European Neighbourhood Policy
and the Paradoxes of Enlargement (1)

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Introduction

Canada is often said to be sleeping next to the giant. The geographic proximity of the US creates a number of opportunities for its northern neighbour, but no doubt it severely constrains the political and economic options of a country far smaller than the US in all respects except size. On the 1st of May 2004 a number a European countries found themselves waking up next to another giant, the European Union. How will the enlargement affect the Union's new neighbours? What challenges does it pose? And, if need be, what can be done to mitigate the consequences of enlargement for these countries? Beyond doubt these questions will be high on the European agenda during the upcoming years.

In this paper I will analyse the impact of enlargement on the EU's (new) neighbours in particular in terms of cross-border governance. I will first focus on the unintended effects of enlargement. Next I will deal with the proactive 'proximity policy' which the EU has developed in order to avoid that enlargement would lead to new dividing lines in Europe. In doing so, I will raise a number of questions on the theoretical tools available to analyse this impact.

Regional integration and geographic proximity

The effect of regional, highly integrated communities of countries on third countries in its geographical proximity has relatively little been researched. International studies tend take a dyadic approach, focusing on the effect one country has on another. Or they take a systemic approach and study the interaction between the international system and states.

Studies of regional integration in turn – both grand and middle-range theories – study the interaction between the regional organization and its member states. Transboundary effects of this integration process have rarely been studied, except for forms of regional cross-border co-operation and accession (e.g. Grabbe 2003, Friis 1999). With a few exceptions most studies of Europeanization have been limited to current or future member states of the EU (for an overview see: Vink 2003). The effect on the wider area or what Kristian Skrede Gleditsch calls "the neighborhood effect" has rarely been studied (Gleditsch 2002). The spatial factor of geographical proximity, however, is bound to be an important factor as it creates a context, a setting for states that restricts their policy options. I will try now to indicate how this neighbourhood effect of the European Union has considerably grown as a consequence of the 2004 enlargement.

The paradoxes of enlargement: impact on new neighbours

The enlargement of May 2004 was the biggest enlargement in the history of European integration. It augments the EU population with some 80 million inhabitants and extends its territory

to almost 4 million square kilometers. The EU with 25 members counts 450 million inhabitants. In 'the other Europe' (roughly following the Council of Europe as a criterion) live approximately 360 million people, but they represent a national income which is only a faction of that of the EU.

One could argue that enlargement inevitably redraws Europe's geo-political and geo-economic map. Though this may not be the intended outcome, enlargement inevitably creates new dividing lines. If we consider that the initial goal of European integration is to create stability and structural peace in Europe, enlargement is characterized by a certain ambiguity, which can be summarised in two paradoxes.

The first paradox is intrinsic to the deepening of integration: more integration inside the EU makes a close involvement of third countries more difficult. In other words, there is a reverse side to the coin of integration. The disappearance of internal borders inevitably means that external borders are reinforced and obstacles are placed between the EU and third countries. This is particularly clear in the case of free movement of persons.

As internal borders disappear and free movement within the passport free Schengen zone becomes easier, the external borders are reinforced, better secured and harder to cross. This is why I label this paradox the *Schengen paradox*. According to the Copenhagen criteria the accession states had to integrate the Schengen acquis into their legislation. Countries like Poland, for example, had to impose a visa obligation for Ukranians travelling to its territory, whereas in the past the latter could cross the border without many formalities. The consequences of the extension of the visa regime to the new member states for border crossings, trade opportunities, etc. are enormous (Batt 2003: 12).

A second paradox, the *insider/outsider paradox*, is specific for Eastern enlargement. With the accession of ten new member states in 2004 and two more in 2007, it becomes more and more problematic *not* to be part of the Union. The outsider states inevitably undergo profound effects of European integration. As the EU grows bigger, their alternatives diminish and it becomes harder (or more costly) to escape the impact of the EU. There are fewer non-EU countries in the immediate neighbourhood to trade with or to travel to without visa. With an EU of 27 members third countries will have little choice but orienting their export towards the EU. New tariffs apply for trade with countries that have recently joined the EU. In some sectors this may have serious consequences. But the effect will even go further. Third countries will have little choice but accepting the standards that the EU has set. If a company wishes to export manufactured goods to the EU they will have to respect the technical, safety, environmental standards of the EU. If the country at stake is quite dependent on its export, the EU standards may be expected to become the norm for the domestic economy as well.

Governance beyond the borders and the nature of EU foreign policy

The effect of EU enlargement on the new neighbours is thus twofold. First the EU unintentionally alters the power relations between states and the way in which interests of different countries converge. This can largely be assumed to be a side-effect of enlargement. As a consequence the autonomy of third countries to make their own choices is confined. This *unintentional externalization effect* is clearly visible in the securitisation of external borders and the new visa regimes which were introduced as a result of the integration of the Schengen acquis by the new member states.

Secondly the EU consciously shapes norms, practices and institutions in the new neighbouring countries. This can be done in a very direct and explicit way, for example by including human right clauses in bilateral treaties. It can also be done in a more indirect way. Companies exporting manufactured goods to the EU, for example, have no other choice but respecting the technical or safety standards of the Union. For reasons of economies of scale, these companies will be tempted to produce the same goods for the domestic market, thus upgrading the internal technical or safety norms.

If we define governance as "the continuous political process of setting explicit goals for society and intervening in it in order to achieve these goals" (Jachtenfuchs 2004: 99), we may describe this second movement as a form of *governance beyond the borders* of the EU (see also: Friis 1999). This governance is cross-border because the goals within a particular society are set by foreign actors.

To have a good understanding of this phenomenon of cross-border governance, it may be interesting to lay a link to the European Union's foreign policy. The EU is mostly regarded as weak international player with an underdeveloped foreign policy, often suffocated by the intergovernmental procedures of the second pillar. The EU's failure in the war in Bosnia and Herzegovina is a case in point of a crisis in which the EU failed to play a substantial role. When it comes to coercion or control – what Arnold Wolfer calls *"possession goals",* the EU is traditionally a weak actor (Smith 2003a: 107). But when it comes to *"milieu goals"*, structurally influencing the environment in which it operates, the EU is far more successful. A similar distinction can be found in Keukeleire (1998), where he distinguishes between *"traditional"* and *"structural foreign policy"* (Keukeleire 1998: 169vv). The structural foreign policy proactively shapes the external environment. The aim is to create a favourable or stable external environment by – in the words of Ikenberry – socializing third countries by stimulating common values and co-operation. In contrast to a traditional possession-goals oriented foreign policy, the time frame is long-term. The EU in other words invests a lot in shaping its immediate external environment in its own image. For similar reasons authors like Kagan (2002) and Cooper (2003) have labelled the EU a post-modern actor, favouring multilateral diplomatic instruments over unilateral initiatives; stimulating, supporting and engaging rather than compelling. We will not go into the reasons of this policy here, which is no doubt to some extent related to the highly intergovernmental nature of EU foreign policy and the often diverging national interests. As "an economic giant, a political dwarf and a military worm" the EU is no doubt far better equipped for a structural than for a traditional foreign policy.

The European Union disposes of several instruments to sustain its structural foreign policy. Legal agreements allow the EU to outplay its position as major trade bloc, e.g. by awarding preferential treatment in a selective and conditional way. Aid is equally useful as instrument of steering and creating a favourable environment. The EU is the world's major source of humanitarian aid and the biggest financial donor to Central and East European countries. The incentives the EU is using can be divided into hard and soft incentives.

Hard incentives make aid or a favourable treatment dependent on the fulfilment of certain conditions. This *"political conditionality"* (Smith 2003b: chapter 5 & 6) is at the heart of many agreements in the form of clauses on democratisation or respect of human rights, but also on economic reforms. Political conditionality was also the basis of the Copenhagen criteria on which accession to the EU was made dependent.

Soft incentives refer to less coercive means, which take no direct effect as such but stimulate countries to adapt their course. The habit of publishing regular reports often takes little direct effect, but increases the visibility of problems and increases the pressure on states to comply with certain norms or principles. As such the EU creates a *"communicative universe"* (Bogdandy, quoted in Jachtenfuchs 2004: 100) beyond its borders as well.

The EU thus produces a certain *'proximity effect'* upon its immediate environment. The Union creates a sphere around itself where on one hand its sheer (economic) presence is weighing on neighbouring states and on the other certain norms and practices are actively 'exported'. How to assess this neighbourhood effect? For certain it differs from a classic sphere of influence as the EU is not actively seeking control. Moreover the effect the Union has on its neighbourhood is highly differentiated. The effect will diverge from state to state. It will depend on a wide array of factors: the regime in this country, the policy preferences, the convergence/divergence of national interests, the power position of the neighbour state, the level of dependency (e.g. in terms of trade flows), the presence of alternative options, the geographic position, … I suggest to call this differentiated effect the EU has on its immediate neighbour states the EU's *'shadow effect'*. The EU is casting a shadow over its new neighbours. This is partly unintentional, partly steered.

The EU's proximity policy

As the Eastern enlargement approached, the Union started to develop its own specific, differentiated policy oriented towards its new neighbours around the Mediterranean and in Eastern Europe. It was motivated by fears of instability around the enlarged EU and by the concern that enlargement would create new dividing lines in Europe. The first step was taken with the launch of the Wider Europe / New Neighbours initiative in May 2002. This initiative was the first step towards the development of a more coherent policy baptized 'European Neighbourhood Policy' (ENP) in the Comission's Strategy paper of May 2004. At the heart of the ENP is the ambition to develop a privileged relationship with neighbouring states without offering them the prospect of membership.

"*The objective of the ENP is to share the benefits of the EU's 2004 enlargement with neighbouring countries in strengthening stability, security and well-being for all concerned. It is designed to prevent the emergence of new dividing lines between the enlarged EU and its neighbours and to offer them the chance to participate in various EU activities, through greater political, security, economic and cultural co-operation.*" (Commission 2004: 3)

The ENP builds on "mutual commitment to common values" and departs from a "common set of principles", but differentiates among the partner countries (Commission 2004: 3). The political and economic situation in the target country is assessed by Country Reports. Action plans are set up per country, outline the priorities and serve as a point of reference for the next three to five years. Progress is monitored by periodic reports. Financial means are provided under the new European Neighbourhood and Partnership Instrument, which will replace individual assistance programmes, such as TACIS, from 2007 on (Commission 2003b).

The ENP is aimed both at countries around the Mediterranean (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Syria, Tunisia as well as the Palestinian authority), in Eastern Europe (Ukraine, Belarus, Moldova) and – since 2004 – in the Southern Caucasus (Armenia, Azerbaijan and Georgia)[1]. The Balkan states are not included, because they are expected to become members of the EU at some point in the future.

In contrast to the first blueprints on Wider Europe, Russia is formally excluded. The Russian Federation is granted a special status as "key partner of the EU" (Commission 2004: 4). The Strategy Paper recognizes that "Russia and the enlarged European Union form part of each other's neighbourhood" (Commission 2004: 6), thus acknowledging the equivalence of both. Although Russia is singled out, it still features as part of the EU's specific policy towards its new neighbours. The policy towards Russia will thus continue to be closely linked to the ENP and can be regarded as a special case. In this paper I will speak of the EU's *'proximity policy'* to refer to both the European Neighbourhood policy and the strategic partnership with Russia.

The EU's proximity policy: characteristics and evaluation

The main strategic objective of the EU's proximity policy, encompassing both the European Neighbourhood Policy and the strategic partnership with Russia, is to replace 'an arc of instability' by a 'ring of friends' (Prodi, November 2002). Its aim is avoid simultaneousy that the enlarged EU would be confronted with instability on its borders and to avoid that enlargement would lead to new forms of polarisation. No doubt there are also hidden strategic objectives. The European Neighbourhood Policy is a way to create new opportunities for trade and investment. Also energy interests play a particularly important role. The EU's proximity comprises states such as Russia and Algeria, important suppliers of oil and/or gas. Therefore these countries play a pivotal role in the policy of diversification of energy dependence. With Russian oil exports expected to triple over the next 20 years and with continuing

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[1] Belarus will only fully benefit from the ENP once it has established a democratic form of government. Normal relations with Libya will only be established after the country has accepted the Barcelona acquis. Syria first has to ratify the Association Agreement with the EU.

instability in the Middle East, the Russian Federation will be a key supplyer of energy resources to European countries.

What are the main characteristics of the EU's proximity policy that set them apart from other forms of foreign policy and of the process of integration as such?

First of all the EU's proximity policiy is a prototypical example of *structural foreign policy*. It is an explicit attempt to structure the immediate neighbourhood along the dominant principles and norms of the EU. The goal is to involve the new neighbours in a selected number of policy areas, thus socialising them on the longer term into an extended form of European co-operation.

Secondly, the proximity policy is a *differentiated policy* which allows to approach countries in very different ways. The extension of certain forms of EU co-operation across the border in a differentiated way is nothing new as such. The European Economic Area for example extends most of the Single European Market to third countries without the other benefits and duties of membership. In the same way the Schengen zone includes non-EU members Norway and Iceland. A customs union involving Turkey was already provided for in the Association agreement of 1963 but was only established in 1996. There has thus been a long tradition of associating countries closely to the European integration process. Often these countries are linked to EU co-operation through agreements, financial aid, the awarding of all sorts of benefits, such as preferential trade tariffs or the granting of market economy status. A multi-speed Europe, exceding the borders of the EU, has thus been a reality for long.

What is a major innovation, though, is that the 'one size fits all' approach, in which a similar policy was developed for a whole area (e.g. the Central and East European candidate member states), has been replaced by a tailor-made approach. This is not surprising if one take into account the high diversity of the countries involved both in size and in economic strength, political system, culture. Understandably one approaches Russia in a different way than Moldova, Syria, Israel or Morocco.

Thirdly, the EU's proximity policy is characterized by a *low level of institutionalisation*. In the words of Prodi, the new neighbours would "share everything but the institutions". The proximity policy and the priorities laid down in the different Action Plans are developed by the EU in dialogue with the neighour state, but generally try to avoid the establishment of new institutions. The highest institutionalised relation is with Russia; the strategic partnership provides among others in regular summit meetings and ministerial cooperation.

The European Neighbourhood Policy (ENP) is in essence an *EU-centric policy*. It reflects the norms and values of the European Union and aims at exporting them to third countries. This appears clearly from the European Neighbourhood mechanisms, which mainly involve financial assistance and country reports. The latter would cover the progress in bilateral relations and the political, economic, social situation of the country involved.

Again, the fact that Russia is awarded a special status of key strategic partner and thus excluded from the ENP is interesting in this respect. Moscow has always been lukewarm to the Wider Europe initiative, which it considered to be too much oneway, too much reflecting the interests of the EU. By recognising explicitly that the EU and Russia belong to *each other's* neighbourhood, Russia is recognised as a fully equal partner of the EU (Commission 2004). This follows the line of the Medium-term strategy on relations with Europe, as presented by the Russian government in 1999 (Medium-term strategy 1999). This document proposes a strategic partnership between the EU and Russia as leading force of and surrounded by the CIS countries.

Evaluation

Self-evidently it will not be possible at some point in the future to evaluate the success of the EU's proximity policy as a whole. Due to the intrinsically differentiated nature of the ENP, the success will differ from country to country. But one could of course evaluate the success of the policy in the light of its primordial objective: the creation of an arc of stability and mitigating the effects of enlargement.

No doubt the EU will not be able to guarantee full stability on both its eastern and southern flank. Especially in the Mediterranean area this would be far too ambitious. Because of the EU's weakness in traditional foreign policy, the ENP will not help the EU in containing or solving crisis situations. It may, however, in certain cases be successful in taking away some of the structural causes of conflict. A success that will anyway be hard to measure. More crucially it remains to be seen whether the EU will dispose of enough leadership to play a determining role in non-economic issues. When it comes to peace-building, the actors involved are often tempted to turn towards the big powers rahter than to the EU. The recent peace plan developed by the government of Moldova is a good case in point. It was sent to Washington and Moscow only. Much to the annoyance of the Commission, Brussels was overlooked.

The whole European integration process has been built on the premise that integration would lead to structural peace and stability. If stability is a central goal, another benchmark for evaluation is the degree to which it leads to partial integration of the new neighbours. The European Council of Copenhagen in 1993 very explicitly chose to export stability and security to Central and Eastern Europe by offering the former communist satellite states the prospect of membership. This prospect was made dependent on clear conditions – the Copenhagen criteria. The ENP, however, explicitly rules out this possibility. As Verheugen, the Enlargement Commissioner, now in charge of the ENP put it: "Membership perspectives are not on the table. Full stop." (Verheugen quoted in Emerson 2004). This is a break with the past. The EU's proximity policy is an attempt to export stability and security in a new way. The EU does no longer wave with a ticket to enter the club in order to convince them to carry out reforms, but tries to involve neighbours with forms of co-operation and partial integration. It wants to 'integrate' states somehow, but at a very low level. These countries will be able to share some of the benefits of European integration, but without permissio to join the club. The reasons are obvious. The EU wants to escape from the dilemma between eternally enlarging the Union on one hand and on the other establishing a new wall between an integrated, stable and affluent Europe and a non-integrated, unstable and much poorer Europe (or South and East-Mediterranean). Whether the EU will be successful in this respect very much depends on the extent to which this policy will be able to anchor the new neighbours firmly into European structures. The new neighbours will be allowed to yield some of the fruits of European integration, but it remains doubtful whether this will be sufficient. It is very unlikely, though, that the EU will be able to meet some of the most pressing demands of its new neighbours. In particular this holds for the issue of visafree travelling, where it is very unlikely that the EU will give up its current position.

Conclusion

The Eastern enlargement of the EU, the biggest one in the history of European integration, will have a profound effect on its new neighbours. Enlargement is characterised by two paradoxes. The inclusion of new member states implies that external borders shift to the East and that strongly secured borders are established roughly between the EU and the CIS countries. This change in geo-politics makes it harder to involve the EU's new neighbours into the process of European co-operation and integration. With the Eastern enlargement this paradox has become more problematic than ever before, because the number of non-EU states is being exceded by the number of EU-states. As the EU enlarges, the position of the 'outsiders' becomes more precarious, because it becomes harder to escape the 'proximity effect' of the EU.

The effect of EU enlargement can thus be said to be partly intentional and partly unintentional. It is unintentional because it inevitably redraws the map of Europe. Flows of trade are diverted, investment opportunities change, the mobility of persons becomes severly constrained, the stratgic position of third countries change and so might interstate alliances. It is intentional as the EU proactively aims at steering these developments, with a double objective of creating stability on its borders and mitigating the (unintended) effects of enlargement on its neighbours. For this purpose the EU has developed a European Neighbourhood Policy (towards its Eastern and Mediterranean

neighbours) and a separate strategic partnership with Russia. As both are based on similar premises, this policy is labelled in this paper the EU's proximity policy. It is a specific form of structural foreing policy in which the EU tries to export its norms and practices. The proximity policy is highly differentiated, weakly institutionalised and strongly EU-centric. It is a breakaway from the EU's carrot and stick method, according to which stability was exported to third countries by offering them the prospect of accession linked to a number of conditions. Time will tell whether this option for 'partial integration' is a temporary policy, to allow to digest the biggest enlargement in history first. The ENP could very well serve as a test lab to check a potential candidate on its feasibility for membership. At least it will give the EU some more time and breathing space to tackle the issue of enlarging further or not.

So far the effect of an extending regional integration process on its immediate geographic environment has produced little theoretical analysis. The nature of the process can be regarded as a form of governance beyond the borders, in which the norms and practices of the EU are exported to its neighbours. As such European integration sets certain goals for society in third countries. This export of norms and practices partly happens on purpose through mechanisms of political conditionality, partly unintentional because of the sheer economic weight of the EU on its environment. As the ambition of the EU is not to control third countries (possession goals) but rather to structure the context in which it is operating (milieu goals) and as the effective impact continues to depend to some extent on the country involved, the proximity policy can not be coined in terms of spheres of influence. Rather the new neighbourhood can be seen as a 'shadow zone' of the EU. To what extent the EU will be able to cast its shadow on a neighbouring country will depend both on the size of the country and on its proximity to the Union. It goes without saying that proximity and size should not be understood in a pure geographical sense here.

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