

EU and Its Southern Neighbours: New Challenges for the European Neighbourhood Policy

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**EU and Its Southern Neighbours:
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for the European Neighbourhood Policy**

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Synopsis and Recommendations

The violent, unprecedented socio-political changes in North Africa and the Middle East—the stepping down of Ben Ali in Tunisia and Hosni Mubarak in Egypt, the anti-Qaddafi insurgency in Libya, and people rallying for change in the other Arab states—prompt a revision of the EU's approach to its southern neighbours. The present situation offers significant opportunities in this regard, even if the Arab transformations give rise to justified concerns about their further development and regional consequences.

In the EU and its member states, a debate is underway on the future of the EU's policy towards the southern neighbours. It coincides with an across-the-board review of the European Neighbourhood Policy, the findings of which will be unveiled very soon by High Representative for Foreign Affairs and Security Policy Catherine Ashton. This report is an attempt at an answer to the political and financial dilemmas of the EU's policy towards the southern neighbours. It puts forward recommendations on ways to support states in the region in their process of democratic transition, drawing also on the transition experiences of some member states. It also points to actions to be taken by the EU and its member states to maintain a balance between the southern and eastern dimensions of the European Neighbourhood Policy.

Main Recommendations to the EU and Its Member States

1. It is imperative to increase the presence of democratisation and civil society-building themes in bilateral relations between the EU and its southern neighbours. This is the angle from which to update the Action Plans with the southern neighbourhood states and strengthen the EU's longstanding bilateral dialogue with the southern neighbours on democracy and human rights. Progress in democratisation and civil society-building should become a key element of assessments of the EU's cooperation with the states in North Africa and the Middle East.
2. The EU should be the more active partner, supporting the southern neighbourhood states with expertise and funds in their process of system transformation. In this context, the experiences of member states—including Poland, the Czech Republic, Slovakia and Hungary, which accomplished their transition at the turn of the 1980s—are worth drawing on. With Poland due to assume the presidency of the European Council in the second half of 2011—that is, at a time when this particular model of a successfully completed transition has become the sought-after option for Tunisia, Egypt and other Arab states—there seem to be particular reasons for Poland's active stance. Potential areas for Poland's support include democratic institution-building, local government reform, regional development and civil society-building. The Arab countries could find Poland's experience in shaping relations between the state and the Church of particular value.
3. The existing mechanisms for multilateral Euro-Mediterranean cooperation targeted at promoting civil society (the Civil Forum, the Anna Lindh Foundation) need to be reinforced. The low effectiveness of EU instruments for supporting democracy and civil society-building should invite in-depth reflection on the establishment of a European Foundation for Democracy

with the mission to support democratic transition (chiefly through civil society-building, in particular through support to the young generation), essentially to push for an increase in funding, a coordination of efforts and openness to co-financing by actors from outside the EU, and to promote the simplification of funding-allocation procedures for non-governmental organisations involved in supporting democratic processes.

4. Given its limited financial capabilities, the EU should make the southern neighbours an offer attractive enough to induce them to bring in democratic reforms. From this perspective, the southern neighbours should not be denied the prospect of facilitations in the movement of persons. The concept of mobility partnership included in the Eastern Partnership, as well as the resulting first action plans on visa liberalisation signed with the eastern neighbours, seem to be a step in the right direction. A similar course of action should be adopted towards the southern neighbours, to be followed by the establishment of similar partnerships for mobility and by a phased liberalisation of the visa regime.
5. The opening of the EU market to agricultural products remains a fundamental issue for the southern neighbours. Admittedly, from the EU's point of view, this liberalisation could affect adversely European fruit and vegetable producers, yet the economic development of the southern neighbours and the political credibility of the EU both depend on reconciling the interests of European agriculture with the imperative of opening European markets to agricultural products from the neighbourhood. The case of the southern neighbours should invite an in-depth reflection on ways to solve this problem and prompt a decision (e.g. a temporary opening of the EU market to the southern neighbourhood countries' agricultural products).
6. In the process of planning the EU's new Mediterranean policy, attention should be paid to maintaining a balance between the southern and eastern dimensions of the European Neighbourhood Policy (ENP). The member states must move away from a perception of the two dimensions of the ENP, the eastern and the southern, as vying for political attention and funding. Changes in the Arab states, as well as developments in the eastern neighbourhood in recent years—the Russia-Georgia war, gas crises, the persistence of authoritarian regimes—point to the need to strengthen the entire European Neighbourhood Policy in its southern and eastern dimensions alike.
7. To be more effective, the policy towards the southern and eastern neighbours would probably require financial outlays at least matching those of the EU's enlargement policy or a development policy towards the remaining third countries. As things stand now, given the rigidity of the Financial Framework for 2007–2013 and the meagreness of funds the EU allocates for its neighbourhood policy, priority should be given to effective employment of the resources at hand. There is a need for an urgent revision of the current manner of spending, with the focus to be put on aims tailored to each country's situation and simplified funding award procedures. Increased coordination of the support provided by the EU, its member states, international financial institutions and third countries present in the region also would seem advisable.
8. Doubtless, it is imperative for the European Neighbourhood Policy, now and in the future, to be on guard that funding is linked more closely to "positive

conditionality.” The existing arrangement, whereby funding amounts are allocated to individual states for seven-year periods determined by the EU financial perspective, should be replaced with a flexible model, with the level of financial support dependent on a given state’s progress in implementing the agreed reforms, in particular in advancing democracy and civil society-building.

9. A serious debate is needed on the future of the neighbourhood policy, in particular on the benefits to accrue to the neighbours—eastern and southern—from their approximation to EU standards, including benefits in the movement of persons and in agricultural trade without precluding a possible enlargement of the EU. If the EU and its member states cannot make their neighbours an attractive offer, or are incapable of creating effective mechanisms to encourage the introduction of changes, then perhaps the implementation of a sweeping “all-inclusive” European Neighbourhood Policy should be reconsidered. Perhaps the funds currently spent on this policy should be re-targeted to the “most promising” states and, with regard to the other neighbours, focus should be put on civil society-building and on promoting mobility in conjunction with educating the younger generation.

EU's Policy Towards Its Southern Neighbours: Time for Change

The Faces of the EU's Mediterranean Policy

The history of the European policy towards the Mediterranean region is as long as the history of integration. The EU member states sought to develop cooperation with countries and territories they had special political, economic and cultural relations with due to their colonial past. Accordingly, the Euro-Mediterranean policy went through a phase of "global Mediterranean policy" in the 1970s and of a "new Mediterranean policy" starting from the late 1980s. The Euro-Mediterranean Partnership (EMP), also known as the Barcelona Process, was conceived in the mid-1990s in response to the need to give more attention to the problem of the EU's southern neighbourhood. Yet, after well over a decade the EMP (by then part of the European Neighbourhood Policy) turned out to be a disappointment, with no effects of political cooperation (including on democratisation and human rights), limited economic results and unimpressive progress in people-to-people relations.

Contrary to expectations and despite the political capital invested, the Union for the Mediterranean, which replaced the Euro-Mediterranean Partnership in 2008 and took over the latter's output, has failed to impart new momentum to Euro-Mediterranean relations.¹ In the nearly three years of its existence, it has produced very limited results. Because of the institutional arrangements adopted, it has obstructed rather than facilitated political cooperation among states in the region and, by putting economic projects in the forefront, it has pushed values, democracy and human rights to the back seat. All in all, the Union for the Mediterranean, meant to reflect a new, more pragmatic approach to relations with the southern neighbours, was paralyzed already in its early months by the region's political reality, notably by the Israeli-Palestinian conflict. What is more, the economic crisis and European businesses' negligible interest in investing in the Mediterranean region have practically rendered impossible the implementation of costly projects meant to be a showcase of this initiative.

Partnership for Democracy and Shared Prosperity: More Than Just Old Slogans Re-packaged?

Partnership for Democracy and Shared Prosperity with the Southern Mediterranean, a document unveiled by High Representative for Foreign Affairs and Security Policy Catherine Ashton and European Commission President José Manuel Barroso and tentatively endorsed by the member states at the March 2011 extraordinary European Council, appears to be a proposal for a new opening in relations between the EU and its southern neighbours.² It highlights the need for a qualitative change in the EU's policy towards the southern neighbourhood, to be achieved chiefly through

¹ For more on this subject see B. Wojna, "Trudne początki Unii dla Morza Śródziemnego," *Sprawy Międzynarodowe* 2009, No 1, pp. 87–104; see also: A. Szymański, B. Wojna, "Unia dla Morza Śródziemnego – nowe forum współpracy regionalnej," *Biuletyn (PISM)*, 2008, no. 32 (500).

² *Partnership for Democracy and Shared Prosperity with the Southern Mediterranean*, COM(2011) 200 final, Brussels, 8.03.2011, www.eeas.europa.eu/euromed/docs/com2011_200_en.pdf. See also: *Declaration Adopted by the Extraordinary European Council*, Brussels, 11.03.2011, point 14, www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/119780.pdf.

applying the principles of differentiation and conditionality. It assumes that a future partnership will be built on three pillars: (1) assistance in democratic transformation and institution-building, with particular focus on fundamental freedoms, constitutional reforms, reform of the judiciary and the fight against corruption; (2) cooperation with the people, with specific emphasis on support to civil society and on enhanced people-to-people contacts, in particular among young people; (3) support to sustainable growth and economic development, especially through support to small and medium enterprises (SMEs), vocational and educational training, improving health and education systems and the development of poorer regions.

An analysis of these proposals leaves one with an impression that the ideas presented therein are hardly new and that a considerable part of the High Representative and European Commission's communication has been said or written before. Indeed, as early as 1995, making the Mediterranean region an area of peace, stability and prosperity was recognised as the general objective of the Euro-Mediterranean Partnership. This aim was to be achieved through deepening political dialogue (with particular emphasis on respect for human rights and democratisation), developing economic and financial cooperation, the human dimension, as well as through cooperation (established in 2005) on migration, social integration, justice and security. What is more, the principles of differentiation and conditionality and the resulting incentive-based (otherwise, "more-for-more") approach so forcefully emphasised in the Partnership for Democracy and Shared Prosperity proposal, have underpinned the European Neighbourhood Policy, which since 2004 has been extended to East European and Mediterranean states.

Had it not been for the changes underway in North Africa in recent months, Partnership for Democracy and Shared Prosperity could have been described—and with good reason—as old slogans re-packaged, differing from earlier proposals by the order of priorities and by emphasis on democracy and civil society issues, with several embellishments thrown in, such as the plan to establish a Civil Society Neighbourhood Facility and a European Neighbourhood Facility for Agriculture and Rural Development, to be created should the member states so decide. Admittedly, the prospect of democratic elections in Tunisia and in Egypt, and of reforms in other states in the region, brings new opportunities for the EU's policy towards the Mediterranean. Accordingly, the fact that the EU is reorienting its priorities and moving away from the stabilisation paradigm (prevalent so far in the approach to the southern neighbourhood) to support democratisation and the uphill process of civil-society evolution in states of the region, merits a positive assessment.

Democratisation and Civil Society-Building Come First

Promotion of democracy and civil society-building have been the weakest links in the EU's policy towards the Mediterranean, and the EU's tendency to turn a blind eye to the political situation in the region has been criticised repeatedly. Now, with changes underway in the Arab states and a demonstrable tendency to link EU activities to democratisation and civil society-building, the existing, elaborate mechanisms for bilateral and multilateral cooperation need to be adapted to the new reality.

The presence of democratisation and civil society-building in bilateral relations with the southern neighbours should be increased. This is the angle from which to update the action plans towards the southern neighbourhood states and to bolster the

EU's longstanding bilateral dialogue with its southern neighbours on democracy and human rights. Also, the EU should be the more active partner, supporting the southern neighbourhood states' transformation process with expertise and funds. In this context, the experiences of those member states—including Poland, the Czech Republic, Slovakia and Hungary—which accomplished their transition at the beginning of the 1990s, are worth drawing on. The European Commission shared this view as it pronounced "transition management" an added value from the new member states to European development cooperation.³ In 2010, the Commission prepared, with a contribution from the new EU members, its own analysis of transition experiences—the European Transition Compendium, which describes changes in the 12 new member states and examples of best practices.⁴

With Poland due to assume the presidency of the EU Council in the second half of 2011—that is, at a time when this particular model of successfully completed transition has become a sought-after option in the Mediterranean region—there seem to be particular reasons for Poland's active stance. On analyzing carefully the internal situation in the Arab states, it seems that for some of them, at least, the Polish transition could be an attractive model to emulate.⁵ Tunisia and Egypt in particular looking for workable transformation models and seem natural "customers" for Polish experiences because their own systems are in many respects similar to that of Poland in 1988. Incoming signals from these two countries confirm their keen interest in collecting Central European transition experiences. But sharing these experiences should be confined to the political and social sphere, the economic differences between Poland at the turn of the 1980s and today's Tunisia and Egypt being too great. Depending on the recipient state's needs, potential areas for Poland's support include democratic institutions-building, local government reform, regional development and civil society-building. The Arab countries could also find Poland's experience in shaping relations between the state and the Church particularly interesting.

In the process of democratisation and civil society-building in the southern neighbourhood, the existing mechanisms of bilateral Euro-Mediterranean cooperation should also be reformed. The Civil Forum, which has been functioning since 1995, needs to be invigorated and reformed (including through enlarged representation of civil society), possibly by drawing on the experiences of the Eastern Partnership Civil Society Forum. Support should be provided to the Anna Lindh Foundation, which promotes dialogue between cultures and the objectives of the Barcelona Process through cultural, intellectual and social exchanges. To date the Foundation has been operating in the EU and in southern neighbourhood countries as a platform for an exchange of ideas among non-governmental organisations in North Africa and the Middle East.

³ *The European Consensus on Development: Joint declaration by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission on the development policy of the European Union titled "The European Consensus,"* 2006/C 46/01, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2006:046:0001:0019:PL:PDF>.

⁴ *European Transition Compendium Report*, 25.11.2010, http://ec.europa.eu/development/center/repository/european_transition_compendium_report_20101125.pdf.

⁵ See, for example, K. Żukrowska (ed.), *Transformation in Poland and in the Southern Mediterranean: Sharing Experiences*, Warszawa, 2010. Also see a publication by Patrycja Sasnal on the feasibility of applying Poland's transition experiences in Egypt and Tunisia (publication imminent).

Attention should be paid to guarding that progress in the area of democracy and civil society-building is a genuine basis for assessing the EU's cooperation with the Mediterranean countries. It is unacceptable for the EU to tacitly condone situations such as those observed until recently in Tunisia or Egypt—for, indeed, there is no other term to describe the fact that less than a year before Ben Ali's fall, the European Commission, in its report on the implementation of the European Neighbourhood Policy, assessed EU-Tunisia relations positively, in particular in their economic and social dimension. As for the authoritarian nature of the Tunisian regime, the Commission dealt with this issue by noting that difficulties persisted in management and law enforcement and in various aspects of human rights.⁶ With respect to Egypt, the Commission found its progress in implementing the neighbourhood policy "encouraging," noting Egypt's "strong commitment to social, economic and sector reforms, and to a lesser extent to political reform."⁷

The low effectiveness of European instruments targeted at supporting democracy and civil society-building should provoke in-depth reflection on the establishment of a European Foundation for Democracy.⁸ The performance of many German foundations, U.S. National Endowment for Democracy and Britain's Westminster Foundation for Democracy could provide material for a discussion on setting up—under the EU's aegis—an organisation to support democratic processes. For several years now the idea of a European foundation for democracy has been considered by experts, and it has also been brought before the European Parliament. Its essence is to make a push to simplify procedures for allocating EU funding to NGOs involved in supporting democratic processes. As the establishment of a European Foundation for Democracy is considered, it will be necessary to determine—alongside such matters as its sources of funding (the EU budget, member state contributions or others) and the target recipients (ensuring non-EU entities' eligibility for funding would be of fundamental importance)—the supervision powers to be vested in EU institutions, and to develop rules about the Foundation's functioning parallel to the existing—but, alas, singularly ineffectual—democracy-supporting mechanisms, such as the Commission-administrated European Instrument for Democracy and Human Rights (EIDHR).⁹

A partnership for democracy and shared prosperity will not automatically bring about an improvement in the efficiency of the EU's policy, or the democratisation of its southern neighbourhood. The Mediterranean reality features substantial complexity, while the Euro-Mediterranean Partnership and the Union for the Mediterranean are but a section of the EU's broadly-construed Mediterranean policy, which also encompasses numerous activities pursued under the different EU sectoral policies, in particular on

⁶ *Mise en oeuvre de la politique européenne de voisinage en 2009. Rapport de Suivi Tunisie*, Bruxelles, 12.05.2010, SEC(2010) 514, p. 3, http://ec.europa.eu/world/enp/pdf/progress2010/sec10_514_fr.pdf.

⁷ *Implementation of the European Neighbourhood Policy in 2009: Progress Report Egypt*, Brussels, 12.05.2010, SEC(2010) 517, p. 2, http://ec.europa.eu/world/enp/pdf/progress2010/sec10_517_en.pdf.

⁸ The name proposed here is a working name serving to reflect a concrete idea. For more on this subject see B. Wiśniewski, "National Endowment for Democracy: Idea, Functioning and Lessons for the EU," *Bulletin* (PISM), 2011, no. 32 (781).

⁹ The problem with the European Instrument for Democracy and Human Rights, which, theoretically, could contribute to democratising the EU's environment, is its very low effectiveness. In practice it has been of little significance to the region's transition. It has a low budget (EUR1.1bn for 2007–2013) and it has been criticised for being ineffective through its high own contribution requirements, poor adjustment of grants to local needs, lack of cohesion between projects and their non-alignment with broader development aid programs.

migration, energy, the European security and defence policy, police cooperation in fighting terrorism, and so on. Combining all these elements into a comprehensive whole is a complicated task. What is more, there are at least three factors, on the side of the southern neighbours and the EU alike, capable of obstructing significantly the implementation of the EU's new policy towards the Mediterranean region.

First, the momentous changes in Tunisia, Egypt or Libya notwithstanding, a future direction of the Arab states' transition is still difficult to estimate. It cannot be ruled out that these transformations will merely lead to the emergence of ostensible democracies (e.g., in Egypt and Tunisia), and that under the impact of social protests the rulers will bring in merely superficial changes (e.g., in Morocco, Algeria and Jordan). Second, neither can it be ruled out that the member states will—in return for cooperation in controlling illegal migration, energy supplies and an assurance of stability—give up promoting democracy and, as before, “tacitly condone” the functioning of sham democracies in North Africa and the Middle East. Third, conflicts in the Mediterranean region—the Arab-Israeli conflict, the Western Sahara issue and, to a lesser extent, the Cyprus question—will affect importantly the scope for political, economic and social cooperation among the Mediterranean partners or between them and the EU.

When planning a new EU policy towards the southern neighbours it should also be remembered that the EU's Mediterranean policy is a part of the European Neighbourhood Policy targeting the transformation of the neighbours—in the south and in the east—into democratic states with transparent and credible market economies. The fundamental, still-looming problem is the imperfection of the EU's offer incorporated into the ENP. So far, the offer has not been attractive and credible enough to encourage the southern neighbourhood states to introduce changes. The EU and the member states should also make certain that a balance is maintained between the southern and the eastern dimension of the ENP, to avoid an impression that we are giving to some by taking away from others and to prevent activities addressed to the South from producing adverse consequences in the East.

Reconciling the South and the East

“Tug-of-war” Strategy

Developments in North Africa, coinciding as they have for several months with a review of the European Neighbourhood Policy now in progress, have been instrumental in the marked invigoration of the debate on the future of the ENP. At the same time, the member states' years-long dispute over which policy direction, the southern or the eastern, merits deeper EU involvement,¹⁰ has gained new strength. The hub of the dispute is the allocation of funds.

¹⁰ The beginnings of this dispute can be traced back to at least 2002, when the approaching enlargement by Central European states triggered debates on the EU's policy towards the new eastern neighbours. Under pressure from the southern members, North African and Middle Eastern states were included in the then-emerging European Neighborhood Policy. For more on this subject see B. Wojna, “Polityka wschodnia państw śródziemnomorskich,” in: A. Gil, T. Kapuśniak (eds.), *Polityka wschodnia Polski. Uwarunkowania, koncepcje, realizacja*, Lublin-Warszawa, 2009, pp. 395–408. See also B. Wojna, M. Gniazdowski (eds.), *Eastern Partnership: The Opening Report*, PISM, Warszawa, 2009. For recent commentaries see S. Ananicz, *The ENP Under Review: What Does it Mean for the East?* 28.02.2011, www.easternpartnership.org/community/debate/enp-under-review-what-does-it-mean-east.

In a letter and non-paper from the ministers of foreign affairs of France, Spain, Greece, Malta, Cyprus and Slovenia to High Representative Ashton, with proposals for the EU's response to developments in the Mediterranean, much space was devoted to the financial aspects of the neighbourhood policy. The southern EU members proposed that the assumptions for programming the 2011–2013 European Neighbourhood and Partnership Instrument (ENPI) be reviewed, the range of applied instruments be extended, for instance, by the Instrument for Stability, the Development Cooperation Instrument and the European Instrument for Democracy and Human Rights, and that lending support from the European Investment Bank be increased. The signatories of the letter claimed that the distribution of funds allocated to the ENP was disproportional in *per capita* terms: EUR1.8 in Egypt, EUR7 in Tunisia and EUR25 in Moldova—a pattern which, to quote the letter, is “difficult to justify and sustain.”¹¹

The foreign ministers of the said states omitted to add that Moldova had been showing the best progress in approximating to EU political and economic standards; that funds allocated for Ukraine under the neighbourhood policy stood at barely EUR2.6 *per capita*, much less than for Tunisia; and that aid to Jordan and Lebanon was, respectively, at EUR12 and EUR13 *per capita* (see Table 1). Neither did they note the EU's attempt, undertaken in 2010 in connection with a mid-term budget review, to adjust its activities to the neighbours' progress and to changes in its environment. Unlike those of the eastern neighbours, the new national indicative programmes for 2011–2013 adopted for the southern neighbourhood states were for the greater part near-replicas of the previous ones, because no distinctive changes had occurred there to necessitate their revision.¹² The ministers did not mention either that in the case of the European Investment Bank (EIB), which plays an important role in implementing the neighbourhood policy, there is already a huge disproportion in funding in favour of the South—an imbalance deepened by the southern neighbourhood states' long experience and the facilitations they have enjoyed in access to EIB lending.¹³ The EIB's 2007–2013 credit facility for the Mediterranean neighbours is EUR8.7bn, with its bulk (EUR6.8bn) already used. In response to the North African crisis the European Parliament authorised an increase, by EUR1bn, in EU guarantees for the EIB's lending. This will enable the Bank to increase its lending capacity by EUR6bn by 2013. For comparison, the EIB's lending mandate for the eastern neighbours (including Russia) in the same period is EUR3.7bn, of which Ukraine, Georgia, Moldova and Armenia used about EUR880m by the beginning of 2011.¹⁴ Belarus is ineligible for EIB lending due to the political situation there.

¹¹ The letter from the ministers of foreign affairs of France, Spain, Greece, Malta, Cyprus and Slovenia to High Representative for Foreign Affairs and Security Policy Catherine Ashton, 16 February 2011, www.diplomatie.gouv.fr/fr/IMG/pdf/Lettre_a_Mme_Ashton.pdf; see also *Non-papier Action de l'Union européenne en direction du voisinage Sud*, 14.02.2011, www.diplomatie.gouv.fr/fr/IMG/pdf/11-02-17_Non-papier_Action_de_l_Union_europeenne_en_direction_du_voisinage_Sud.pdf.

¹² More on the findings of the mid-term budget review with respect to the European Neighbourhood and Stability Instrument in: B. Wojna, “The European Neighbourhood and Partnership Instrument: New Programmes for 2011–2013,” *Bulletin* (PISM), 2010, no. 42 (118). The results of financial adjustment of the ENPI for 2011–2013 are allowed for in Table 1.

¹³ Since 2003 the European Investment Bank's activities in this area have been conducted through the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), which markedly facilitates the use of funds. More on poor utilisation of EIB instruments in the East in: *Report from the Commission to the European Parliament and the Council on the Mid-Term Review of the External Mandate of the EIB*, COM(2010) 173 final, Brussels, 21.4.2010, pp. 6–7, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0173:FIN:EN:PDF>.

¹⁴ Detailed data on European Investment Bank's lending to the southern and eastern neighbourhood states are given in Table 2.

Table 1.
The European Neighbourhood and Partnership Instrument Allocations for the EU's Southern and Eastern Neighbours, 2007–2013

State	Allocation for 2007–2010 (million euros)	Average per year 2007–2010 (million euros)	Population in 2004 or 2005 (million)	Annual per capita average 2007–2010 (euros)	Allocation for 2011–2013 (million euros)	Average per year 2011–2013 (million euros)	Population in 2007 or 2008 (million)	Annual per-capita average 2011–2013 (euros)
SOUTHERN EU NEIGHBOURS								
Algeria	220	55	32.4	1.69	172	57,3	34.4	1.66
Egypt	558	139.5	70.5	1.97	449.3	149,3	75.5	1.98
Israel	8	2	6.93	0.29	6	2	7.18	0.27
Jordan	265	66.25	5.4	12.27	223	74,3	5.9	12.59
Lebanon	187	46.75	3.5	13.36	150	50	4.1	12.2
Libya	–	–	5.9	–	60	20	6.1	3.28
Morocco	654	163.5	29.9	5.47	580.5	193,5	30.5	6.34
Syria	130	32.5	18.6	1.75	129	43	20.8	2.1
Tunisia	300	75	10	7.5	240	80	10.3	7.77
EASTERN EU NEIGHBOURS								
Armenia	98.4	24.6	3.2	7.69	157.3	52.4	3.0	17.4
Azerbaijan	92.0	23.0	8.3	2.77	122.5	40.8	8.6	4.74
Georgia	120.4	30.1	4.3	7.0	180.3	60.1	4.4	13.66
Moldova	209.7	52.4	3.4	15.4	273.1	91.03	3.4	26.7
Ukraine	494	123.5	47.1	2.62	470.05	156.67	46.4	3.38

Source: Own compilation based on ENPI National Indicative Programmes for the different EU neighbours, for 2007–2010 and 2010–2013. The financial and population data given in these documents were used. Having no national programmes, Belarus and the Palestinian Authority were not included in this compilation.

Table 2.
The European Investment Bank's Lending to EU Neighbours, 2007–2011
 (in million euros)

SOUTHERN EU NEIGHBOURS	
Algeria	503
Egypt	1 433.87
Israel	234.58
Jordan	237.36
Lebanon	428.50
Libya	–
Morocco	1 584.50
Palestinian Authority	5
Syria	696.85
Tunisia	1 631.95
Mediterranean countries (multilateral projects)	108.98
TOTAL	6 864.59
EASTERN EU NEIGHBOURS	
Armenia	5
Azerbaijan	–
Belarus	–
Georgia	175
Moldova	235
Ukraine	465.50
TOTAL	880.50

Source: Own compilation based on the European Investment Bank's data as of 27 April 2011.

The southern EU members are taking advantage of developments in North Africa to enhance the EU's political and financial involvement in the region, which—as they see it—has been marginalised in recent years in the wake of the Eastern Partnership initiative. Their intentions are partly understandable, as is the fact that states supportive of deeper relations with the eastern neighbours have followed with concern developments in the South, that are bound to divert attention away from developments in the East. Alas, this “tug-of-war” strategy the member states have been engaging in is a two-edged weapon unlikely to contribute to solving the problems of the EU's neighbours.

Changes in the Arab states and the developments unfolding in recent years in the eastern neighbourhood (such as the war between Russia and Georgia, gas crises and the persistence of authoritarian regimes) show that the European Neighbourhood Policy as a whole needs to be strengthened in its eastern and southern dimension alike. Yet debates on the ENP are marked by the recurrence of arguments based on a perception of the two dimensions of this policy, the southern and the eastern, as vying for political attention and funding. Signals of this kind are damaging—primarily to the EU's neighbours, who can feel uncertain about the credibility of the Union's policy. The south must not be marginalised when the east is being discussed, just as the east must not be forgotten when the south is on the agenda. Unless this is understood, neither an effective policy towards the southern neighbours nor an attractive offer for the East can be developed. What is more, in several years' time we will have reasons to be as critical of the Eastern Partnership as we are today of the EU's Mediterranean policy and, possibly, similar problems to deal with at the eastern borders of the Union.

How to Improve Funding

Given the rigidity of the Financial Framework for 2007–2013 and the meagreness of funds the EU allocates for its neighbourhood policy, priority should be given to effective employment of the resources at hand under the European Neighbourhood and Partnership Instrument. There is a need for an urgent revision of current spending, for the focus to be put on aims tailored to each country's situation, and for a simplification of funding-award procedures applicable in the neighbourhood states. It would also be advisable to conduct an additional review of financing for the region out of loan and investment funds provided by European financial institutions. Despite the European Investment Bank's superior expertise in the region, a comprehensive review of its performance seems necessary, because some of its loans, in particular to PPPs and the energy sector, have gone into supporting projects that turned out to be poorly performing investments. At the same time, as a southward enlargement of the mandate of the European Bank for Reconstruction and Development is contemplated, it should be borne in mind that this institution is fairly inexperienced in the region's problems and will need time to adjust its operations to the determinants in the southern neighbourhood.

Better coordination also seems to be needed for of the support provided by the EU, member states, international financial institutions¹⁵ and third states with a presence in the region. The track record of the group of “Friends of the Eastern Partnership”—a

¹⁵ Including the World Bank, which, because of its experience in supporting the development of states with similar economic and political problems, will probably expand its activity in the southern neighbourhood of the EU.

Poland-designed idea to multiply the resources and improve the coordination of the activities pursued by the EU, third countries and financial institutions for the benefit of eastern neighbours—has shown that developing new, more flexible mechanisms of cooperation is far from easy. Even so, perhaps it would be worthwhile to consider whether a similar group of friends of the southern neighbourhood (or at least of individual states in this region), open also to the Gulf states, which in recent years have been economically active in the Mediterranean, could emerge to support the expansion of these countries' infrastructure and their economic growth. The funding of projects in support of civil society-building could become more efficient following the setting up of the European Foundation for Democracy referred to in earlier sections.

In view of the changes in North Africa and the likelihood of similar developments unfolding throughout the EU neighbourhood, the strengthening of financial mechanisms for prompt crisis management is recommended. The existing facility, the Instrument for Stability (IfS), is an important component of the EU's crisis management system in that it enables—through relatively quick mobilisation of resources—a prompt response to threats emerging in the EU neighbourhood (unlike a majority of EU instruments capable of supporting the transformation of the region, which are planned in a long-term perspective). However, the IfS's modest 2007–2013 budget, of somewhat over EUR2bn, limits its effectiveness.

When addressing the financing issue from the perspective of the future multiannual financial framework, it should be emphasised that funds allocated annually to the neighbourhood policy under the European Neighbourhood and Partnership Instrument are quite token, considering the sizes of the eastern and southern neighbourhood economies and their needs. An attempt could be made to augment these resources with the support of the Instrument for Stability, the Development Cooperation Instrument and the European Instrument for Democracy and Human Rights, but this will not result in a meaningful increase in funding. To be more effective, the neighbourhood policy would certainly require outlays at least matching those on the EU's enlargement policy or development policy towards the remaining third countries. Paradoxically, the EU finds it easier to allocate an additional EUR180m to the Ivory Coast—a fully justified expenditure, no doubt, supported by France with an additional EUR400m—than to raise a similar amount for Tunisia or for other neighbours in the south or east.

The member states shortly will determine the size of funding for the ENP in connection with the multiannual financial framework for 2014 onwards. The future will show whether the decisions have been commensurate with the challenges confronting the European Neighbourhood Policy. It is imperative for the European Neighbourhood Policy, now and in the future, to be on guard that funding is linked more closely to "positive conditionality." This arrangement has already been applied, on a modest scale, in the Governance Facility—additional support established in 2006 for neighbourhood states that have made the most progress in implementing the agreed reform agenda set out in their Action Plans.¹⁶ The amount set aside for this purpose by the European Commission for 2007–2013 is EUR300m (EUR50m a year), and the beneficiaries have been Morocco, Ukraine and Moldova. A broader application of this instrument in the future is recommended.

¹⁶ *Principles for the Implementation of a Governance Facility under ENPI*, http://ec.europa.eu/world/enp/pdf/governance_facility_en.pdf.

The concept of a stronger link between conditionality and funding underpins a proposal from Germany for a more flexible and more “tailor-made” financial mechanism.¹⁷ The Germans have proposed replacing the current arrangement, whereby funding is allocated to individual states for seven-year periods determined by the EU multiannual financial framework, with a flexible model in which the level of financial support would depend on a given state’s progress in implementing the agreed reforms. No more than one half of the funds allocated for a given state would be disbursed on the terms currently in effect. The outstanding funds would be granted depending on an assessment of the country’s progress in meeting its commitments under the Action Plan. Should the functioning of democracy, the level of protection of fundamental rights, or rule-of-law standards be found to have regressed, the Union’s financial support—budget aid in particular—would be reduced.

EU’s Offer and Its Credibility

Although funding is the dominant issue in current discussions on the southern and the eastern neighbourhood, it is the EU’s offer for its neighbours, rather than funding, that represents the principal problem for European policy. The EU needs a serious debate on the future of the neighbourhood policy, in particular on benefits to accrue to the neighbours, eastern and southern, from approximation to EU standards (including movement of persons and trade in agricultural products without precluding a possible enlargement of the EU) rather than quarrels over ways to distribute the resources, which, realistically, are very scarce now and unlikely to be increased significantly as of 2014.

Developments in North Africa are a formidable challenge for the EU and its member states, which, in order to make their offer credible, must decide whether or not they genuinely care for the neighbourhood. It will not suffice to offer verbal support or repeat, over and over again, that successful stabilisation of the neighbourhood and resolution of conflicts in the immediate environment are the best test of the EU’s credibility and effectiveness, and failure to show tangible results will sentence the EU to marginalisation in regional and global relations. In practice, a serious debate is needed on migration and facilitations in the movement of persons, as well as on opening the EU market to agricultural products from the southern neighbourhood countries.

Migration is one of the most intricate and sensitive issues in the EU’s relations with the neighbours. In view of strong migration pressures from the south, member states’ internal determinants and the neighbours’ poor preparedness to control their own external borders, the EU has been reluctant to introduce measures to facilitate the movement of persons from the southern neighbourhood states. Yet for the neighbours, in the South and in the East, alike, enhanced mobility is of momentous importance. With the EU’s policy on migration failing so far to bring together the expectations of the member states and of the neighbours, there is a considerable risk that mutually satisfactory solutions will not be devised in the immediate future. Nevertheless, the concept of mobility partnership included in the Eastern Partnership and the related initial Action Plans on visa liberalisation agreed with the eastern partners appear to be a step in the right

¹⁷ For more see “Westerwelle: Zusagen für Nordafrika an Reformen knüpfen,” *Frankfurter Allgemeine Zeitung*, 18.02.2011, www.faz.net/s/RubA24ECD630CAE40E483841DB7D16F4211/Doc~EB11533A88D2E4200B32B03E0A2326BE4~ATpl~Ecommon~Scontent.html. Sz. Ananicz, *op. cit.*

direction. Neither should the southern neighbours be denied a perspective of facilitations in the movement of persons. In this context, a message carried by the High Representative and the European Commission's document on Partnership for Democracy and Shared Prosperity, indicating the possibility of establishing similar mobility partnerships and gradually liberalising the visa regime for the southern neighbourhood states, deserves a positive assessment. While at this stage the introduction of visa-free movement for the inhabitants of North Africa and the Middle East is hardly conceivable, the process could be speeded up through cooperation with the southern neighbours in protecting the EU's external borders, as well as expert support provided by the EU to these states with respect to their meeting the technical requirements and standards on the security of their own external borders, in particular if this were to be backed by a genuine prospect of a phased easing of the visa regime.

The opening of the EU market to agricultural products from the southern neighbourhood states is another pending issue of fundamental importance. Appraisals of the performance, in the economic dimension, of the association agreements between the EU and its southern neighbours show positive, albeit modest, results. While this situation is due to many factors on the side of the Union and its southern neighbours, one of the most frequently cited is the lack of liberalisation in the field of agricultural products. Liberalisation would offer those Mediterranean states that are important agricultural producers already (e.g. Morocco) an additional export advantage, contributing to easing the seasonal migration pressure.¹⁸ Seen from an EU perspective, this liberalisation could impact adversely on the business of European producers of fruit and vegetables (in particular, tomato, citrus fruit, strawberry, olives and the like)—and it is obviously difficult to sacrifice European farmers' interests for the sake of improving the economic situation of third countries. Nevertheless, there is no escaping the challenge of reconciling the interests of European agriculture with the need to open European markets to agricultural products from the neighbourhood, whether southern or eastern. Bearing in mind the international negotiations conducted on this issue in the WTO, it is necessary to emphasise that the EU's political credibility depends on the resolution of this problem. The case of the southern neighbours should encourage an in-depth reflection on ways to solve this problem and to decide the matter (for instance, by a temporary opening of the EU market to products from the southern neighbourhood).

In the March declaration of the extraordinary European Council devoted to developments in Libya and in the southern neighbourhood and to the EU's future policy towards the Mediterranean region, no direct reference is made to the agricultural trade issue, although there is mention of a possibility to establish mobility partnerships.¹⁹ This is hardly an encouraging message for the southern neighbours. Yet, now that after many years of difficult negotiations work on a regional convention on pan-Euro-Mediterranean rules of origin was stepped up and a decision on its signing taken,²⁰ it cannot be ruled out that in a medium-term perspective we might rise to the challenge of phasing in the liberalisation of agricultural trade and taking firmer steps towards the liberalisation of the visa regime.

¹⁸ A. Galal, J. L. Reiffers, *The Euro-Mediterranean Partnership at Crossroads, Femise Report on the Euro-Mediterranean Partnership*, November 2010, p. 18.

¹⁹ *Declaration Adopted by the Extraordinary European Council, op. cit.*

²⁰ *Council Authorises Signing of the Euro-Mediterranean Convention on Preferential Rules of Origin*, Luxembourg, 14 April 2011, 9101/11, www.consilium.europa.eu/uedocs/cms_Data/docs/press_data/en/agricult/121533.pdf.

Conclusions

The external policy of the EU, including its Mediterranean policy, which is closely linked to the Union's most important internal problems, has been and will long remain hostage to the member states and their economic interests. If we genuinely desire to democratise the neighbourhood and give credibility to the EU offer, the member states should be called upon to take decisions on trade liberalisation of agricultural products, and to declare the introduction of measures facilitating the movement of persons from the South. Additional funding for the Mediterranean region solicited by the southern EU members will in no event substitute for benefits the southern neighbourhood stands to gain through free trade in agricultural products, or from facilitations in the movement of persons.

Obviously, with the track record of debates on these issues in mind, one might seriously doubt whether the member states—including the southern members as the sternest opposition on matters of agriculture and mobility—will prove equal to decisions of this kind. Should it turn out that we are incapable of coming up with an attractive offer for the neighbours or creating effective mechanisms encouraging them to introduce changes (this applies equally to the southern and eastern direction of the EU's policy), then perhaps the sweeping "all-inclusive" European Neighbourhood Policy should be reconsidered and the funds currently spent on this policy re-targeted to the "most promising" states, and with respect to the other neighbours focus should be put on civil society-building and on the promotion of mobility in conjunction with educating the younger generation.

An analysis of the changes in North Africa and the Middle East and of declarations by the member states and by EU institutions—which, of late, have been putting forward their own ambitious concepts of a new Mediterranean policy, calling for courageous decisions—indicates that it is probably still early to be writing black scenarios. After all is said and done, the conduct of a new policy towards the neighbours is largely a matter of the member states' political will, which has increased significantly in the context of the changes unfolding in the Arab states. If even in Poland—a country with a low engagement in the Mediterranean region—vigorous debates on North Africa are in progress and the priorities of the Polish presidency in the EU Council are being adjusted to the new challenges, then it seems reasonable to believe that a significant reevaluation of the perception of the EU neighbourhood is underway in the EU and its member states. It would be premature to maintain that in the wake of developments in North Africa and the Middle East the member states will fully overcome their differences and develop an entirely satisfactory neighbourhood policy formula. There is little doubt, however, that we are already witnessing the emergence of a new way of thinking, which recognises that stabilisation must not be furthered at the expense of democratisation and that the neighbourhood has fundamental importance for the functioning of the EU and its member states.

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