



Models for the European Neighbourhood Policy

The European Economic Area and the Northern Dimension

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Abstract

It has been suggested in recent years that EU policies towards Northern Europe could serve as a potential model for the EU's relations with its other neighbours. This paper focuses on two particular EU policies towards non-EU members in Northern Europe: the Northern Dimension (ND) initiative and the European Economic Area (EEA), which are analysed in light of two broader themes: first, how the EU organises its policy towards its neighbours more generally and, secondly, the enlargement process and how the EU has attempted to develop alternatives to EU membership. The Northern Dimension could be a useful model for the European Neighbourhood Policy (ENP), in particular *vis-à-vis* the Eastern neighbours, although it must be recognised that the regional approach has played a limited role in confronting strategic challenges and resolving politically contentious issues in EU neighbourhood policies. The initial proposals from the EU for its European Neighbourhood Policy fall far short of the sort of relations currently existing between the EU and the three EFTA (European Free Trade Association) states in the EEA. The agreements with the erstwhile EU accession candidates of Central and Eastern Europe and the countries of south-east Europe could appear to provide more suitable models for the ENP than the EEA. However, the prospect of eventual EU membership is a fundamental premise underlying these agreements, which makes certain provisions and institutional arrangements acceptable to the associated states that they might otherwise find objectionable. This conundrum is likely to dominate the debate on EU neighbourhood policies for years to come.

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MODELS FOR THE EUROPEAN NEIGHBOURHOOD POLICY

THE EUROPEAN ECONOMIC AREA AND THE NORTHERN DIMENSION

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Introduction

The suggestion that EU policies towards Northern Europe could serve as a potential model for the EU's relations with its other neighbours has emerged in recent years, both in the Convention on the Future of the EU in 2002-03 and in some of the proposals for the EU's new 'European Neighbourhood Policy' (ENP). This paper focuses on two particular EU policies towards non-EU members in Northern Europe: the Northern Dimension (ND) initiative and the European Economic Area (EEA). These two policies are analysed in light of two broader themes: first, how the EU organises its policy towards its neighbours more generally and, secondly, the enlargement process and how the EU has attempted to develop alternatives to EU membership.

The Northern Dimension represents a regional approach to the EU's neighbours, and stands in contrast to a bilateral approach whereby the EU relates to its neighbours on a country-by-country basis. A number of arguments can be raised for and against a regional versus a bilateral approach. These will be analysed in light of the experiences of the Northern Dimension, as well as EU policies towards other regions in its immediate neighbourhood.

The Agreement on the European Economic Area between the EU and the three EFTA states (Iceland, Liechtenstein and Norway) is the most comprehensive agreement between the EU and any third country short of full EU membership. The EEA has recently been discussed as a possible long-term model the EU should aim for in its relations with other neighbouring countries. The prospects of this, and how this is linked to past and possible future EU enlargements, will be analysed by comparing the proposals for a European Neighbourhood Policy with the realities of the EEA.

1 The Northern Dimension Model(s)

In order to analyse the Northern Dimension initiative as a potential model for EU policy towards other neighbouring regions and states, it is necessary first to have a clear idea of what the Northern Dimension is. Diverging views on the ultimate scope and purpose of the initiative have been voiced since its gestation in the late 1990s. In view of these conceptual differences it is more correct to speak, not of one Northern Dimension model, but of several partially overlapping models.

In the speech that put the Northern Dimension on the EU's agenda in 1997, Finland's Prime Minister, Paavo Lipponen, claimed that the "ultimate goal of an EU policy [for the Northern Dimension] is peace and stability, with prosperity and security shared by all nations [in the region]" (Lipponen, 1997). Such ambitious objectives were supported in a number of academic studies that called for a radical re-organisation of the EU's relations with neighbouring countries. A 'Europe of regions' in a structure of 'Olympic circles' would complement or even transform the current dominant approach of hub-and-spoke diplomacy in a structure of 'concentric circles', with the EU at the core, accession candidates occupying the 'inner circles' and non-candidates relegated to the outer circles (Emerson, 1999; Joenniemi, 1999). Such a regional approach, it was argued, could counteract the trend towards the creation of new dividing lines in Europe and create stronger incentives for the countries in the 'outer circles' to converge on European norms and values.

While stating the need for a “comprehensive strategy, an institutional framework and adequate financing arrangements”, Lipponen (1997) pointed out that cooperation in Northern Europe was “already organised well enough to make major new institutional arrangements unnecessary” and that therefore no new financing was required. Some observers noted early on in the process of establishing the Northern Dimension that a certain “scaling down” of the initiative had occurred (Joenniemi, 1999). This was evident in the official documents from the EU on the Northern Dimension, one of which stated that “the Commission considers that neither new permanent structures nor new budget lines should be considered” (European Commission, 1999). According to the first Action Plan for the Northern Dimension (2000-2003), adopted by the Feira European Council in June 2000, the “aim [of the Northern Dimension] is to provide added value through reinforced co-ordination and complementarity in the EU and Member States’ programmes and enhanced collaboration between the countries in Northern Europe”.

There were thus two clearly distinct Northern Dimension models proposed in the early phases of the initiative. Meanwhile, it appears that the ambitions concerning the Northern Dimension initiative have been lowered and that the discrepancy between these (perhaps) overly ambitious aims and the resources the EU has been willing to put into the initiative has been reduced.

1.1 The Northern Dimension in practice

The Northern Dimension initiative could be assessed in terms of how it has dealt with the main contentious issues in the region. It is notable that many of these have been beyond the competencies of the EU as such, and that to the extent that they have been confronted, this has occurred without the direct involvement of the EU. Issues on this list include hard security matters such as the withdrawal of Russian forces from the Baltic States, NATO enlargement, first to Poland and then to the Baltic States, and the possible extension of the CFE Treaty (Conventional Armed Forces in Europe) in the region. On other issues, where the EU could have become involved, for example concerning the situation of the Russian-speaking minorities in Estonia and Latvia, these have been deferred to other international institutions, in this case to the Organisation for Security and Cooperation in Europe (OSCE) and its commissioner for minorities. This was in part due to the allocation of the Northern Dimension portfolio to the external relations department in the European Commission, which further limited the possibility of a more comprehensive regional multilateral approach by excluding questions relating to enlargement and the enlargement candidates. While the Northern Dimension contributed to putting the special challenges of Kaliningrad on the agenda, it did not provide sufficient impetus to find an early solution to the problem. This led to the ‘crisis’ of 2002, until then arguably the most serious crisis in the history of EU-Russia relations. While the regional approach has made inroads in Northern Europe, it is hard not to agree that the European Union is indeed a “reluctant regionaliser” (Haukkala, 2001).

In spite of this, the Northern Dimension arguably provided ‘added-value’ beyond the ‘minimalist model’ and the limited aims of many, if not most, EU member states (Selliaas, 2002; Bonvincini et al., 2000). In political terms, the Northern Dimension has been appreciated by the EU’s partners for its inclusive approach, with extensive consultations on priorities creating a sense of “joint ownership” (European Commission, 2004).

In operational terms, the main result of the Northern Dimension initiative is the Northern Dimension Environmental Partnership and its activities in Kaliningrad and St. Petersburg, financed in part by the Commission and the European Investment Bank. The creation of an additional programme can be criticised as going against the aim of improving coherence between the various initiatives in the region. There has also been criticism that the EU has not made use of existing institutions such as the Council of Baltic Sea States (CBSS) and the Barents-Euro Arctic Council (Catellani, 2001). Despite the insistence that no new financing would be made available, considerable funds (€10 million) were promised to the Northern Dimension Environmental Partnership in July 2002. Furthermore, the commitment to annual high-level conferences and the Second Action Plan for the period 2003-2006 ensure that the Northern Dimension has become a going concern.

The relative success of the Northern Dimension initiative may be attributed to the fortuitous sequencing of EU presidencies, rather than reflecting a principled change in the EU's approach towards its 'near abroad'. The three Nordic EU member states – Finland, Sweden and Denmark – held the EU Presidency in autumn 1999, spring 2001 and autumn 2002, respectively. Their active support for the initiative ensured that the Northern Dimension became a fixture on the EU agenda. Indeed, it has been claimed that the principal lesson of the Northern Dimension initiative is the way Finland managed to 'customise' the Union and use its EU membership and its Presidency to promote stronger EU policies in areas of national interest (Ojanen, 1999). The Northern Dimension has been seen as an example of how an EU member state could use its membership and the presidency to promote its national interest, by turning a policy question of national importance into an EU project. This 'lesson' was an important reason for the Polish proposals for an 'Eastern Dimension' during 2002 (Cimoszewicz, 2002).

The 2004 EU enlargement transformed the rationale on which the Northern Dimension is based, as most of the questions of coherence and coordination of policies and programmes will be greatly reduced. Whereas the task until 2004 was to coordinate economic assistance programmes targeting member states, candidates and non-candidates, this is now limited to coordination between EU internal assistance and aid to Russia. This is unlikely to change much in practice, as the key issues confronted so far in the Northern Dimension have been essentially bilateral EU-Russian affairs. From 2004 onwards, the Northern Dimension became essentially a regional element of EU-Russian bilateral cooperation.

EU enlargement does not, however, spell the end of the utility of the regional approach in Northern Europe. Some of the key outstanding issues on the Northern Dimension initiative's agenda, such as energy and environmental security, involve third parties, notably Norway, but also Iceland, the US and Canada. This is reflected in the growing use of the term the "Arctic Window" in official texts on the Northern Dimension. These indicate that the regional approach of the Northern Dimension could remain relevant also after 2004, although this utility seems in part to depend on widening the scope of, and participation in, the Northern Dimension initiative.

2 The Organisation of EU Policy towards Its Neighbours

The regional approach exemplified by the Northern Dimension is, of course, not the only way in which the EU can organise its relations with its neighbours. In principle, the EU is faced with two principal ways in which to approach cooperation between itself and neighbouring countries, and indeed to third countries more generally: *bilateralism* or *multilateralism*.

According to a *bilateral approach*, EU policies, strategies, programmes, initiatives and economic assistance are targeted towards individual countries, and contractual arrangements between the EU and neighbouring countries are bilateral. In a *multilateral approach*, by contrast, political dialogue would take place between the EU and a group of neighbouring countries. There would be multilateral policy initiatives on, for instance, multinational cross-border economic assistance programmes and multilateral agreements between the EU and two or more neighbouring countries.

Theoretically, there are an infinite number of ways in which the EU could organise its third-country relations multilaterally, ranging from global to trilateral initiatives and from comprehensive arrangements to sector-by-sector cooperation. Here, focus will be on the *regional approach*, of which the Northern Dimension would be an example, in which cooperation primarily takes place between the EU and a smaller group of neighbouring countries, which together with parts of the EU constitute well-defined geographical and historical regions.

2.1 EU neighbourhood policies

So which of these two approaches – *bilateralism* or the *regional approach* – has the EU availed itself of in its policy towards its neighbours? At the most general level, the EU has divided its neighbours

into about half a dozen groups, and has had different types of contractual agreements and economic assistance programmes with each of them.

The erstwhile EU candidates in Central and Eastern Europe constituted one group, with bilateral Europe Agreements and assistance through the PHARE, SAPARD and ISPA programmes. For the countries of the Western Balkans, the EU has established a Stability and Association Process, with bilateral Stability and Association Agreements (SAAs) and assistance through the CARDS programme. Turkey and Andorra are part of the EU customs union through bilateral agreements. The countries of the Commonwealth of Independent States (CIS) constitute another group, with bilateral Partnership and Cooperation Agreements (PCAs) and assistance through the TACIS programme. The countries of the Southern Mediterranean are in the process of concluding the so-called Euro-Mediterranean Association Agreement with the EU. The states of the European Free Trade Association (EFTA) are either part of the European Economic Area or have bilateral sectoral agreements with the EU.

The distinctions between the various agreements and programmes are marked, reflecting in particular the priority accorded to the enlargement process. There are large differences in terms of the economic assistance provided. In the EU's financial perspective for 2000-2006, the enlargement candidates received almost €1,200/capita, the Western Balkans approximately €200/capita, while the CIS countries received on average €3/capita in assistance from the EU budget (Council of the EU, 1999). Although assistance is allocated on a 'group-by-group' basis, almost all support and most projects created are bilateral.

Integration between the EU and its neighbours is to a considerable extent a post-cold war phenomenon. These arrangements are increasingly embedded in bilateral *association agreements* between the EU and the country concerned, with the number of third countries with which the EU has association agreements increasing from three, at the end of the 1980s, to more than 20 in 2004. Previous trade and cooperation agreements have successively been replaced with second-generation association agreements, all of them providing for more comprehensive and deeper integration with the EU.¹ With further integration in the second and third pillars, the EU's neighbours are increasingly associating with the EU also in other domains, such as justice and home affairs and foreign, security and defence policy, either through their more comprehensive second-generation agreements, or through new bilateral association arrangements.

Since around the time of the accession of two more Nordic states – Finland and Sweden – to the EU in 1995, the preference for bilateralism has been tempered by more active regional policies by the EU towards the Baltic region. This started with the preparation by the Commission of the Baltic Sea Region Initiative, presented to the CBSS summit in spring 1996 (Joenniemi, 1999), and was later followed by the Northern Dimension initiative. However, apart from this, regional approaches have been virtually absent in the EU's relations with its Eastern neighbours (European Commission, 2004), and the EU has, for instance, been unwilling to engage further with regional cooperation in the Black Sea region.

Regionalism as seen in the Baltic region arguably plays a more limited role in the EU's relations with the Balkans. Although regionalism was one of the main novelties of the Stability and Association process, this consists of regional cooperation among the countries of the region, rather than multilateral cooperation between the countries of the region and the EU itself (Whyte, 2001). Furthermore, a considerable part of EU policy towards South-East Europe is channelled through institutions other than the EU, from organisations such as the UN, NATO, the OSCE and the

¹ The difference between association agreements and trade and cooperation agreements is mainly one of internal EU procedures, and not the scope of commitments made. Association agreements are based on Article 310 of the Treaty of Nice and require unanimity in the Council. Trade and cooperation agreements are based on Article 133 and require only a qualified majority in the Council. In spite of the connotations of closer relations in the term 'association', there is not necessarily a difference in substance between agreements concluded in accordance with Article 310 and those concluded on the basis of Article 133.

international financial institutions, to initiatives such as the Stability Pact for South-Eastern Europe launched in the wake of the 1999 Kosovo war, all of which include countries outside the EU.

The regional approach was pioneered in the Mediterranean region with the launch of the so-called 'Barcelona Process' in 1995, later renamed the Euro-Mediterranean Partnership. This 'Southern Dimension' was explicitly used as a model for the Northern Dimension (Lipponen, 1997). The Euro-Mediterranean Partnership is a framework for bilateral and multilateral relations between the EU and its 12 Mediterranean partners, initiated by the 1995 Barcelona Conference. The aims are broad and include creating a common area of peace and stability and the establishment of a Euro-Mediterranean free trade area. As in EU policy towards the Balkans, a key element of the Barcelona Process is the upgrading of bilateral contractual relations between the EU and its Mediterranean partners.

2.2 Bilateralism versus Multilateralism

What are then the major pros and cons of the various approaches available to the EU for its neighbourhood policy? A bilateral approach enables the Union and its partners to tailor cooperation according to the different needs and requirements of individual countries. Considering the widely diverging levels of economic, political and social development among the EU's neighbours, the emphasis on the principle of differentiation is easily justifiable. From the perspective of *realpolitik*, a bilateral approach accentuates the power asymmetries between the EU and its smaller and/or weaker neighbours and thus makes it easier for the EU to shape the relationship and to determine common and cooperative policies. This asymmetric bilateralism, however, with the EU the policy-maker and the neighbours policy-takers, stands in sharp contrast to the EU's professed preference for multilateralism. In practice, it amounts to little more than EU unilateralism, with proclamations of equality acting merely as political window-dressing.

Beyond such ideological concerns, the proliferation of bilateral sectoral agreements, processes and initiatives is in practice becoming increasingly difficult for the EU institutions to manage. The growing complexity creates a significant burden of cooperation and coordination of policies and programmes, difficulties which are compounded by the multi-tiered nature of governance in Europe, as national policies, regional organisations and international financial institutions multiply the number of programmes to be coordinated. A bilateral approach could make it more difficult to develop and implement coherent EU policies, given the considerable interdependencies between not only the EU and its neighbours, but also among the neighbours themselves. That such differentiated bilateralism could lead to trade distortions as well as trade creation is well known: overlapping, non-congruent free trade agreements open up possibilities to free-ride for producers in third countries, requiring detailed rules of origin, to take one example (Brenton & Manchin, 2002). Even if unintended, differential treatment may cause resentment among those neighbours who are accorded less favourable terms with the EU. The development of new bilateral arrangements with an increasing number of partner countries creates problems of precedence, with pressures for 'concessions' given by the EU to one country to be extended also to other countries. Instead of developing into a "ring of friends", as called for by then Commission President Prodi (Prodi, 2002), there seems to be a growing sense of frustration with the EU among many of its neighbours. An inclusive regional approach could counter such developments.

Although the number of associates was reduced as a result of the 2004 enlargement, this does not spell the end for a continued demand for upgraded contractual relations. First, there is the continuing process of negotiating second-generation agreements with the countries of the Euro-Mediterranean Partnership and the Stability and Association Process. Many of the countries with which the EU already has such second-generation agreements are calling for either a revision of these or for new associations. The EU and Russia are discussing how to develop four 'Common Spaces' (on economics, external security, internal security, and research and education) which is quite likely to lead to new bilateral agreement(s), perhaps replacing the Partnership and Cooperation Agreement. The EU-Russian relationship has already been upgraded institutionally, through the creation of the Permanent Partnership Council, which met for the first time in spring 2004. Ukraine is also calling for

an association agreement as a stepping-stone towards membership, a long-term objective not yet endorsed by the EU, whilst Moldova has requested to be included in the Stability and Association Process with its prospects for full membership in the EU.

Finally, and in more general terms, many of the challenges the EU faces in its relations with neighbouring countries go beyond the concerns of individual partner countries. This is because they are either by nature, transnational, for instance energy and environmental issues, or because the neighbours face similar challenges, with the transition process in Central and Eastern Europe as the most obvious example, or because of shared aims in relations with the EU, with the goal of creating free trade as an example. Indeed, “over the coming decade and beyond, the Union’s capacity to provide security, stability and sustainable development to its citizens will no longer be distinguishable from its interest in close co-operation with the neighbours” (European Commission, 2003).

3 The EEA as a Model for the European Neighbourhood Policy

The potential of the European Economic Area as a model for EU relations with its neighbours was discussed in the Convention on the Future of Europe in 2002-2003, in connection with a provision for special arrangements with neighbouring countries. In its draft proposal for the EU Constitution of 18 October 2002, the European People’s Party (EPP) suggested that the “EU should offer institutionalised cooperation to States which can not become members for the time being. The EPP proposes the creation of a ‘European Partnership’, open both to Eastern Europe and to Mediterranean countries – similar to the European Economic Area – but including a political component” (EPP, 2002). Questioned about relations between the EU and Russia, Spanish Socialist MEP Carlos Westendorp suggested “a sort of EEA-EU arrangement with a political content” (Bolkenstein, 2004).

The EEA was also mentioned in the first Communication by the European Commission (2003) on the ‘Wider Europe’. This new policy was launched in 2002, focusing initially on the ‘new neighbours’ Belarus, Moldova and Ukraine. Renamed the ‘European Neighbourhood Policy’ (ENP), the initiative was subsequently expanded in stages to include also the EU’s Southern Mediterranean partners, Russia and the South Caucasus. According to the Commission, “the long-term goal... is... an arrangement whereby the Union’s relations with the neighbouring countries ultimately resemble the close political and economic links currently enjoyed with the EEA”.

3.1 The European Economic Area and the European Neighbourhood Policy

The EEA Agreement between the three EFTA states Norway, Iceland and Liechtenstein and the EU is an association agreement like many of the other agreements between the EU and its neighbours discussed above. However, the EEA Agreement differs from these other agreements in a number of ways that are of relevance if the agreement is to be used as a model for the EU’s relations with its neighbours (Emerson et al., 2002). First, it should be noted that the EEA Agreement, in contrast to other association agreements, is a multilateral agreement. However, the three EFTA states are required to speak with one voice, and from the EU’s point of view, these agreements thus consist of two parties, similar to other association agreements. From the associate’s perspective, however, the difference is profound, as it makes agreement on any issue dependent on acceptance by the other two EFTA states.

Bilateral Action Plans covering a 3-5 year period are the principal instruments of the ENP, and the official documents emphasise the need for ‘differentiation’ between the participating countries. The first seven Action Plans were developed during 2004, in close consultation with the countries concerned.² Endorsed by both sides, the Action Plans set out common objectives and a timetable for their achievement, and are to be reviewed annually through the existing institutional cooperation framework with the partner countries. The Commission has also suggested the possibility of entering into new European Neighbourhood Agreements as part of the ENP. The scope of these is to be

² Namely, Israel, Jordan, Moldova, Morocco, the Palestinian Authority, Tunisia and Ukraine.

examined after existing contractual agreements have been fully implemented. It is emphasised that these “should not override the existing framework for EU relations” with the partner countries, and “would supplement existing contractual relations where the EU and the neighbouring country have moved beyond the existing framework, taking on new entitlements and obligations” (European Commission, 2003).

The question of economic assistance has been high on the agenda for both the EEA and the ENP, although the former is unlikely to be seen as a model for the latter, as the flow of assistance is *from the EFTA states* to the EU in the EEA. It is envisaged that funding to the ENP countries would be increased ‘significantly’ through a new Neighbourhood Instrument (European Commission, 2004). This new instrument, partially inspired by the experience in Northern Europe and the Northern Dimension, will apply both inside and outside the external border of the Union, in order to avoid creating dividing lines in Europe.

More than a decade after it was signed, the EEA agreement remains “the most ambitious and the most complete agreement ever signed by the Community with a group of third countries” (Phinnemore, 1999). Through the EEA agreement, Norway, Iceland and Liechtenstein are essentially part of the EU’s Single Market, with the partial exception of the common policies on trade, agriculture and fisheries. The EEA differs from most other EU agreements by being a ‘dynamic’ agreement, with detailed provisions for the regular inclusion of new EU *acquis* into the agreement. Most other EU agreements with third countries are ‘static’, with substantial changes requiring re-negotiation of the entire agreement, or alternatively, a new agreement. One of the complaints of the EEA is exactly the dynamism inherent in the agreement. Critics claim that it has become more comprehensive and encompassing than originally envisaged, with new rules being incorporated that fall outside the intended scope of the agreement (Nei til EU, 2001). Although the EEA contains the right of reservation to specific directives and regulations, no EFTA state has ever used this right, often erroneously referred to as a ‘veto-right’, presumably because the political price was regarded as too high.

In the early ENP proposals it was suggested that the partner countries would be given “a stake in the EU’s internal market”, with “further integration and liberalisation to promote the free movement of persons, goods, services and capital”, in return for approximation with EU law and economic reform more generally. While the ENP Strategy Paper calls for “privileged relations” and “enhanced preferential trade relations”, it is clear that the extent of economic integration through the ENP has been scaled down and will fall far short of the EEA. Indeed, there are no direct references to the ‘four freedoms’ in the 2004 Strategy Paper, as there were in the 2003 Wider Europe Communication (Moshes & Haukkala, 2004). Considering that the ENP has a medium-term perspective, this seems realistic. As seen during the accession process of the new members in Central and Eastern Europe, adopting and implementing the Single Market rules and regulations is the most difficult part of the process. Few, if any of the states included in the ENP have the administrative and institutional capacity required to participate in the EEA.

The EEA has the most complex institutions of any EU association agreement. In addition to the regular institutions of EU associations, with a ministerial council, a committee of senior officials and a joint parliamentary committee, an EFTA Surveillance Authority (ESA) and an EFTA Court have been established to monitor compliance by the EFTA states and to settle disputes that may arise. These thus play a somewhat similar role to that of the European Commission and the European Court of Justice *vis-à-vis* the Single Market and the EU member states. The EEA is frequently described as a ‘bureaucratic monster’, and there has also been concern about the role played by the ESA, which has been regarded as being too pro-active in ensuring compliance with the EEA, further contributing to the gradual expansion of the scope of the agreement. In contrast, monitoring of the ENP is to be undertaken within existing frameworks, complemented with periodic progress reports drawn up by the Commission. This has much more in common with the monitoring of EU accession candidates than with the EEA.

Many proponents of an EEA model want this to be supplemented by a ‘political component’. While the ENP Strategy Paper calls for strengthening political dialogue, it does not provide any specific proposals. In the EEA, political dialogue takes place in the ministerial-level EEA Council, which meets biannually, with the EU represented by the ‘Troika’. Political dialogue with some of the ENP countries, for instance with Ukraine in annual summit meetings, is however already more extensive than the EU-EFTA dialogue.

The EEA Agreement does not extend participation in the decision-making process in the EU Council of Ministers to EFTA representatives, although EFTA ministers have been invited to informal Council meetings on an *ad hoc* basis in recent years. However, national experts from the EFTA states participate in the more than 200 committees assisting the Commission in preparing new legislation. Being excluded from EU decision-making bodies, the inclusion in the preparatory phases of EU policy-making – ‘decision-shaping’ – becomes a key channel through which the EFTA states can influence EU policy that will eventually become binding on them. However, this participation in decision-shaping is becoming less significant. Since the EEA was negotiated in the early 1990s, the balance between the EU institutions has shifted, with a strengthening of the Council of Ministers and the European Parliament at the expense of the Commission and national parliaments. The Council and its working groups play an increasingly important role in shaping EEA-relevant legislation, and the European Parliament has become an increasingly important actor in the process of EU decision-making.

The EEA states are also engaged in more traditional types of international cooperation with the EU through the EEA Agreement, participating in dozens of EU-led programmes and initiatives. They also participate – as full participants, associates or observers – in the work of the growing number of Community autonomous agencies, either through the EEA, or through separate bilateral arrangements. The ENP Strategy Paper (European Commission, 2004) calls for increased participation in EU programmes and expansion of programmes on and including the countries of the new EU Neighbours Policy, for instance through opening the European Research Area (ERA) which is now being established. The ENP Strategy Paper is hesitant towards the idea of participation in Community agencies, but envisages a “gradual opening of certain Community programmes” to the ENP countries.

One of the main slogans of the Prodi Commission on the ENP has been ‘Everything but institutions’. According to the 2003 Communication, the neighbours are not to have “a role in the Union’s institutions” along the lines of the various models of participation accorded to the EEA countries. Combined with the relatively limited economic integration envisaged, the ENP that emerges falls far short of the EEA agreement.

3.2 Beyond the EEA: Cooperation and integration in JHA and the CFSP

Norway and Iceland are increasingly integrating with the EU in areas not covered by the EEA, notably in the fields of Justice and Home Affairs (JHA) and foreign security and defence policy (CFSP and ESDP). In the JHA area, this takes place principally through agreements of association with the Schengen regime on external borders and the Dublin Convention on asylum. The Schengen association agreement probably goes the furthest among third-country agreements in including non-member states in the decision-making process of the EU. Through the so-called ‘Mixed Committee’ established by the Schengen association agreement,³ the associated states participate in what is in effect the Justice and Home Affairs Council, COREPER and the Council working groups relating to the Schengen agreement. While the Schengen associates have the right to make proposals, they do not have a vote, and the adoption of new acts is reserved to the competent institutions of the EU. The

³ The Mixed Committee operates at the level of senior officials and ministers. It is comprised of the Justice and Home Affairs Council of EU Ministers plus the ministers of the associated states, minus ministers of EU member states that are not parties to Schengen cooperation (UK and Ireland). The Mixed Committee meets either just before or just after meetings of the JHA Council.

Schengen association agreement stipulates that in case the non-EU participants decide not to accept new legislation, the entire agreement could be terminated.

Border management is, according to the ENP Strategy Paper, likely to be a priority, although the proposals on the movement of persons are limited to considering the possibilities for facilitating travel for select groups such as participants in EU programmes and diplomats. This could be followed by an examination of the “wider application of visa free regimes” if the “necessary conditions are in place”, notably readmission agreements. The idea of a visa-free regime, currently being discussed bilaterally with Russia, is not mentioned, reflecting the great difference between the current level of cooperation and integration with the EFTA states in the JHA area and the more modest proposals of the ENP.

As part of the recently developed European Security and Defence Policy (ESDP), various non-legally binding arrangements for dialogue and participation on security and defence issues with third countries have been created. This includes dialogue at the ministerial level in a 15+6 and 15+15 format, with non-EU NATO members and EU candidates, respectively. As members of NATO, Norway and Iceland participate in both configurations. Closer dialogue on CFSP and ESDP is also envisaged in the ENP, with “burden-sharing and joint responsibility for addressing the threats to stability created by conflict and insecurity”. This is to include a more active EU role in the conflicts of the new neighbours, although the EU’s role is to be primarily in the post-conflict stages, with a role in conflict resolution limited to support of the OSCE and other mediators. The ENP Strategy Paper also proposes “the possible involvement of partner countries in aspects of CFSP and ESDP”. While the specific content of this is uncertain as of early 2005, the proposals for enhanced cooperation in CFSP and ESDP again appear to fall short of the close relationship the EFTA states enjoy in these areas.

4 Neighbourhood Policy as Ersatz Enlargement

The EEA did not turn out as Jacques Delors proposed in January 1989. His idea of a ‘common European economic space’ was intended as an alternative to full EU membership. However, three of the six EFTA states that negotiated the EEA – Austria, Finland and Sweden – opted instead for full membership, and were parts of the EEA as EFTA members for only one year before entering the Union as full members in 1995.

In contrast with most EU associates, none of the three EFTA countries in the EEA seeks EU membership, and the EEA Agreement is thus to be regarded as a permanent alternative to membership. However, and in contrast to all other EU neighbours, the Northern European members of EFTA could easily fulfil the criteria for EU membership, and accession remains a strategic option available to both Norway and Iceland at their discretion.

A Polish non-paper on the ‘Eastern Dimension’ in late 2002 suggested that the EU should hold out the prospect of EU membership for Belarus, Moldova and Ukraine. However, according to Commission proposals, the ENP is “distinct from membership” and the medium-term goal is “not... to include a perspective of membership”. Instead the aim of the ENP is, in the words of Commission President Prodi, to create a “ring of friends” around the Union (Prodi, 2002). The exclusion of membership has dominated discussion on the ENP in countries such as Moldova and Ukraine. This should not come as a surprise. Although the EU recently was enlarged for the fifth time, the EU itself has in fact been consistently reluctant to reciprocate expressions of interest in membership with acknowledgement of their EU prospects.

The UK government filed its first application for membership in the then European Economic Community (EEC) in 1961. Following the two famous rejections of British membership by French President de Gaulle, Britain became a member in 1973, 12 years after its first application. Greece concluded an association agreement with the EEC in 1961, but had to wait for 20 years until it became a full member in 1981. Spain and Portugal requested association arrangements from the Community in 1962, and applied for membership soon after their ‘democratic revolutions’ in the mid-1970s. However, it took more than 10 years before they joined the Community in 1986. In response to the events in Central and Eastern Europe in 1989, French President Mitterand proposed the creation of a

European confederation. However, the states concerned opted instead for full membership, filing applications from 1994 onwards. In the end, these countries became members in May 2004, almost 15 years after the fall of the Berlin Wall. The five countries of the Western Balkans were given the prospect of EU accession as a long-term goal by the EU in 1999. Apart, perhaps, from Croatia, it seems unlikely that any of these will become members during this decade, i.e. within 10 years of being given EU ‘perspectives’. Turkey’s ‘Europeanness’, and thus in principle its eligibility for membership, was acknowledged by the Community upon the conclusion of an association agreement in 1963, although its prospects for eventual accession were not confirmed until 2002, almost 40 years later.

This brief survey of previous EU enlargements highlights the Union’s general reluctance to enlarge. This has manifested itself in various ways, from outright rejection to proposals for alternative arrangements such as the EEA, the European confederation and now the European Neighbourhood Policy, and only when these fail, attempting to draw out the process of accession as long as politically possible. While the creation of stricter conditions for membership through the elaboration of the Copenhagen criteria in 1993 was a natural consequence of deepening integration in the EU and the need to safeguard the credibility of the Single Market, these criteria also served to limit the speed and scope of enlargement, allowing the EU to undertake the necessary institutional changes to accommodate additional member states. However, the EU has now itself become constrained by the Copenhagen criteria: if a European country fulfils them, there is in the end little the EU can do to prevent new applications for membership, and, eventually, new members of the EU.

5 Conclusions

Although the regional approach has played a limited role in confronting strategic challenges and resolving politically contentious issues in EU neighbourhood policies, it has nevertheless become an important albeit secondary element of the EU’s “structural diplomacy” (Keukeleire, 2000). An increasingly complex network of association and cooperation between the EU and its near abroad, with bilateralism the dominant mode of operation, has gradually emerged. The Northern Dimension is frequently referred to as a model for the ENP in official texts. The inclusive nature of the initiative is usually cited as the main lesson to be learnt from the Northern Dimension (European Commission, 2004). In contrast to the Baltic region, where the EU has only one partner, Russia, following the 2004 enlargement, it is faced with several partner countries in the Balkans and the Mediterranean region after the fifth enlargement. There is thus inherently a bigger role to play for multilateral mechanisms such as the Northern Dimension initiative. In many cases, such mechanisms are already in place, with the notable exception of the Eastern neighbours of the enlarged EU.

The Black Sea region stands out as an area where a regional approach could acquire more prominence, drawing on the lessons of the Northern Dimension. The inclusive nature associated with the regional approach seems increasingly relevant as relations with the EU’s eastern neighbours, such as Russia and Ukraine, are becoming increasingly difficult. In light of the existence of indigenously developed regional structures, such as the Black Sea Economic Cooperation organisation (BSEC), the criticism that regional organisations in the North were not utilised sufficiently in the Northern Dimension initiative seems highly relevant. It may seem that this lesson is acknowledged in the Commission’s proposals for the ENP, which state that the EU “is not seeking to establish new bodies or organisations, but rather to support existing entities and encourage their further development”.

The recent enlargements of the EU could be regarded as a result, in part, of the EU’s inability to create association arrangements that are attractive enough to third countries in Europe when compared with full membership. The EEA stands out as the first, and the ENP perhaps the second, serious attempt to create such a ‘neighbourhood policy’. Although the EEA is generally regarded as functioning well in a technical sense, there is widespread dissatisfaction with the arrangements in the EFTA states, which have recently called for an update or an upgrade of the Agreement. In spite of invocations for an ‘EEA-model plus a political component’ for EU neighbourhood policy, the initial proposals from the EU for its European Neighbourhood Policy fall far short of the sort of relations currently existing between the EU and the three EFTA states in the EEA. Given the state of political and economic

reform in the ENP countries and the 3-5 year perspective of the ENP, this is understandable. But even in areas where it would be possible to approximate an 'EEA model', for instance concerning inclusion in EU programmes and agencies, participation in EU 'decision-shaping' and in the CFSP, the ENP official documents point towards a cautious approach on the side of the EU.

The ENP countries are faced with many of the same economic challenges of economic transition as those faced by the EU accession candidates of Central and Eastern Europe, and also the countries of South-East Europe, for whom EU membership is a more distant prospect. Although the ultimate aims for candidate states are the most far-reaching among the EU associates, the agreements themselves provide for less integration in the short- and the medium-term than the agreements between the EU and the non-candidate countries of EFTA. While the scope of the agreements is as broad as in the EEA, the commitments are less numerous and contain no evolutionary clause. The agreements contain rather limited commitments on the date of entry into force, and more ambitious aims to be achieved progressively and in the long-term, for instance the liberalisation of trade or participation in EU policies and programmes. From this perspective, the agreements that these countries have with the EU – Europe Agreements and Stability and Association Agreements, respectively – could appear to provide more suitable models for the ENP than the EEA.

However, the prospect of eventual EU membership is a fundamental premise underlying the Europe Agreements and the Stability and Association Agreements. For candidate countries, the underlying expectation is that full participation follows and depends on the introduction and implementation of all EU rules and policies. This asymmetry is acceptable to the associate countries because of the provision of assistance, because they are allowed certain derogations and exemptions, but mainly because it is temporary and will be followed by their full participation as members of the EU. The principal benefit of association with the EU is thus not to be found in the association agreement itself, but rather upon its termination, which makes certain provisions and institutional arrangements acceptable to the associated states that might otherwise be found objectionable. The agreements with candidates for EU membership may thus not provide the most appropriate models for countries unless they are at the same time provided with the prospect of full EU membership. This conundrum is likely to dominate the debate on EU neighbourhood policies for years to come.

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StrataGen - Strategic Agenda for the Greater European Neighbourhood

A Programme of the Centre for European Policy Studies (CEPS), for 2005-2010

StrataGen Mission Statement

- To define a vision for a Wider European order and the relationship between the enlarged EU and its Arab/Muslim neighbourhood;
- To develop these proposals in-depth and in policy-operational terms;
- To combine in-house research capacity with networks of individuals from leading research institutes in the EU and the neighbourhood, and to disseminate and advocate proposals throughout the region;
- To work independently from the EU institutions but in close interaction with them; and
- To decide on the sequencing and selection of priority topics with core stakeholders.

Over the last five years, CEPS has developed an exceptional expertise in European Union policies in the area often called the Wider Europe. This has been reflected in publications that have been both regional and thematic: *CEPS Plan for the Balkans* (1999), *Stability Pact for the Caucasus* (2000), *The Elephant and the Bear – EU, Russia and their Near Abroads* (2001), *Cyprus as Lighthouse of the East Mediterranean* (2002), *Norway, the European Economic Area and the European Union* (2002), *Europe's Black Sea Dimension* (2002), *The Rubic Cube of the Greater Middle East* (2003), *The Wider Europe Matrix* (2004), *Economic Transition in Central and Eastern Europe* (2004), *Europeanisation and Conflict Resolution* (2004), *Readings in European Security*, Vols. I (2002) and II (2004). These publications and related working papers are available from the CEPS' on-line bookshop, at <http://shop.ceps.be>

CEPS has decided to build on and strengthen its work in this broad area through the **StrataGen** programme over the five-year period 2005-2010. The rationale for this initiative follows from both the EU's historic enlargement on 1 May 2004, which now leads the EU to define a new neighbourhood policy, and the unprecedented turmoil in the Middle East in the aftermath of September 11th and the Iraq war, with its consequences for transatlantic relations.

The **StrataGen** programme will be organised under the following broad geographic areas:

- Northern neighbourhood policy, covering CIS states targeted by EU neighbourhood policy
- EU-Russian relations
- Southern neighbourhood policy, covering Mediterranean states, but reaching also into what is now officially called the Broader Middle East and North Africa (BMENA)
- Implications for transatlantic relations will be considered for all three regions above.

The analytical methodology will be multi-disciplinary: political science, international relations and European studies, economics and law.

The programme is led by Michael Emerson, CEPS Senior Research Fellow, together with Daniel Gros, CEPS Director. CEPS gratefully acknowledges financial support for the **StrataGen** programme from the Open Society Institute and the Compagnia di San Paolo.

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Founded in 1983, the Centre for European Policy Studies is an independent policy research institute dedicated to producing sound policy research leading to constructive solutions to the challenges facing Europe today. Funding is obtained from membership fees, contributions from official institutions (European Commission, other international and multilateral institutions, and national bodies), foundation grants, project research, conferences fees and publication sales.

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- To build collaborative networks of researchers, policy-makers and business across the whole of Europe.
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