



## **Remarks for discussion for the conference:**

### **“How to improve the European Neighbourhood Policy? Concepts, perceptions and policy recommendations for its Eastern dimension”**

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#### **Draft comments**

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The issue of the European Neighborhood Policy (ENP) in the East, which was recently reformulated and specified under the concept of Eastern Partnership (EaP), is linked to several important questions: what has been the progress of Eastern ENP in terms of domestic reforms in the ENP countries and their integration into the EU, what are the factors of the ENP’s effectiveness, and by drawing lessons for the future one could ask what could be expected from the EaP adopted this year.

First, it could be argued that the picture of domestic reforms in the ENP countries has been mixed with the process of the ENP being more of a movement rather than arriving at some well defined target point. This is, of course, a generalization which hides divergences between different policy areas in particular ENP countries as well as differences among those countries. For example, there are different levels and standards in regard to foreign trade policy, border-crossing or public sector reforms in Georgia, Ukraine, and Moldova. There have been regular cooperation procedures between the EU and each ENP country which allow for monitoring and evaluation of the adoption of the EU related norms. However, it could be argued that, so far, exchange of information, expert capacity building as well as the broader process of socialization have been the dominant aspects of this process.

These incremental steps are meaningful aspects of the ENP, but with the recent history of successful reforms in Central and Eastern European countries and the integration into the EU as a powerful factor supporting and stabilizing reform efforts, one could expect more from the EU’s Eastern ENP. However, despite all the talk about closer relations between the EU and the ENP countries no breakthrough has yet been achieved in terms of integrating these countries into the EU’s common market. Taking into account that there have been different factors – both domestic and geopolitical – at work in the ENP countries and in their domestic

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political, economic and institution building processes and considering that the EU and its member states can only provide limited incentives and capacity building for reform and rules of managing interdependence, the question regarding the effectiveness of the EU's policy can still be raised.

In this respect, the key issue which complicates both the ENP and its evaluation is the ambiguity regarding its tasks or the overall goal of EU's Eastern Neighborhood Policy. For a number of reasons, the EU has been reluctant to say anything about the ultimate goal of the ENP (the possibility of EU membership or at least some form of deep economic integration such as the European Economic Area). It has become a conventional wisdom to argue that it was exactly the prospect of EU membership which provided strong incentives for reforms in the recently acceded EU member states, while the absence of such an incentive made the ENP process weaker, less structured and more difficult to sustain. Taking into account the remote prospect of resolving the issue of the EU membership perspective, the question is how to formulate the objectives of the ENP in such a way as to make them attractive and concrete enough for ENP countries to be able to structure and sustain the process of establishing liberal democratic systems of governance and market economies. Another question is how best to achieve these objectives, or what the desired sequence of regulatory reforms should be.

One could see the integration of ENP countries into the EU common market as a possible solution to the problem of an uncertain membership prospect. This would provide economic benefits to the ENP countries (as well as to the EU and in particular to its member states which have close trade relationships with the ENP states) and could strengthen their political relations with the EU. Although it requires regulatory alignment on behalf of the ENP authorities, not all EU norms are necessary in order to be able to trade freely and invest. It should be noted that certain essential issues of statehood and state capacity in some ENP countries are much more pressing than adoption of some EU regulatory norms which regulate production processes. On the other hand, the EU should not only see the required measures in adequate proportions, but it should also be able to overcome its own domestic lobbies which might not be supportive of complete market opening to the ENP countries (in particular, trade in agricultural products).

The EaP which was adopted in 2009 is a step in this direction. It aims at political association (without mentioning the perspective of membership) and economic integration of ENP countries clearly acknowledging the Eastern dimension of the ENP, thereby differentiating European EU neighbors from non-European neighbours in the South. It allows for differentiation of ENP countries and makes certain objectives quite concrete, in particular,

facilitating the movement of people (liberalization of visa regime) and deep and comprehensive free trade agreements with the EU (conditional upon WTO membership). It also includes sectors such as energy, where cooperation in securing the diversity of supplies and integration of infrastructure is of common interest to all parties involved, people to people contacts important for the civic societies in the ENP countries, and financial support for the adoption of EU norms. In addition to the principle of differentiation it also includes the well-known principle of conditionality which was the key principle in EU's relations with candidate countries. The eventual aim of economic integration of the EU and its Eastern partners is defined as a Neighborhood Economic Community.

However, while acknowledging that the EaP is a step in the right direction, a number of uncertainties remain – in addition to the uncertain prospect of EU membership. First, it is not clear what the objectives of free movement of people and free trade entail. The facilitation of visa regime and eventual visa waiver does not imply free movement of labor. A deep and comprehensive free trade regime seems to first of all focus on the adoption of EU regulatory norms upon which the removal of remaining tariff and non-tariff barriers to trade between the EU and its Eastern partners will be made conditional. This approach might imply too much re-regulation with too little trade liberalization (in particular, in the area of agriculture). It is also not clear to what extent trade in services can be included into these agreements. Finally, since the whole process is based on the transfer of EU norms to the ENP countries, in some areas where there is still no consensus on particular EU policy regimes among the EU member states and little real market integration as in the field of electricity and gas market integration (or trade in services as the introduction of the Services directive in the EU has shown), it is difficult to expect progress in EU relations with ENP countries.

To some up, the EaP provides a welcome new impetus to the Eastern ENP process, in particular, when the economic recession has been tempting some EU member states' leaders to turn inwards and expose their protectionist impulses. It provides reasonable short- and medium-term objectives and instruments of their implementation. However, it also leaves a number of important questions unanswered which might reduce its effectiveness and limit its usefulness to the ENP countries. Overall this means that the EU views the EaP as a case of "external governance" rather than "reforming through enlargement" process. The reinforcement of conditionality rewards by the EU linked to intermediary steps in the integration process (DCFTA, visa facilitation) might at least for some time compensate for the lack of clarity on a long-term perspective.