

COMPARATIVE ANALYSIS OF THE EURO-INTEGRATION DYNAMICS OF THE EUROPEAN NEIGHBORHOOD POLICY MEMBER STATES

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Introduction

Relations with the European Union within the framework of the European Neighborhood Policy (ENP) are extremely important for the European integration of its partner countries. So researchers can glean something from the experience accumulated in the East European and Caucasian countries' relations with the European Union within the framework of the ENP. This article looks at how a corresponding balance is being found in Ukraine's and the Caucasian countries' relations with the EU based on the results of the European Neighborhood Policy in the Arab Maghreb states (at the EU-Morocco, EU-Tunisia, and EU-Algeria levels).

For reference: the EU is cooperating with 16 countries within the framework of the European Neighborhood Policy: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority, Syria, Tunisia, and Ukraine.

Despite its pertinence, the problem of finding a corresponding balance in relations with the

EU within the framework of the ENP has still not been reliably covered in the scientific literature. This article aims to conduct a comparative analysis of the dynamics of the Euro-integration processes in the member states of the European Neighborhood Policy, as well as make use of the experience of the individual countries in implementing partnership programs with the European Union.

It should be noted that the desire to prevent the appearance of new dividing lines as the European Union expanded and avoid a security vacuum in the regions next door to the EU was the main motivating factor behind the ENP. The ENP's guiding principle is differentiation, that is, "the need to keep in mind the specific situation in certain countries of Eastern Europe and the Mediterranean and the level of relations with them."¹ The ENP is based on the support (particularly in the economic sphere) of the member states bordering on the European Union. In this way, the new EU policy replaced the MEDA and MEDA-2 programs that rendered financial aid to certain branches of the economy in the Maghreb countries.

¹ R. Shpek, "Evropeiskaia politika sosedstva glazami evropeiskogo sosedya," 2000 Journal, No. 9, 2 March, 2007.

Bilateral Programs: Essence and Main Objectives

Economic integration of the neighboring states after the creation of a free trade zone in industry and agriculture, as well as in the service sphere, needs to gradually become fully harmonized in commerce and legislation—in particular with respect to technical regulations, competitive and industrial policy, cooperation in scientific and technological research studies, property rights, correlation of customs provisions which would make it easier to carry out reciprocal exchange, training of management personnel, efficient management, and tax measures.

The European Commission is paying a great amount of attention to the problems of human rights and jurisprudence and is continuing to provide support and cooperation in modernizing the judicial system and guaranteeing human rights. The EU is trying to expand the channels of international communication by means of Euro-Mediterranean partnership and the European Neighborhood Policy. Moreover, the European side is attempting to stimulate an inter-confessional dialog by organizing Asian-European meetings and creating a Regional Forum Association of Southeast Asian Nations. The year 2008 was declared the European Year of Inter-Cultural Dialog, and the EU is primed to achieve genuine progress with all its partners in the European Neighborhood Policy.

The bilateral programs that the EU has ratified during the last three years with ten East European, Caucasian, and Mediterranean countries provide a means for meeting the goals designated in specific spheres. These programs have already reached the implementation stage with respect to Morocco, Tunisia, Jordan, Israel, the Palestinian Authority, Armenia, Azerbaijan, Georgia, Moldova, and Ukraine.

The documents of the EU Ministerial Council envisage creating an economic group consisting of the EU and its partners in keeping with the good-neighbor policy aimed at achieving openness of goods and service markets, as well as at providing the legislative mechanisms necessary for settling disputes. These documents declare that the good-neighbor policy should not be restricted to investments and commercial gain and will not be full-fledged without the free movement of civilians.

On 4 December, 2006, 18 months after the European Neighborhood Policy was publicized, the European Commission announced new proposals aimed at reinforcing it in order to integrate the neighbor states into a single European market economy in the long term. The new proposals were designed to improve the implementation of this policy thanks to the EU initiative regarding assistance to partners who wish to continue reforming faster and at a higher qualitative level. The new proposals were accompanied by reports relating to the implementation of the European Neighborhood Policy. A communiqué was adopted to be executed during Germany's chairmanship in the EU during the first half of 2007.

The ENP aims to help member states integrate into the EU without officially joining this organization. This policy envisages adaptation to the European state systems and proposes partnership according to the selective principle, according to the level of each country's progress in creating a free trade zone. In order to meet these goals, the EU introduced new mechanisms which were presented during the introduction of national indicative programs for 2007-2010. In order to finance activity within the ENP, a new European Neighborhood and Partnership Facility (ENPF) was established, which has replaced the current TACIS and MEDA technical aid programs since 2007 in the ENP states and Russia.

Beginning in 2007, a new fiscal regime was introduced that forms the ENP's basis. Within the framework of the fiscal programs, action plans were drawn up with these countries aimed at developing medium-term cooperation with them. In the future, there are plans to sign more detailed long-

term agreements based on the relations between the indicated states and the EU. In particular, it is the intention to allot 12 million euro in economic assistance to these countries over the next five years (which is 30% more than the aid offered during recent years, which amounted to 8.5 million euros).

The fiscal budget intended for the partner states between 2007 and 2013 amounts to 12 billion euros, which is 32% more than the previous budget. Among the proposals drawn up by the European Commission, the emphasis was placed on “clear prospects for all ENP partners—both eastern and southern—with respect to intensifying economic and commercial integration with the EU directed toward creating a free trade zone,” “significant improvement of the visa regime for certain groups of people,” as well as “regular meetings at the ministerial and expert level with European Neighborhood Policy partners” in order to discuss issues in the electric power industry, transportation, and the environment. In particular, there are plans to strengthen political cooperation and increase the EU’s role in the conflict regions.²

A new investment bank capable of supporting the political and economic reforms in the ENP member countries is being upgraded. For example there are plans to create an Investment Bank of Neighboring Member States with a general fund of 700 million euros in order to help these countries in their attempts to obtain loans from investment banks. The fund will also be used to obtain additional loans from the European Bank of Investments, the European Bank of Reconstruction and Development, and other banks.³

The investment bank will be open to member states to provide them with funds and loans, obtain grants for developing the transportation sphere, the energy industry, and environmental protection. The European Commission announced the introduction of an additional fiscal mechanism of 300 million dollars in order to rationalize management aimed at providing additional assistance to national financial institutions and to encourage and support partner countries that have been most successful in implementing their action plans.

In May 2008, the work of the Neighborhood Investment Facility (NIF) officially began. The NIF is a key facility of the European Neighborhood Policy which mobilizes additional funds for financing infrastructure development projects (mainly in the energy industry, transportation, and environmental protection) in the ENP partner countries.

In the future, the NIF will render grant support for the loans taken out by state and international European financial institutions. Between 2007 and 2013, the European Commission is planning to allot 700 million euros to the NIF budget (at the moment it has already provided 100 million). The NIF is also open to deposits from all the EU member states, thanks to which funds from the budgets of the European Community, EU countries, and state and international financial institutions can be accumulated in one center and used for the needs of the partner countries.

In particular, in 2008, the following countries plan to allot funds to the NIF budget: Germany (10 million euros), Italy (1 million euros), and Sweden (1 million euros). It is expected that other EU member states will also announce their contributions. The NIF can also be used to support the development of small and medium businesses and social projects. It is expected that thanks to this mechanism the EU neighbor countries will be able to receive loans for a total of up to 5-6 billion euros. The NIF will function in those states that have signed Action Plans with the EU within the framework of the European Neighborhood Policy (Armenia, Azerbaijan, Georgia, Egypt, Jordan, Lebanon, Moldova, Morocco, the Palestinian Authority, Tunisia, and Ukraine).⁴

² “Evrokomissia obnarodovala predlozheniia sosediim,” available at [<http://www.podrobnosti.ua/power/intpol/2006/12/04/373821.html>].

³ See: *The Daily Star* (Lebanon), 5 December, 2006.

⁴ See: “ES predstavit Investitsionnyi instrument sosedstva,” available at [<http://news.liga.net/news/N0823175.html>], 5 May, 2008.

Partnership between the Arab Maghreb and European Union Countries

The EU's relations with the countries of the Arab Maghreb have acquired strategic significance for both regions not only thanks to their strong economic and commercial ties, but also due to the need to ensure security in the Mediterranean region. The southern coast of the Mediterranean has long been the main source of illegal migration to the European countries, which the Europeans see as the main reason for the problems.

An important priority of the ENP in the Mediterranean vector is sharing experience with and providing assistance to those states making the transition to a market economy. For example, within the framework of the ENP, the Maghreb countries are provided with the opportunity to reach the EU's internal market, participate in the European Union programs, and cooperate in transportation and energy networks.

In order to understand the gist of the results of Euro-Maghreb partnership and take account of the experience and positive and negative factors in establishing a political and economic dialog in the Mediterranean, we need to analyze the development of the relations between the EU and individual member states of the Arab Maghreb Union (AMU).

Morocco. The European side intended to lay the foundation for a qualitatively new level of cooperation between the EU and Morocco ("progressive level"), which was higher than partnership and closer to membership in the European Union. In so doing, the stakes were placed on the role of the European countries in lending activity, financing, and creating suitable conditions for implementing infrastructure projects. At the present time, the main objective is to carry out measures aimed at reforming the branches of the Kingdom's economy. Morocco is efficiently carrying out a plan of political reform, transforming its judicial system, and exerting efforts to fight unemployment.⁵

The European Commission adopted a decision to provide Morocco with 654 million euros within the framework of the Assistance Program between 2007 and 2010. This Program is aimed at supporting the reform plans that Morocco introduced with the EU's support within the framework of the ENP. This assistance includes granting loans from the European Bank of Investments and other fiscal programs. The total sum of the aid provided increased by 20% compared with the average level of annual European aid the Kingdom was allotted between 1995 and 2006.

Thanks to the partnership agreements entered with the European Union, by the beginning of 2007 the Kingdom was able to increase its export volume to the EU member states by 10% (up to 65 billion dirhems). During the same period, Morocco attracted foreign direct investments amounting to a total of 20 billion dirhems, 70% of which came from the European Union.⁶

Tunisia. The economic and social reforms in the country have been making significant progress, particularly in the transportation, energy, and scientific spheres. Resolving political issues was less successful due to the difficulties that arose with convening sub-commissions within the framework of the action program, particularly with respect to human rights and democracy. Freedom of association and freedom of speech, as well as implementation of programs to modernize the judicial system, also met with little success.⁷

⁵ See: *As-Sabah* (Morocco), 6 March, 2007.

⁶ See: *As-Sabah*, 8 December, 2006.

⁷ See: *Al-Hayat* (Great Britain), 4 December, 2007.

Ratification by the European Union of the partnership agreement had a positive impact on the Tunisian economy and became the basis for its integration into the world economy. Tunisia is quite successfully integrating into the EU in the commercial sphere. At present, the European Union accounts for 80% of the country's export and 71% of its import.

Algeria is making rather efficient use of diplomatic levers in order to step up its relations with the European Union. On 16 May, 2006, Algeria received official guarantee of European support in its efforts to join the EU. The recent contact at the highest level with Portuguese colleagues was a very important event for the Algerians (keeping in mind that in the second half of 2007, Portugal became the EU chair).

In addition, the Algerian leadership expressed several doubts about the concept of "partnership" aimed at creating a region of peace, security, general prosperity, and a free trade zone. In particular it noted that Europe is using the ENP as a cover for realizing its own interests at the expense of the southern member countries.⁸

The partnership agreement that came into force between Algeria and the EU (September 2005) led to a certain imbalance in the trade relations between both sides. Over time, it became obvious that the Algerian and European economic partners had unequal opportunities, which to a certain extent lowered the level of Algerian export to the EU member states. Trade restrictions on the export of certain types of Algerian agricultural products were introduced. At the same time, the EU member countries were able to export 60,000 tons of potatoes to Algeria duty free.⁹

After this agreement came into force, the volume of Algerian import from the EU countries dropped from 258 billion (August-December 2004) to 222 billion Algerian dinars (August-December 2005) and this was in spite of the fact that this document granted Algerian importers certain privileges. During the same period, the export volume of Algerian commodities (apart from fuel resources) to the European Union shrank from 13 billion to 12 billion Algerian dinars, and this is not accounting for the fact that Algerian production was no longer subject to customs restrictions by the EU.¹⁰

It should be noted that the AMU member states have still not achieved significant progress in integration into the European expanse. Even based on the most optimistic forecasts, a free trade zone between Tunisia and the EU will not be created until 2010, between Morocco and the EU until 2013, and between Algeria and the EU until 2017. This kind of differentiation in dates among the Maghreb states is related to the internal and external obstacles that hinder integration with the EU, particularly the inefficient use of the European reform mechanisms in African conditions.¹¹

Ukraine, Armenia, Azerbaijan, and Georgia in the European Neighborhood Policy

Ukraine. Whereas the EU used to place the emphasis on democratic values and the observation of human rights, after the Ukraine improved its indices in this vector (in particular after the interna-

⁸ See: *Al-Habar* (Algeria), 19 March, 2006.

⁹ See: *Al-Habar*, 20 March, 2006.

¹⁰ See: *Al-Habar*, 3 January, 2006.

¹¹ See: *Al-Hurriia* (Tunisia), 7 March, 2007.

tional conference on the European Neighborhood Policy was held in September 2007), the emphasis shifted to a specific “economically integrated space.” That is, as of today it can be said that democratic processes are not a prerequisite in certain states for a closer “neighborhood” dialog with the EU. If we take a look at the Action Plans that were drawn up for the neighbor countries four years ago, the European Union expected its eastern neighbors to “develop” democracy and its southern ones only to “encourage” it.

EU representatives only tend to divide the ENP participants into European and Mediterranean in informal talks. At the official level the European Commission under the chairmanship of European Commissioner Benita Ferrero-Waldner is exerting the maximum efforts to ensure that the ENP is regarded as a single whole, without any regional differences. Whereby this is being done so that the EU’s southern neighbors do not feel superior to the others. This also concerns fiscal aspects: for example, until 2007, the southern neighbor countries received 70% of the funds designated within the framework of the ENP while the eastern members only obtained 30%. Parity was partially restored in the new fiscal period (2007-2013), but it is very unlikely that the states of the Southern and Eastern Mediterranean, on the one hand, and the countries of Eastern Europe and the Caucasus, on the other, will reach equality with each other any time soon. In the next five years, 62% of the European Union’s neighborhood funds will go south, while only 38% will be allotted to the eastern countries.¹²

It should be noted that most of the states Ukraine is competing with on the European Union market have a higher level of preference regarding access to this market. For example, the countries of Central and Eastern Europe entered agreements on free trade with these states before they became members in the EU. Several of the Mediterranean states (including Turkey) have such agreements or customs alliances with the European Union. Even the countries of the Balkan Peninsula signed association agreements with the EU, that is, they essentially achieved the introduction of a free trade regime.¹³

Azerbaijan. In 1996, an agreement on cooperation and partnership was signed between Azerbaijan and the EU, and in 2006 an Action Plan within the framework of the ENP was signed. The foundations of legal and political cooperation were recently laid between Azerbaijan and the EU. In July 2007, a conference called “Azerbaijan and the European Neighborhood Policy” was held in Baku at which the gist of the Action Plan signed between Azerbaijan and the European Union was discussed. Composed of several principles, the Action Plan includes issues of democracy, human rights protection, strengthening of the market economy, and peaceful settlement of the Nagorno-Karabakh conflict. European Commissioner for External Relations and the European Neighborhood Policy Benita Ferrero-Waldner stressed the importance of this document on the way to integration into the EU. She noted that the structure she represented is interested in Azerbaijan’s energy sector.¹⁴

According to Deputy Foreign Minister Mahmoud Mamedguliev, one of the main vectors in Azerbaijan’s foreign policy is integration into Europe. In 2007-2010, Azerbaijan will be allotted 92 million euros within the framework of the ENP.¹⁵

Armenia. Relations between the Republic of Armenia and the European Union are being built on the basis of an Agreement on Partnership and Cooperation between the Republic of Armenia, on

¹² See: A. Getmanchuk, “Evropeiskaia politika dlia neudachnikov,” *Zerkalo nedeli*, 15-21 September, 2007.

¹³ See: I.M. Shkola, O.M. Verstiak, “Реґіональні принципи та економічні аспекти інтеґрації України в Європейський Союз,” *Реґіональна економіка* (Regionalna ekonomika), No. 2, 2007, p. 227.

¹⁴ See: “Troika’ ES obsudila Plan deiatel’nosti po Azerbaidzhanu v ramkakh Evropeiskoi politiki sosedstva,” available at [<http://news.mail.ru/politics/1167209>], 4 October, 2006.

¹⁵ See: M. Mamedguliev, “Oдно iz osnovnykh napravlenii vneshnei politiki Azerbaidzhanu—integratsiia v Evropu i Evroatlantskie struktury,” available at [<http://www.bsanna-news.ukrinform.ua/newsitem.php?id=1338&lang=ru>], 19 July, 2007.

the one side, and the European communities and their member states, on the other, signed on 22 April, 1996 in Luxembourg. The document came into force on 1 July, 1999 after it was ratified in the National Assembly of the Republic of Armenia, the European Parliament, and all the national parliaments of the Union's and communities' member states.

On 14 November, 2006, during the seventh Armenia-EU plenary session in Brussels, the Action Plan of Armenia and the EU was approved within the framework of the ENP. During the undertaking, political issues, problems of human rights protection, and energy sector questions were discussed. The Armenian side reported on the work being carried out to diversify energy sources in the country, particularly on the construction of the Iran-Armenia gas pipeline. Implementation of the Action Plan is aimed at transferring from cooperation to a higher level of integration, including the possibility of Armenia's participation in the internal market of the European Union and in key vectors of EU programs and policy.

Adoption of the documents makes it possible to carry out a general reform packet with help from the European side right down to signing a new agreement with a higher status. By executing the provisions of this document, Armenia's social, political, and economic systems will be brought closer to the European. Special emphasis is being placed on economic cooperation between Armenia and the European Union by means of additional financial assistance from the EU, intensification of economic trade cooperation, harmonization of economic legislation, and a steady cutback in commercial tariff bans, which will promote an increase in investments, export, as well as development of the economy.¹⁶

Georgia. After the republic joined the European Neighborhood Policy in 2004, the country's Action Plan was drawn up within the framework of the ENP in 2006. The latter formulated the main cooperation priorities between Georgia and the EU and determined the spheres that were most important for the republic's development.

In 2007, this Action Plan began to be implemented. Within the framework of the ENP, the Georgian side intends to carry out reforms designed for five years within a period of three years.¹⁷

As of today, Georgia's priorities in implementing the ENP Action Plan are as follows:

- cooperation in the rule of law—bringing about a radical change in the situation in the judicial system and reform of the Prosecutor General's Office and Ministry of Justice;
- cooperation in security—in particular border protection issues;
- cooperation with respect to the so-called four freedoms. Georgia is focusing its attention on simplifying the visa regime for its citizens and assisting export of products manufactured in the country to the European markets;
- partnership in infrastructure;
- peaceful settlement of conflicts;
- environmental protection;
- regional cooperation.¹⁸

In April 2008, Germany's representatives unexpectedly suggested that Ukraine, Moldova, Azerbaijan, Georgia, and Armenia build privileged relations with the EU along the lines of those the

¹⁶ See: "Armenia i ES podpisali Programmu deistvii politiki 'novogo sosedstva,' i Evropa srazu sprosil o gazoprovode Iran-Armenia," available at [<http://news.mail.ru/politics/1195251>], 14 November, 2006.

¹⁷ See: "Gruzia namerena vypolnit plan deistvii s ES v ramkakh politiki sosedstva uskorennyimi tempami za tri goda," available at [<http://www.newsgeorgia.ru/geo1/20070124/41871242.html>], 28 October, 2005.

¹⁸ See: "Gruzia ozvuchila svoi priorityty v ramkakh politiki sosedstva ES," available at [<http://www.civil.ge/rus/article.php?id=9200>], 28 October, 2005.

European Union has with Turkey. In particular, Vice Chairman of the Bavarian Christian Social Union and representative of the European Parliament Ingo Friedrich spoke in favor of a third way for countries that are not members of the European Union. He said that an Eastern European Union could be created in the same way as the Mediterranean Union. In his words, this union could include Ukraine, Moldova, and the South Caucasian states. He noted that the Eastern European Union could be an intermediate solution for countries that are gradually drawing closer to membership in the EU.

With respect to the European Union's eastern neighbors covered by the ENP, the speech writers headed by former head of the European Parliament Foreign Affairs Committee Elmar Brok (Germany) offered an intermediate (between full-fledged membership and enhanced membership) form of relations under the provisional name of European Community. In particular, Ukraine, Moldova, and the South Caucasian countries hoping to join the EU fall into this category.¹⁹

C o n c l u s i o n

The following conclusions can be drawn based on the above.

1. The ENP is an attempt by the EU to formulate a strategy for developing relations with neighbor countries and called upon to strengthen the already existing policy and its facilities (Action Plans, general strategies, the Barcelona Process, TACIS, MEDA, and so on). The ENP is based on the European Commission's position which, by offering the possibility of interaction along partnership principles, nevertheless keeps in mind the political and economic differences among the member states as well as their initiatives. The ENP combines the experience of the existing ways of cooperation (the Barcelona Process) with the new initiatives (the so-called Eastern Dimension).
2. The ENP member states from Eastern Europe and the Caucasus should keep in mind the cooperation experience gained between the Arab Maghreb countries and the EU in the investment sphere. In particular, they should orient themselves toward entering bilateral agreements with the European Union in investment protection.
3. In the next few years, some of the ENP states should exert efforts to readjust subsequent relations with the EU in keeping with the principles of the agreements on associated partnership (along the lines of those the European Union has entered with Algeria, Morocco, and Tunisia). Such agreements could promote the subsequent formation of free trade zones between the said countries and the EU. The European Union's differentiated attitude toward the states of these regions, in particular the latency manifested with respect to entering an agreement with the Ukraine on associated partnership is surprising since the European Union has signed such partnership agreements in the past even with such remote countries as Chile.
4. It is evident that the EU is applying the differentiation principle to member states in the ENP on a selective basis and only in those cases when it is to its advantage. This applies in particular to agriculture and civilian movement issues. For example, the European Union is inclined to shy away from drawing up Action Plans with the Eastern European countries regarding cooperation in agriculture and from discussing this problem within the ENP. All the same, it

¹⁹ See: "V Evrope pridumali alternativu chlenstvu Iuzhno-kavkazskikh gosudarstv v ES," available at [<http://mosaz.fireaz.ru/content/view/3933/90/>], 22 April, 2008.

was precisely in agriculture that a dialog was recently established and talks were held between the EU and Algeria and the EU and Morocco.

5. The ENP member states from Eastern Europe and the Caucasus should keep in mind that creating a free trade zone with the European Union will not always guarantee an increase in goods turnover between the two sides, which is shown by the experience of implementing the Agreement on Associative Partnership between the EU and Algeria. So the result of creating free trade zones with the European Union for the abovementioned countries could be somewhat different in nature and commercial effect than the consequences of implementing agreements on creating free trade zones between the EU and the Arab Maghreb states.
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