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The EU's Interests and Instruments vis-à-vis its Neighbors

Summary: This article examines the question of developing the European Neighborhood Policy (ENP) particularly in relation to the eastern neighborhood of the EU, and proposes to make use of the thematic dimension suggested by the Commission to overcome apprehensions about focusing on a particular geographic dimension. It is also proposed that much of what needs to be done to enhance the Union's relations with its eastern neighbors can in fact be accomplished through already existing policy and mechanisms.

The EU's Interests

In order to understand where the European Union stands in relation to its eastern neighbors, we must recognize that the 2004 enlargement of the EU brought about a qualitative change in the Union's attitude toward countries such as Ukraine and Moldova, the countries of the Southern Caucasus and Belarus (this *last* one being a potential benefactor of the *European Neighborhood Policy* (ENP), should the democracy and human rights situation change for the better). There was a timely, or belated, recognition of the fact that the EU needed to deepen its cooperation with countries on its eastern border. The enlargement also increased the number of EU countries bordering on Russia.

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In the years preceding the Union's fifth enlargement, and following the break-up of the Soviet Union, the EU had established relations with the new sovereign states to its east in the form of *Partnership and Cooperation Agreements*, PCA's. Due to the different pace of development in these countries, as compared to those Baltic and Central-Eastern European states that were included in the accession process, the development of relations might in hindsight be described as a mix of routine of assistance projects and institutionalized dialogue – but without a real engagement on either side.

The EU's interest toward its eastern neighborhood is self-evident. It is good, however, to bear in mind that the interests of individual Member States depend on their specific geographic angle. The EU is not a monolith.

There are problems that do not respect borders: human trafficking, drug smuggling, money laundering, illegal migration, environmental issues.

The EU has strong reasons to prepare for growing economic relations across what today still constitutes a fairly steep divide in the standard of living. By helping to improve those living standards (by pushing for reforms) we contribute toward the development of vibrant economies. We are also not that far away from looking to our neighbors in the east to provide a part of the Union's work force. Legal migration issues are as important as those of stemming illegal immigration.

There is Russia, which is a strategic partner to the EU and whose importance has grown with the recognition of Europe's dependence on Russian energy. The Union and its Member States often confront the dilemma of building cooperation-based relations (and maintaining a united front) with a state that openly puts its other national interests above mutually agreed goals. Russia does not always agree with the EU on what is most beneficial for the countries in its immediate neighborhood. It should be in both the Union's and Russia's interests to foster the development of a stable and prosperous neighborhood, but differences of opinion on how to achieve this end complicate the work.

Energy is at the forefront of the Union's concerns. Ukraine's dramatic standoff with Russia in January 2006 – with Russia cutting off gas supplies, affecting several EU states as well – exposed the vulnerability of both gas transit countries and end users. Moldova's, Georgia's and Belarus' negotiations with Russia were followed with concern, though not with the same self-interest.

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The entire area - stretching beyond ENP to Central Asia - is highly relevant for the EU's energy security. The Union has already considerably deepened its commitment to dealing with energy issues in its eastern neighborhood through Memoranda of Understanding (MoU's) with Ukraine, Azerbaijan and Kazakhstan, as well as through the Baku process. Now that the ENP-countries' energy relations with Russia have been settled for the time being, the focus has shifted toward Central Asia. The Union needs a common energy policy. Work on an external energy policy was started during the Finnish Presidency in the second half of 2006.

And finally, the so-called frozen conflicts, which not only have the potential to destabilize the region, but which prevent normal economic growth and which feed into endemic corruption and cross-border criminal activities that need to be stemmed. (Dealing with the frozen conflicts must include a cocktail of the EU's soft power tools, but also a readiness to consider hard security tools from the *European Security and Defence Policy*, or ESDP arsenal, as well as - and very importantly - good coordination with other international actors such as the OSCE. ESDP and cooperation between the EU and the OSCE is beyond the scope of this article.)

The EU's Instruments

From these premises, the instruments that we have at our disposal are:

- for Ukraine and Moldova, PCA-agreements that have been in force for several years, but whose implementation has lacked the necessary political momentum; and since 2005, *European Neighborhood Policy Action Plans*. In Moldova's case, we also have the EU Special Representative (EUSR) dealing with Transnistria;
- for Georgia, Armenia and Azerbaijan, ENP *Action Plans* since November 2006, as well as a regional EUSR;
- for Russia, a *sui generis* strategic partnership arrangement with four common spaces, road maps for their implementation, and the various fora of political dialogue and other cooperation;
- for Belarus, the promise of closer cooperation in the framework of ENP, if only the regime would show a willingness toward reforms. For now we deal with Belarus as best we can, without adequate, tailor-made instruments;
- from 2007 the main financial instrument covering the region is ENPI, the *European Neighborhood and Partnership Instrument*. Great expectations are put on ENPI being more suited to today's needs than the old TACIS. At the same time there is awareness that the funding in ENPI may not be enough to keep up the necessary political momentum for pushing through

necessary reforms and for helping our eastern and southern neighbors. This is a dilemma that the Union must address.

What are the realistic prospects of strengthening ENP if we cannot offer increased financing to back up our political will? How could we increase the financial offer? At the least, we must be vigilant in examining how well assistance is directed toward the implementation of the Action Plans. We can probably do more to further streamline assistance to the most urgent priorities. Within the possibilities of ENP's financing through ENPI, we must be able to reward the reform-minded partners. The Commission's suggested *Governance Facility* and *Neighborhood Investment Facility* offer the germ of a solution, but raise questions about the adequacy of the funding that can be allocated to both. This in turn raises the question of where additional funds would be generated from. Harmonization with other donors is key. The financial institutions, particularly EIB and EBRD need to be further engaged.

European Neighborhood Policy

The *European Neighborhood Policy* was launched in 2004 as a policy that includes both the Union's eastern and southern neighbors. The creation of ENP was based on the recognition that cooperation with the EU's neighbors would need to be taken to a more active level, all the while continuing to base it on shared values and a recognition of these partner states' wish for closer integration into Europe through the adoption of common standards and practices.

The European Neighborhood Policy should be recognized as a historically significant step: it came through a strong awareness of the need to do 'something more'. It is not a perfect set-up. But we should not be overly harsh on a policy that is proving attractive enough for new Action Plans to have been launched recently with the South Caucasus states. In fact, ENP has barely been given a chance to work – the implementation of the first Action Plans begun in February 2005. All the while there are reasons for impatience by those who would like to see a more clearly defined policy with a stronger and clearer eastern orientation.

The ENP has proven itself as a valuable tool for the development of relations and for focusing the EU's support toward the reform goals of our

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neighboring partners. The work which was begun at the end of the Finnish EU Presidency, and which is a priority of the current German Presidency, provides the Union with the opportunity to suggest improvements to the policy to the ENP Partners – enhancements that can make a good policy even better. A word of caution, however, to the most ardent reformers! The only way to bring about sustainable improvements is by approaching the improvement of ENP through an even-handed and realistic approach, and in particular, by proposing pragmatic solutions that can be agreed to by the entire EU.

The question for the development of the EU's relations with its eastern neighborhood is: how can we raise the stakes and give more political momentum to the process in that geographic direction without putting more EU money into the pot, and at the same time making sure that the entire union remains committed to the project?

Improvements must be built upon the current format of ENP, which will – and ought to – continue to function in the foreseeable future, because of the existing Action Plans' timetables.

The keys to ENP's chances of success will continue to be the principles of joint ownership and differentiation. It is crucial that reform priorities are set by the governments of the partner countries themselves, and that the country-specific Action Plans allow for differences in focus. We should avoid dictating conditions to our neighbors.

One of the defining qualities of ENP is that it covers both the eastern and the southern neighbors of the EU. There are good reasons to argue that this is unfair to the Eastern neighbors. The EU's relations with its Mediterranean neighbors are historically much longer and deeper through the Barcelona Process. The eastern neighbors lack both the traditions that come with a longer relationship, and the structures and ways of cooperation that have been created over the years to serve as a link between the EU and the countries of the Mediterranean. So let's recognize the need to build up the Union's relations with its eastern neighbors.

Through a comprehensive Neighborhood Policy the entire Union is committed to the process. The relationship with the eastern ENP Partners can, and ought to be enhanced without insisting on a separation of this geographic area into an explicit 'eastern dimension'. Aggravation of the worries of those Member States of the EU who are concerned about the balance between the east and the south will lead to general ENP inertia, not action. Much can in fact be done to enhance the relations between the Union and its eastern neighbors by taking into account each partner's unique capacity and needs in the country-specific Action Plans; and by providing incentives through appropriate funding and increased political dialogue.

The Thematic Approach

The Commission proposed, in its Communication of December 4, 2006¹, a thematic dimension to complement the existing country-specific approach. Finland supports the examination of this idea. The thematic approach offers the possibility of taking into account the geographically cross-cutting nature of certain issues that are important both to all or to a significant part of the ENP partners, as well as to the EU. The principle of differentiation could be enhanced through a thematic approach that rewards those Partners in certain fields of cooperation who are ready to move on to a next level.

Through the thematic approach areas such as energy, the environment, transportation and border security could be raised for examination in the larger geographical context. By raising certain issues to the thematic level, the touchy east/south context is diffused. This helps us to examine the over-all needs in the neighborhood for cooperation and assistance and target the partners that are in need of catch-up in terms of EU attention. The thematic examination should not remove the issues from the context of the country-specific action plans, but rather it would recognize their larger horizontal importance. Neither should the thematic approach divert funding from what is funneled into assistance to ENP-countries through the country-specific goal setting of the Action Plans. The thematic dimension, however, could be made use of by helping to allocate funding from the thematic instruments to the ENP region. The thematic dimension could possibly also support the suggested Neighborhood Investment Facility, taking into account that some of the international financial institutions (for example EBRD) have a sectoral division of labor. Further, the financial commitment of the Member States to a geographically comprehensive approach might be easier to secure through the acknowledgement of certain priority themes.

The June European Council mandated the examination of the more efficient use of ENP to further the Union's energy policy. The thematic approach can

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¹ The Commission Communication to the Council and the European Parliament on Strengthening the European Neighbourhood Policy. December 4, 2006.

support this goal. The Member States on the borders of the Union, as well as the commercial actors in these countries, are in a key position in energy sector cooperation, and in the development of energy transfer, transit and trade. Taking a thematic approach to energy would help examine the development and investment needs relating to the infrastructure of the energy market, with the aim of creating efficient and balanced conditions based on reciprocity for cross-border energy trade. Raising energy to the thematic dimension would make it easier to gather the main parties together to plan the development of the EU's and its neighbors' energy cooperation and trade. This might help to widen cooperation and to act as a catalyst for results that would benefit both the Union's border regions and the entire EU. In addition to transfer networks and market issues, energy efficiency and the use of renewable energy sources could also be examined - with the aim of discovering synergies among neighboring EU and ENP states that have similar starting conditions. Considering the inadequacy of the former financing instruments (TACIS and INTERREG), ENP's energy dimension could function to make best use of lessons learned, for future funding to make better use of sectoral and regional know how.

Worth considering is the development of a *Justice, Liberty and Security* (JLS) package specific to the neighbors, and whether this might also be tackled by creating a thematic JLS dimension of ENP. The Union has promised to foster people-to-people contacts across borders. Should this promise be fulfilled in the context of the enlargement of the Schengen regime? While the discussion on a neighborhood-wide approach to visa facilitation, for example, may prove to be difficult, it is a necessary step in the direction of deeper commitment by the Member States as well as the third states concerned, towards the neighborhood.

Border security issues that might be examined in the thematic context include:

- the organization of border security administration;
- cooperation with the EU's neighbors on illegal immigration, including in particular cooperation and exchange of information between the border officials; the more efficient coordination of the Union's assistance projects to help the point of origin and transit countries in their efforts; the consideration of possible new instruments to grapple these problems;
- the creation of integrated monitoring systems; the thematic approach would be especially valuable for the monitoring of sea regions.
- the spread of the EU's best practices in the field of border security.

Transport policy should be examined not only as the funding of construction of infrastructure, but logistics, safety as well as all forms of transportation and transportation services, border crossings, sustainable movement of goods and people, as well as the creation of efficient transportation systems.

Infrastructure projects aim at the creation of *Trans-European Networks* (TENs), and the application of common practices in Europe, including the eastern ENP Partners. Efficient transportation systems serve economic development and competition, and are thus an important element for both the development of the ENP Partners, and for the improvement of the EU's competitiveness.

A transportation dimension would promote regional cooperation among the neighbors, as well as between the regions on both sides of the Union's border. Examining issues of transportation policy at the thematic level would enable the recognition of the EU's and its neighbors' several natural economic and market areas - for example those of the three sea regions: the Baltic, the Black and the Mediterranean. The best practices could be exchanged in the Baltic Sea area: there is long-standing experience from regional cooperation through the *Council of the Baltic Sea States* (CBSS), the *Nordic Council*, the *Barents Euro-Arctic Council* as well as the *Northern Dimension*. The Mediterranean ENP countries on their part are active in the EUROMED process. Transportation as examined in a thematic, non-country specific context, could positively enhance regional transportation cooperation in the Black Sea area.

The thematic approach would more generally encourage regional cooperation in specific areas of common concern among the ENP partners themselves. And a thematic ENP approach could foster regional cross-border cooperation between interested EU Member States and ENP partners.

In the context of the Black Sea, and even in the case of Central Asia, we could use the thematic approach when we recognize that certain policy areas or areas of concern stretch over a geographical area that does not fit under any strict definition such as ENP, but where most of the countries of concern are within the ENP framework. A discussion on the Union's relations with the Black Sea region is already on-going. The Black Sea littoral states include a mix of EU Member States, candidate country Turkey, ENP partners, and the EU's strategic partner Russia. The larger Black Sea region contains the members of the Black Sea Economic Cooperation organization, BSEC. As for Central Asia, work is on-going on a regional Strategy. Kazakhstan is recognized as the most advanced candidate for closer cooperation.

Problems do not respect policy borders. The thematic approach offers the means to make use of certain elements of ENP across the borders of the actual ENP region in Central Asia. In doing this, however, the financing instruments must be kept distinct: for ENP-countries ENPI is the main instrument, whereas Central Asian states fit mostly under the umbrella of the *Development Cooperation Instrument*, DCI. The clue to effective policies - be it in energy, transportation or a number of other important issues - is to consider ENP and the Union's future Central Asia Strategy as complimentary.

Is There a Need for an 'Eastern Dimension'?

Is there a need to differentiate between the eastern and southern dimensions of ENP? Or is there a need to differentiate between those Partners, which have moved fastest in the implementation of their Action Plans, and those lagging behind, regardless of their geographic location in the east or south?

Ukraine can serve as an example: does it make a difference if the Union has an Eastern ENP, or if the EU can offer a carrot to those countries that are moving fastest in their reforms? With Ukraine, we've moved further than with the other ENP partners because of Ukraine's *Orange Revolution*, which built up political will on both sides to deepen our relationship. Do we need to give more political momentum to the eastern dimension in order to do something further and better than what the current policy can accomplish? This paper would argue that we should rather focus on proper and serious implementation of what exists.

Only through transparency can trust be maintained between EU Member States.

If ENP were to be recognized as having an eastern and a southern dimension, would the entire Union's commitment to both geographic dimensions remain as strong as it does with a unified policy? And if ENP were to have an eastern dimension, with the implicit understanding that the

Partners in the east have a different perspective in their relations with the EU, would all the eastern Partners fit under this same policy?

The disparity between the processes available to the southern and eastern partners can to an extent be addressed through a comparison of the current mechanisms and best practices. Those Member States interested in enhancing relations with our eastern neighbors' must take into account the concerns of the ones who fear that the major problems emanating from beyond the Union's southern borders (illegal immigration, terrorist threats) will be overshadowed by a stronger focus in the east; while the southward-looking Member States should acknowledge the under-development of relations with Eastern Europe. Work on a Black Sea Dimension should not be confused as a hidden agenda 'Eastern Dimension'. Only through transparency can trust be maintained between EU Member States. Sustainability of the policy and sustainability of any changes to the agreed policy must be our common priority. In the end, ENP is a toolbox, which provides the opportunity to support the partners' individual aspirations.