

Dimensions of a new “Ostpolitik”

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A new stage of EU Eastern Politics has begun under Germany's EU Council Presidency. Not only is the European Neighbourhood Policy to be upheld, but relationships with the Russian Federation are also to be stabilised.

With the accession of Bulgaria and Romania to the European Union on 1 January 2007, the number of EU member states has grown to 27. Now that two new EU members border the Black Sea, other countries have become neighbours of the Union or are only separated from it by the Black Sea, i.e., Moldova which borders Romania, and the Caucasian countries of Georgia, Armenia and Azerbaijan – countries which, like the other neighbours of the EU, Belarus and Ukraine, won their independence after the disintegration of the Soviet Union in 1991.

However, the process of cutting the cord to Russia and to each other is far from complete as there are separatist structures in Moldova ("Transnistria"), in Georgia ("Abchasia" and "South Ossetia") and in Azerbaijan ("Nagorno-Karabakh"), dead-end or frozen conflicts under Russian control; Russian troops stationed in those countries where Russia can drive up or scale down tension as it desires. The conflict potential of these regions is further fuelled by the fact that these countries, like the Central Asian countries beyond the Caspian Sea, have large energy resources or play a strategic role as current or potential transit countries for gas or oil pipelines to the West or to other parts of Asia.

In this light it does not come as a surprise that the European Union has expanded its European Neighbourhood Policy (ENP), launched in 2003. With its "Communication from the Commission to the Council and the European Parliament on Strengthening the European Neighbourhood Policy" issued in December 2006[1], the European Commission made clear that it is interested in fostering political and economic cooperation with these countries with the objective of not only improving trade and monetary relations but also to make it easier for people to forge personal contacts and come for short visits, to de-escalate "frozen conflicts", to provide incentives for new or additional reforms and to contribute to raising the level of prosperity of the population in general. Moreover, the Commission highlights that "these are not only our neighbours' problems"[2] and that illegal immigration, unreliability of energy supplies, environmental degradation, and terrorism do not stop at the border to the EU, which means that their causes need to be combated where they arise.

As in 2003 when the European Commission introduced the ENP, it has stressed once again that the ENP remains distinct from the process of EU enlargement and enhanced cooperation with the EU does not automatically entail specific prospects of membership. The partners in the southern Mediterranean region, the Middle East and Africa[3] have perceived this approach much less as a rejection than a number of Eastern European partners, such as Ukraine or Moldova, who consider their status as an ENP partner country as a step towards EU membership.

At the end of 2006, the German government had already emphasised that it expects the Portuguese EU Presidency to shift its focus to the Mediterranean region in the second half of

2007, while Germany would strengthen relations with the EU's eastern neighbours during its Presidency in the first half of 2007. The approach followed by the German government[4] is not limited to the further development of the ENP and its possible expansion to Central Asia but also aims at amicably stabilising the relations between the EU and the Russian Federation. After all, the target countries of this "new Eastern policy" are all former territories of the Soviet Union. Russia considers Eastern Europe, the Caucasus and Central Asia as nearby foreign countries and therefore as part of its own strategic sphere of influence where EU initiatives are interpreted as a disturbance and a potential threat.

From the very beginning, Russia has rejected any involvement in the ENP as impertinent because participation would not do justice to Russia's political, strategic and economic importance. Russia rather strives for a "strategic partnership" with the EU that leaves adequate room for the economic and security policy potential of both sides. To the degree that the EU wants to permanently codify its bilateral relations with Russia, the latter will prove to be a decisive factor for the success or failure of any neighbourhood policy initiative of the Union.

That's why the German Presidency has emphasised that it will work towards a reconciliation of interests as part of the renewal of the Partnership and Cooperation Agreement made between the EU and Russia in 1997, which is scheduled for renewal in 2007, the constructive involvement of Russia and the establishment of lasting bonds between Russia and the EU.

[1] Cf. Commission of the European Communities, Communication from the Commission to the Council and the European Parliament on Strengthening the European Neighbourhood Policy, COM(2006)726 final, 4/12/2006, available at: http://ec.europa.eu/world/enp/pdf/com06_726_en.pdf.

[2] Ibidem., p. 2.

[3] These include Algeria, Egypt, Israel, Jordan, Libanon, Libya, Marocco, the Palestinian National Authority, Syria, and Tunisia.

[4] Cf. K. F.: Berlin entwickelt neue Nachbarschaftspolitik für die EU, in: Frankfurter Allgemeine Zeitung of 3/7/2006, p. 1; Gernot Erler: Regionale Kooperation und Energiesicherheit. Speech given at the conference on "Black Sea Cooperation – Energy Supply and Energy Security", Sofia, 13/10/2006; idem.: Interview zur Zentralasienstrategie der EU, in: Frankfurter Rundschau of 27/12/2006

Objectives and features of the second phase of the ENP

From the very beginning, the ENP's main objective, the heart of the new Eastern policy, has been to give countries outside the EU27 an opportunity to participate in the European integration process – without being member-states of the EU.[1] It provides opportunities for improved cooperation and privileged partnerships through a network of cooperation and association agreements aimed at enhancing stability, security, and prosperity. The idea is to stabilise partners based on a range of common values, extent economic cooperation, and intensify the political dialogue.

The ENP continues the EU's vision of being surrounded by countries which share the same fundamental values and goals and of having much closer ties with them, including a considerably larger degree of economic and political integration than previous agreements of the EU with neighbouring countries stipulated. Together with its partners, the EU sets priorities and action plans which are intended to bring these countries closer to the EU.

Based on initial experiences, the second phase of the ENP aims at supporting reforms introduced in neighbourhood countries by implementing them faster, more efficiently and by putting less financial strain on the population. Furthermore, the EU grants economic advantages such as participation in the internal market, and it makes available financial funds from

the EU budget, intended to contribute to the economic development of the countries concerned. Since the German Presidency is focussing on the Eastern component of the ENP during the first half of 2007 and the Portuguese will subsequently focus on southern partners, the two regional foci will be different from each other and no longer connected as critics suggested[2]. This makes decision-making processes easier and takes the specific characteristics and traditions of the regions into consideration, in particular the peculiarities of the post-communist era in Eastern Europe and the Caucasus.

[1] By now there are a number of studies providing interim assessments of the ENP. Cf. Martin Koopmann/Christina Lequesne (Eds.): *Partner oder Beitrittskandidaten? Die Nachbarschaftspolitik der Europäischen Union auf dem Prüfstand*, Baden-Baden 2006; Andreas Marchetti: *The European Neighbourhood Policy. Foreign Policy at the EU's Periphery*. Discussion Paper C 158. Center for European Integration Studies (ZEI), Bonn 2006; Marco Overhaus et.al.: *The New Neighbourhood Policy of the European Union*, in: *Foreign Policy in Dialogue*, 6 (2006) 19, 27/07/2006; Kristi Raik/Grzegorz Gromadzki: *Between activeness and influence – The contribution of new member states to EU policies towards the eastern neighbours*. Open Estonia Foundation, Tallinn, September 2006.

[2] Cf. Hanns-D. Jacobsen/Heinrich Machowski: *Politische und wirtschaftliche Sicherheit für Osteuropa*, in: *Europäische Rundschau*, 33 (2005) 4, p. 79-86, here p. 80.

Economic and financial policy instruments

Until 2006, the EU lent support to ENP partners through a variety of geographic programmes, such as TACIS (for its Eastern neighbours and Russia) and within the scope of the European Initiative for Democracy and Human Rights (EIDHR). For the programme planning phase from 2000 – 2006, 3.1 billion euros were made available for TACIS. In addition, the European Investment Bank granted TACIS recipients loans totalling 500 million euros.

The new ENP will be much more comprehensive[1]. It comprises improved trade relations, even allowing for preferential treatment, participation in the internal market and a number of EU programmes and policies, and the extension of financial and technical aid. Of all of these opportunities, participation in the common internal market presents the farthest reaching aspect because it offers partners a chance to utilise fundamental achievements of the EU such as the mobility of goods and services and labour and capital as production factors.

Such incentives encourage economic growth in the partner countries by means of structural reforms, by creating a stable macro-economic base that facilitates the implementation of more efficient monetary and fiscal policies, and by liberating trade and the movement of factors such as labour.

For EU member states, economic liberation in partner countries may also have negative impacts because of these countries' improved access to the EU market and resulting trade deviations. Labour costs are comparatively low in ENP countries. Because of lower barriers, direct investments in these countries may increase which not only result in the movement of jobs from the EU to ENP countries but – as a complementary effect – increase political risks when national populists utilise the flight of capital and the sale of national resources in their political campaigns.

The impact of economic liberalisation on the labour market also creates political risks if unproductive domestic companies are shut down and unemployment rises. This, in turn, can force up migration pressure, thereby strengthening political opposition within the EU.

In order to mitigate these risks, the EU has developed a number of compensating instruments in its new ENP. The European Neighbourhood and Partnership Instrument (ENPI) will replace programmes such as TACIS starting in 2007 as part of a reform of foreign aid. This

new instrument will be considerably more flexible and policy-driven. To support the priorities set out together in the ENP Action Plans, this instrument is designed to encourage sustainable development and approximation to the policies and standards of the EU. Additionally, the ENPI will contribute substantially to improving cross-border cooperation with partners bordering the EU. For the next budgetary period from 2007 – 2013, the EU will provide funding of some 12 billion euros to support all ENP partners, an increase of some 32% in real terms. Funds allocated to individual country programmes will depend on each partner's needs and absorption capacity as well as their implementation of agreed reforms.

These new instruments will help to determine priorities of EU foreign aid together with the beneficiary and other relevant players in general country strategy papers (CSP) covering a term of seven years. Companies from the 27 EU member states, the candidate countries, potential candidate countries, and neighbouring countries can bid for tenders that are part of EU aid programmes. Contracts are awarded pursuant to the standardised procurement regulations of the EU.

Country reports evaluating the political and economic situation of partners provide the basis of action plans, the main instrument of the ENP. Tailored to the characteristics of a certain country, these plans contain perennial programmes covering a variety of policy fields.

The implementation of measures agreed in the action plans will be monitored together and documented in progress reports. Depending on their differences, partners will be treated differently. Funding concentrates on regional cross-border projects. More importantly, the EU's commitment is tied to the fulfilment of certain conditions: a clear commitment to common values and the consequent implementation of the reforms agreed upon. To motivate partners by granting economic and political incentives is a central element of the ENP.

[1] For perspectives on economic effects, cf. Michaela Dodini/Marco Fantini: The EU Neighbourhood Policy, in: Journal of Common Market Studies, 44 (2006) 3, p. 507-532.

Political cooperation and cooperation in the field of security policy

In addition to promoting economic stability, the political dialogue on fundamental values as well as internal and external security are key areas in the ENP. Naturally, the political dialogue regarding issues such as democracy, the rule of law, good governance, and human rights remains abstract and is hardly verifiable in concrete terms.

Therefore, responsible officials need to assess if and in how far concrete measures have been successful in terms of the above mentioned goals. These measures include selective and regular meetings of ministers or with ENP partners on topics ranging from energy and traffic to the environment and public health. This multilateral approach is a meaningful supplement to the bilateral work which provides the bases of the ENP. It also encompasses increased political cooperation and the more systematic involvement of partners in EU initiatives (foreign policy statements of the EU, positions in international fora and participation in major Community programmes and institutions). Furthermore, significant improvements may be reached with regard to the issuing of visas for certain categories of travellers, the fight against smuggling, human trafficking, and illegal migration as well as border management.

"Conditionality" and "socialisation" as elements of the EU strategy

By offering economic and political advantages under certain conditions and by defining the conditions under which these incentives may be drawn on, the EU attempts to influence the

political players in the target countries in order to help them approach the EU. Similar to the relationship with the Central European accession candidates prior to 2004, the EU expects to influence the success of economic and political reforms in the partner countries by providing material support under certain conditions. From their perspective, internal political changes are a response to the EU's economic and social support, such as financial and technical aid, institutional networking, market access, and political dialogue. The only difference is that the door to EU membership will be closed to eastern ENP countries for a long time. Consequently, we may ask ourselves if the material incentives offered are sufficient to keep the countries concerned interested in long-term cooperation with the EU.

On the other hand, the EU's strategy builds on the idea of socialisation, meaning that ENP partners are not only democratised but also "Europeanised". This not only means that institutions are set up in partner countries that ensure the rule of law, and human and minority rights in general. Moreover, by following this approach, the EU hopes to trigger dynamics which arise from the legally binding norms of the European Union (and the Council of Europe) for democracy and human rights, from the transformation of businesses and individuals as a consequence of the European integration process and from changing subjective values and identities in society. Increased interaction at various levels (state and administration, businesses, civil society, teaching and research, etc.) induces behavioural and identity changes which, in turn, influence mindsets and social behaviour.[1]

[1] This context is debated in greater detail by Michael Emerson et.al.: The Reluctant Debutante – The European Union as Promotor of Democracy in its neighbourhood. CEPS Working Document No. 223, July 2005; Judith Kelley: Promoting Political Reforms through the ENP, in: Journal of Common Market Studies, 44 (2006) 1, p. 29-56.

Institutions

Therefore it is imperative that partners have a chance to play an active part in EU institutions and participate in EU programmes. That means that ENP countries either have the opportunity to actively take part in specific institutions (e.g., the European Environmental Agency, the Galileo Supervisory Authority), to participate as observers or cooperate with such institutions. Partners may also get involved in implementing EU policies in certain fields (e.g., consumer protection, information society, competition and innovation, research and development, etc.).

Meeting the requirements for participating in the above mentioned institutions and/or programmes often helps to clear the way for or assist in reforms and modernisation in the sectors concerned. In terms of regulations, norms, best practices, and legal requirements of the EU, such cooperation is expected to significantly advance convergence between ENP partners and the European Union.

New Eastern policy: Central Asia, the Black Sea region, and Russia

As part of its initiatives to develop a new Eastern policy of the EU, the German Presidency strives to work out a coherent geopolitical strategy for the resource-rich Central Asian republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. Until recently, the EU had only functioned as a partner supporting aid and cooperation projects in the region. After energy security advanced to the top of the EU foreign policy agenda, the EU's increased interest in the region has been obvious because these countries not only border such hotspots as Iran and Afghanistan but also have large oil and gas deposits. Conversely, these countries expressly aim at establishing closer ties with the EU. Kazakhstan's President Nursultan Nazarbayev can even imagine deepening relations with the EU within the context of the ENP in combination with a new Central Asian strategy.

On the other hand, Russian foreign policy creates additional options by reinforcing its focus in Asia where it competes with the EU in terms of economic and particularly energy relations. Russia has close ties with oil-rich Kazakhstan and would like to expand the Shanghai Cooperation Organisation (Russia and the People's Republic of China are both members) and accept India and Pakistan as members, which could make the Cooperation Organisation a power centre in the fields of energy and security policy.

After Bulgaria's and Romania's accession, the Black Sea region, and therefore also the Southern Caucasus, have come closer to the EU. Energy security presents a key issue here, which – from a German but also an EU perspective – can be achieved only through comprehensive regional cooperation. If supply, transit and buyer countries work together, the energy and economic sectors may gradually integrate internationally due to the interdependencies of the countries involved.

The most important target country of the EU's new Eastern policy by far is Russia. It does not participate in the ENP but maintains relations with the EU by way of a "strategic partnership" implemented by applying the idea of the "four rooms". This illustrates that Russia does not want to be another EU neighbour and that it does not accept any negative conditions but desires a special relation with the EU.

What is more, Russia continues to consider the traditional target regions of the new Eastern policy of the EU as under its own spheres of influence. All countries concerned are indeed members of the Commonwealth of Independent States (CIS) which consists of all former Soviet republics except the Baltic states. By giving EU foreign policy a new geopolitical focus due to the reshaping of the ENP, the explicit focus on the Black Sea region and the Southern Caucasus as well as the intended involvement of the countries of Central Asia, the new Eastern policy should not ignore Russia's historical ties to the regions in its neighbourhood and its legitimate interests because such an approach might create misunderstandings or even conflicts.

Russia and the EU may be competing for influence over the same territories. The Russian elite feels threatened by the support that countries such as Ukraine and Georgia and other partners have to try to overcome their post-Soviet blockades by orienting themselves towards western values. The EU's active engagement, including the management of "frozen conflicts", is not welcome. An explicitly regional approach might help control conflicts if such an approach refrains from supporting anti-Russian projects such as GUUAM and provides an ENP action plan for the entire Black Sea region and explicitly involves Russia. This might be a way to mitigate differences between the EU and Russia and encourage cooperation between Russia and Turkey.

The mood between Russia and the European Union cooled further at the end of 2006 because Russia cut energy supplies to Western Europe without prior notice following pricing disputes with Belarus. In 2007, the 1997 Partnership and Cooperation Agreement will be renegotiated. The core component of the European strategy is closer integration with Russia as an ever more important energy supplier. The agreement shall also stipulate a free trade zone and enable joint educational and research projects. One of the main objectives of the EU is to open up Russia for private and public EU investments in the field of energy, a step Moscow still rejects.

Influence of the USA

Besides Russia, the US is also a major regional player in Eastern Europe, the Southern Caucasus, and Central Asia where the US and the EU rival each other directly. The US' prime objective is to secure and expand its influence in the long run. Therefore, the US is actively working towards Georgia and Ukraine eventually joining NATO. Furthermore, it intends to secure energy supplies to western industrial nations by buying oil and natural gas from the Black Sea and Caspian area and further extending transportation routes (e.g., the Baku-Tiflis-Ceyhan-Ankara pipeline project).

Despite many congruent interests, the EU and US approaches differ. Due to its reformist approach, the EU's new Eastern policy proves to be value-oriented while the American strategy is primarily guided by economic interests and the fight against terrorism. The EU strives towards long balanced and stable relations with Russia whereas the US does not shy at confrontations and is ready to challenge Russia's local dominance. Disagreements have surfaced, for instance, with regard to the settlement of "frozen conflicts" in the Southern Caucasus concerning NATO accession of countries such as Ukraine and Georgia. The fact that the US is not prepared to accept the standards developed by the EU for its neighbourhood may result in conflicting action and therefore create transatlantic conflicts.

Conclusions and perspectives

The European Union's new Eastern policy promises EU neighbours, i.e., the ENP partners, Central Asia and Russia, a reduction of economic and political asymmetries. It provides opportunities for a wider liberalisation and increased security and prosperity. If some European partners efficiently use the instruments provided, EU membership might be a realistic scenario in the long term: The more efficiently the EU shapes its neighbouring countries by transplanting its system of democracy, government and administration, it will become all the more difficult to deny membership to partners at a later point. This gives rise to a paradox situation where a successful policy designed to prevent EU accession creates the conditions for such membership.

If the economic and political incentives developed to support the reforms aimed at as part of the EU's Eastern policy prove to be insufficient, a number of additional actions could be considered such as designating a special ENP Commissioner, increasing available EU funds, regional cooperation, creating a pan-European free trade zone, involving the countries of Eastern Europe, the Southern Caucasus, Central Asia, and Russia in the EU's energy policy, and facilitating a political dialogue at all levels.

As another accepted, or even intended strategic consequence of its new Eastern policy, the EU will Europeanise regions that might otherwise fall under the influence of other powers in the global competition between Asia (where China and India are newly powerful players), North America and Europe. Through the targeted use of incentives, that is, by offering cooperation advantages, this policy aims at achieving permanent political and economic security, particularly with regard to the supply of energy.

A regional initiative such as the ENP or the even more comprehensive idea of the European Union to tie neighbouring countries and their neighbours into a common web of values, policies and economies not only rivals Russian and US ambitions but also attempts to find answers to global challenges, for instance, those posed by the World Trade Organization (WTO). The dynamic economic development of countries such as China and India and their growing

importance in the world economy have obviously reached such dimensions that their competitors search for regional answers. From an EU perspective, Eastern Europe (including Russia), the Caucasus and Central Asia are suitable regions for dealing with global changes and successfully handling long-term challenges.

Designed not only to provide security and stability, the new Eastern policy will also be a new version of a long-term "approximation strategy" which has already characterised the relationship between old and new EU members. However, it also presents a geopolitical approach to deal with the political and economic challenges of globalisation.

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