). Notwithstanding the length to which EU officials have gone to explain that the various policies developed towards Eastern Europe are not intended to antagonise Russia, the notion that Eastern Europe is a space for competition between the EU and Russia has been unavoidable. In an EU with very diverse historical relations with Russia, this has meant belated engagement with the region and a search for compromises based on lowest common denominators. This approach has fallen short of expectations held by democratising countries in the East – Ukraine, Moldova and Georgia.

The second red line hindering further EU engagement in the region concerns the question of membership. The EU has consistently avoided addressing the demands of countries such as Ukraine, Moldova and Georgia for prospects of accession, to which they enjoy – on the basis of Art. 49 of the Treaty – the right as European countries. This idea is supported by some EU Member States (the Czech Republic, Poland, Romania, Sweden and the United Kingdom), but for others it is currently unacceptable (France and Germany).

Nonetheless, taking a broader historical perspective, the contrast between the 1990s and the second half of the 2000s is noticeable. Pushed by demands from some countries in the region and those EU Member States that see the Union's Eastern neighbourhood as strategically important – such as the Central European Member States, the United Kingdom and Sweden, the EU has started to engage with Eastern Europe, even at the risk of antagonising one of its most important partners further east. For Russia, a country digesting Central Europe's accession to the EU and to the North Atlantic Treaty Organisation (NATO), the attraction of the Union in parts of Eastern Europe has had strong reverberations in its relations with the West and in its policies towards its Western neighbourhood, with the Ukrainian Orange Revolution standing out as a defining moment leading to a re-evaluation of Moscow's regional and international role.

The EU's engagement in the East is characterised by the multiplication of EU programmes and initiatives, starting with the European Neighbourhood Policy (ENP), developed between 2003 and 2004, which was later accompanied by the Eastern Partnership (EaP), launched in 2009 on the basis of a Polish-Swedish proposal. The EaP's set-up reflects a perceived twofold need: to provide a path of integration and association for those countries aspiring to achieve a prospect of accession (Ukraine, Moldova and Georgia) without making any concessions on eventual EU membership, and to try to engage those countries most impermeable to EU influence (Belarus, Azerbaijan and Armenia). Especially with regard to Belarus, the EU's policy of isolation pursued through targeted sanctions since the freezing of the Partnership and Cooperation Agreement negotiations in 1997, on human rights grounds, did not produce any results. This is why the EU had been searching for new ways forward that did not compromise its principled position.

The EaP also represents the highest possible level of consensus within the EU over how, and to what extent, the EU should engage with Eastern Europe. As an enlargement-neutral policy, it is interpreted by those EU Member States against promising accession as an alternative strategy; conversely, for the Member States pushing for closer association, the EaP is seen as a possible preparation for future accession, recognising that currently the debate on membership has reached a political *cul-de-sac*.

The EU's engagement in its Eastern neighbourhood is influenced by several of the region's features. Despite significant similarities, the region also has a high level of political, cultural and economic heterogeneity. This makes the creation of a coherent and holistic approach difficult. From the EU's point of view, the most fundamental differences among the EaP countries concern attitudes towards EU membership and the character of political systems (democratic vs. authoritarian).

In the case of the more democratic Eastern partners, democratisation and stability are tightly bound to the EU's policy towards them, particularly the European perspective. In Ukraine, Georgia and Moldova, the EU faces defective democracy. It is a source of instability in these countries, and also of their fragility, but at the same time it almost completely excludes their stabilisation, even if in 20 years of independence these countries have avoided an authoritarian slide. In effect, their stabilisation is closely linked to the completion of democratisation and the building of rule of law, which, without EU support, has little chance of success. The most efficient incentive and driving force for reforms would be, beyond any doubt, a long-term European perspective.

Indeed, the impact of EU policies, in terms of Europeanisation in the region, has been modest so far. The almost annual attempts to improve the ENP's offer for the East indicate that EU engagement is still under construction. It also confirms that Brussels is dissatisfied with the performance of the programmes designed for the Eastern Neighbours. EU engagement in the East is a history of searching for the optimal model that would rely on enlargement policy tools (integration and conditionality) without offering a prospect of accession for the Eastern neighbours. This model of "integration without membership", aiming at preventing the emergence of new dividing lines in Europe, is driven by efforts to solve the fundamental "inclusion / exclusion" dilemma which the EU faces with regard to the Eastern neighbours. In effect, some basic similarities are common to all the EU initiatives and programmes directed towards the East since the fall of the Soviet Union, as far as their agenda is concerned (convergence with the EU model, conditionality). However, they all continue to replicate the inclusion / exclusion dilemma. The EU's policy towards the East is characterised by permanent perplexity stemming from both a reluctance to "digest" the Eastern neighbours and, paradoxically, fear of their exclusion and destabilisation.

Priorities for the coming presidencies

In this context, the challenges for the next EU rotating presidencies revolve around two main pillars: a political-strategic one, and one that relates more closely to the implementation of policies and the priorities to be pursued in the 18 months to come.

In the second half of 2011, the Eastern Partnership summit will be held under the Polish Presidency, co-organised with the Hungarian Presidency of the first half of the year. In the absence of clear "sponsors" for Eastern Europe, as during 2011, the challenge for Warsaw will be to ensure continuity of engagement in 2012. Alongside agreeing with the Danish and Cypriot Presidencies on the priority accorded to the region, this will mean ensuring that the European External Action Service (EEAS), the special unit in charge of the EaP, and other EU Member States are aware of the importance of the dossiers in question.

This will be particularly important in the context of the negotiations for the new Multiannual Financial Framework for 2014-2020. During 2007-2013, the budget for the entire neighbourhood was in excess of €12 billion, with some €700 million added for the Eastern Partnership since 2009. As things currently stand, it is extremely unlikely that the budget for external relations and / or for the neighbourhood will be increased in any significant way. In the context of the revolutions in the Arab world and the calls by many EU leaders for increasing international generosity towards the South Mediterranean (while falling short of making any financial commitments), the distribution of the ENP budget between the Eastern and Southern neighbourhoods may become an issue of political dispute. Since the early 1990s, the ENP budget has always been subject to compromises between the two EU vocations. A new understanding (which might entail confirming the unwritten rule of thumb of two-thirds to the South and one-third to the East) will have to be reached.

Managing this discussion politically will not be easy: the EU already suffers from deep internal divisions that have ultimately undermined the effectiveness of external policies. Secondly, the patterns of international relations have shown that geographical distance does not make countries immune from the consequences of instability: both neighbourhoods are important to the all of the EU.

In a context of economic austerity, improving the quality and impact of aid towards the neighbourhood will acquire renewed salience. In order to make European financial commitments more effective, it would be opportune to increase coordination with other donors, especially within the EU. An exercise of information-gathering concerning national governments' and agencies' aid programmes, and concerning multilateral institutions engaged in the region would be a first step in the search for improved coordination and new synergies between programmes that seek to increase aid spending effectiveness.

A number of policy areas could also be prioritised. The ENP review, published by the Commission in April 2011, reflects a discussion process that started in July 2010. Themes covered include: the exercise of conditionality; the question of the long-term prospects and the unavailability, for the foreseeable future, of accession as an incentive; the principle of differentiation that was introduced with the ENP; the budget; and engagement with civil society.

Out of these discussions and proposals – a matter of debate in the Council during the Hungarian Presidency – it is important to single out some issues. Engagement with civil society has constituted one of the innovative aspects of the EaP, given that, in the past, there were few mechanisms for developing sub-state and non-governmental networks. The full potential of the Civil Society Forum of the EaP, however, has not been fulfilled. In the context of unstable and weak democracies in Ukraine, Moldova and Georgia, and given the undemocratic nature of Belarus and Azerbaijan, and the only partially democratic nature of Armenia, developing relations with civil society is a way to nourish struggling democracies from within and, in the case of non-democratic regimes, to develop relations with countries without offering too much to their governments. It also provides policy-makers useful feedback on how to implement projects and on which priorities to pursue in multilateral and bilateral relations.

Mobility and visa liberalisation is another incentive that features high on the agenda. From visa dialogue to visa facilitation to visa liberation, experience with the Balkans shows that the process can be highly successful. It gears political parties and government administrations to carry out the necessary reforms and it delivers a good that is highly considered by citizens. Here, the rotating presidencies and their role in chairing Council meetings (except the European and Foreign Affairs Councils) can be crucial. Visa liberalisation requires the involvement of national Ministries of the Interior, which often have different priorities than Foreign Ministers who decide on offering visa liberalisation to third countries. If Brussels is to deliver one of its most prized incentives, coordination in this matter – and the maintenance of political commitment within the EU – is fundamental.

Dealing with regional security and frozen conflicts in the region is one of the most controversial issues, especially where Russia is involved. Yet, the persistence of these situations is one of the main obstacles to EU efforts to improve the political and economic environment. While political negotiations continue without offering much by way of solutions, the EU should continue to be engaged in confidence-building efforts. It will be important to keep the visibility of these efforts high, especially during the transition phase during which the mandates of Special Representatives to the conflict zones end (February 2011) and the new EU Delegations and the EEAS take over their specific tasks.

Finally, given the nature of the tensions in the region, it would be wise to invest in a project that could bring benefits to all parties involved, including Russia, such as pan-regional energy efficiency project.