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Ideas in the ENP. Conflicting visions and interests of the ENP between the EU member states and institutions?

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Ideas in the ENP. Conflicting visions and interests of the ENP between the EU member states and institutions?*

Abstract: The European Neighbourhood Policy (ENP) creates the framework for cooperation with states located close to the EU borders. At the same time, it necessitates that different visions of what this policy should be, as represented by countries included in this policy framework, the EU member states and the EU institutions negotiate and reconcile. Although apparently different, these three visions of what the ENP should be – have one common denominator. The argument in this paper addresses the sources of the different approaches to the ENP and against this backdrop suggests ways of bypassing those controversies. To this end, some solutions that were applied in the process leading to eastern enlargement of the EU are pointed to. It is argued that more of that experience, expertise and know-how could be emulated to the ENP today as its shape is influenced by the EU institutions, the EU member states and countries to which it is addressed.

Keywords: European Neighbourhood Policy (ENP), Eastern Partnership (EaP), enlargement policy, Commonwealth of Independent States (CIS), East-Central Europe

Introduction

The European Union (EU) has a long-lasting experience in cooperation with third countries that have achieved different levels of development. The experience in this area has been enriched with the advancement of development aid policies. The EU's financial assistance in third countries evolved following the analysis of the effectiveness of policies implemented during successive rounds of enlargement. Also the

* This research project has benefited from funding under the Polish National Science Centre (NCN) grant titled 'European Neighbourhood Policy: (multi-level) governance, the reform process and the prospect of enhanced cooperation in the region', OPUS/HS5, no. 2013/09/B/HS5/04534.

experience of other regional integration attempts has given the EU hints on what and how should be done. Nevertheless, the experience is not always coined into an effective model which helps to change the cooperating states in the desired way. The argument in this chapter is structured as follows. In the first part the EU's relations with the Commonwealth of Independent States' (CIS) countries included in the ENP policy-framework are discussed against the backdrop of the EU's stance towards the East-Central European countries (CEEs) prior to their accession to the EU. In the remainder of the paper, the EU's approach to countries in Africa, Asia and Latin America is discussed briefly. Conclusions follow.

1. The EU's approach to the CEEs

There is a tendency in the literature to view the cooperation between the EU and the CEEs as a homogenous experience. This assumption is drawn from the fact that the EU approach to this group of states has been built on the principle of treatment of the partners. Nevertheless, should it happen that a state within a group shows more interests and commitment to reforms aimed at liberalisation and suggests ways as to how to use specific solutions suggested by the EU in a way that matches this country's vision of reforms, the EU tends to accept these suggestions. For this to happen, these suggestions must not destroy the offered programme of cooperation and should lead to increase the programme's efficacy. This was the case with the East-Central European countries. Each of them signed different agreements with the EU and embarked on liberalisation in different pace, terms and content.

The data in the table shows the spread in time between the day of starting the negotiations with the EU, reaching the association agreement and signing it. Closing the negotiations leads to the ratification procedure; its duration depends on the number of states that need to ratify it and the efficiency of the process. With regard to East-Central Europe, Poland was the only country in the group that decided to use option of an *interim agreement*. The Interim Agreement that Poland signed on 19 December 1991, which was part of the Europe Agreement, enabled a quicker opening of the market. This was possible because, since the Interim Agreement did not require the ratification of an en-

Table 1. Agreements with the CEEs

State	Type of agreement	Date end negotiations/ signing/entrance into life	Membership in EU	Remarks
Bulgaria	EEA	22.12.1992/08.03.93/1.02.95	2007	Problems with economy and politics postponed changes
Czech Republic	EEA	23.06.93/05.04.93/01.02.95	2004	Division of Czechoslovakia into two independent states resulted in renegotiations of the agreement with the EU
Estonia	FTA & related matters	11.05.92/18.06.94/01.01.95	2004	In 1995 FTA replaced by EAA
Hungary	EEA	16.12.91/13.12.93/01.02.94	2004	No push for more openness
Latvia	FTA & linked matters	18.07.94/01.01.95; EAA/95/1998	2004	In 1995 FTA replaced by EAA
Lithuania	FTA & linked matters	18.07.94/01.01.95; EAA/95/1998	2004	In 1995 FTA replaced by EAA
Poland	EEA	16.12.91/02.93/01.1994	2004	Use of IA
Romania	EEA	08.06.90/22.10.90/95	2007	EEA signed for 5 years
Slovakia	EEA	4.10.92/05.04.93/01.01.95	2004	Division of Czechoslovakia into two independent states resulted in renegotiations of the agreement with EU
Slovenia	SAE/EEA	16.12.91/13.12.1993/01.02.94/1999	2004	SAE replaced by EAA

EEA – Europe Agreement Establishing Association

SAE – Stabilisation and Association Agreement

IA – Interim Agreement – Part of the agreement referring to trade. Solution enables its entrance into life before the ratification procedure is completed.

Source: The Author's own arrangement, based on M. Dobroczyński, M. Lipiec-Zajchowska (eds) *Wschód jako partner Unii Europejskiej* [The East as a Partner of the European Union], Warszawa: Elipsa, 2005.

ture association agreement at once, certain provisions, and especially those pertinent to trade liberalisation were introduced with the moment of signing of the Interim Agreement. As such, these provisions and the ensuing liberalisation of trade formed a part of the transformation strategy that Poland embarked on and commonly referred to as shock therapy.

The implementation of the *Interim Agreement* was additionally supported in Poland by the suspension of tariff duties in foreign trade, i.e. import tariffs. The rationale behind this policy move was that the introduction of Polish zloty convertibility (with deep devaluation) served as an efficient protection tool and there was no need to protect the market additionally by the application of import tariffs. These details are important in that overall they contributed to the consolidation of different transformation strategies across the region and as a result led to different growth dynamics in countries that eventually joined the EU in 2004.¹

Differences in growth dynamics were apparent over the period 1989-2004. However, the trend continued also following these countries' entry in the EU in 2004. For instance, in the midst of the global financial crisis of 2008+, Poland remained the only 'green island' in Europe. Indeed, in the Organization for Economic Co-operation and Development (OECD) group of economies, only two countries had positive rates of growth in that period, i.e. Australia and Poland.

The fact that the opening of the economy matters for the rates of growth is frequently under-appreciated in debates on growth. Certainly, the opening of the economy has to be preceded by the preparation of institutions, laws and infrastructure. A country's economy, including its banking system, companies and markets is not able to adjust to intensified competition if its market is protected. Moreover, plans to prepare institutions for the opening are usually postponed when there is no time pressure or external pressure. This was proved by Latin American and North African states. The latest EBRD Transition Report 2014² indicates that the states which were in closer co-

- 1 Cf. K. Żukrowska, 'The Global Financial Crisis, the eurozone crisis and their consequences for the Polish economy', *Yearbook of the Institute of East-Central Europe*, vol. 10, no. 5, 2012, pp. 45-62.
- 2 EBRD, *Transition Report 2014*, London: European Bank for Reconstruction and Development (EBRD), 2014, p. 123.

Table 2. CEEs: growth dynamics 1991-2003

State	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	1989 = 100
Czech Republic	-21.1	-11.7	-8.0	5.9	6.8	6.0	6.5	2.5	-0.9	2.9	3.8	5.2	4.2	87
Estonia	-13.6	-14.2	-8.8	-2.0	4.3	3.9	9.8	4.6	-0.6	7.3	6.5	6.0	4.5	93
Hungary	-11.9	-3.1	-0.6	2.9	1.5	1.3	4.6	4.9	4.2	5.2	3.7	3.3	3.0	112
Latvia	-10.4	-34.9	-14.9	2.2	-0.9	3.7	8.4	4.8	2.8	6.8	7.9	6.1	6.5	77
Lithuania	-5.7	-21.3	-16.2	-9.8	3.3	4.7	7.0	7.3	-1.8	4.0	6.5	6.7	6.0	77
Poland	-7.0	2.6	3.8	5.2	7.0	6.0	6.8	4.8	4.1	4.0	1.0	1.4	3.0	130
Slovak Republic	-15.9	-6.7	-3.7	5.2	6.5	5.8	5.6	4.0	1.3	2.2	3.3	4.4	3.8	109
Slovenia	-8.9	-5.5	1.7	5.8	4.9	3.5	4.6	3.8	5.2	4.6	3.0	3.2	2.3	118
Average	-10.4	-2.2	0.2	3.9	5.4	4.7	4.9	3.6	2.8	4.0	2.5	2.5	3.3	113

Source: EBRD, *Transition Report 2003*, London: European Bank for Reconstruction and Development (EBRD), 2003, p. 56.

operation with the EU are more advanced in their economic, legal and systemic changes than those which sought to change by opening gradually.³ Among the best performers are the following countries: Estonia, Poland and Hungary, followed by the Slovak Republic, Latvia, Slovenia, Lithuania and Latvia. The states from other regions are less advanced. Enough to mention such regions as South-Eastern Europe, Eastern Europe and Caucasus, Central Asia and Southern and Eastern Mediterranean.⁴

The prospect of the EU membership and the annual Progress Reports published by the European Commission helped the CEEs to reform their economic, social and political systems. Based on the Commission's reports national reform plans were prepared that would assist those countries in devising and implementing more targeted reforms. These reform plans received financial support in the framework of PHARE⁵ and other pre-accessions transfers. Initially, the amounts allocated in the transfers were not devoted to particular goals and could be used to finance different ends. In the mid-90s the allocations were focused on the development of small and medium-sized enterprises (SMEs), infrastructure, administration (both central and local). The focus was the result of the earlier experience of Greece, Portugal and Spain with the EU transfers which were made without setting upper ceilings. This caused pressure to change the value of the national exchange rates. Putting limits such as the share of the GDP eliminated that pressure and also eased the budget negotiations at the EU level.

2. The EU's approach to the CIS countries

There is a big disparity between structural reforms of the Central European states, which are EU members. Reports suggest that more targeted reforms, i.e. such as those directed to education, labour markets, liberalisation of services' markets, and institutional capacity building, were more efficient. Ukraine, Moldova, Belarus, Armenia and Azerbaijan have institutions which function in a similar

3 Loc.cit.

4 Loc.cit.

5 PHARE, acronym for 'Poland and Hungary: Assistance for the Restructuring of Their Economies'.

way as those in East-Central Europe, while the remaining areas show a development gap with this group of states. The only exception is Ukraine, a country that with regard to reforms implemented is more advanced and therefore is closer to the solutions at the level of effectiveness shown by the CEEs.

Studies concerning the degree of the openness of the economy, changes in institutions, laws, followed by the diversification of the economy structure, the extent of the presence of the state in economy (interpreted as intervention or control) and employment, etc. bring a clear message that the CIS' economies are strongly diversified as far as the results in those specific areas are concerned. The less open the economy is, the more linked to the Russian market it remains and the more dependent on energy supplies from that market it is. In a similar manner, the distribution channels rely on patterns established in the past. As the old linkages are not being replaced by new ones – which could be the result of FDI flows – establishing new companies, which could produce for the domestic and foreign markets is hampered. Without new technologies, the confrontation with foreign products on the national and international markets keeps the production as uncompetitive as it used to be. In 2002, which means more than a decade since the beginning of transformation, the average indicator of trade outside the region for all CIS did not surpass 50%. This average was achieved by relatively good results obtained by Georgia, Azerbaijan, Kazakhstan, Kirghizstan, Moldova, Russia and Armenia. Also Russian exports moved outside the region, although the share was ca. 20%, which indicates a limited engagement in the external trade of that economy, which was mainly focused on exports of commodities, mainly petroleum and natural gas. For the remaining economies, including Ukraine, but also Uzbekistan, Tajikistan, Turkmenistan, Russia has remained the major export market.

In the above mentioned conditions, deep changes in the geographic trade structure can start with association agreements (AA) or free trade agreements (FTA's) with the EU. This could be followed by the less advantageous access to the Russian market, which happened when the EU-Ukraine association agreement came into force on 1 January 2016. Russia suspended Ukraine's access to the Russian market in reaction to the establishment of closer ties between the EU and Ukraine.

The 2015 Commission's evaluation⁶ defines the obstacles to fulfilling the ENP, the degree of advancement of the ENP states in introducing changes and guidelines for the future. This document highlights weaknesses embedded in the ENP, including the possible negative implications of conflicting ideas of the EU member states as well as the EU institutions. Additionally, the weakness of the ENP was demonstrated by the crises, i.e. the euro-area crisis, the energy crisis and the migration and refugee crises. The EU is seen as a market which talks about creating a 'ring of friends' but in reality reinforces the existing barriers and creates new ones.⁷

3. Measuring the openness of the ENP countries and the quality of institutions in the region

The openness of markets of countries included in the Eastern dimension of the ENP is measured by a number of indicators which are used in the WTO model for this purpose. Those indicators include the size of the country, the number of borders the country exporter has to cross to get to the export market, the quality of transport infrastructure, the scope of trade liberalization, the quality of institutions, etc. These indicators show that the level of trade of the CIS states in 2002 was much higher (several times higher) than the level which had been predicted in the gravity model for the region. This information proved that regional dependencies were strong in the region and not much effort was put into changing it. The opposite trend was seen for the group of 2004 accession states. This finding is supported by another indicator, i.e. that of the quality of institutions in the region. The policy and quality of institutions in the CIS are measured by two indicators, i.e. the World Bank governance score and the IMF index of trade restrictiveness. This needs some explanation.

The IMF trade restrictiveness index varies between 1-10. A higher rating means a more restrictive policy, while lower a more open approach

6 European Commission, 'Review of the European Neighbourhood Policy', *Joint Communication to the European Parliament, The Council, the European Economic and Social Committee and the Committee of the Regions*, SWD (2015) 500 final, JOIN (2015) 50 final, Brussels, 18 November 2015.

7 R. Zaiotti, 'Of Friends and Fences: Europe's Neighbourhood Policy and the Gated Community Syndrome', *European Integration*, vol. 29, no. 2, May 2007, pp. 143-162.

in trade policy. The World Bank governance indicator is obtained by calculating an average of the three following measures: (1) corruption, (2) rule of law; (3) quality of regulations. The results shown by an indicator calculated in this way suggest that in 2002 countries of East-Central Europe showed both openness and good governance, while the CIS countries performed relatively poorly. Specifically, the following scores were noted for: Belarus – closed economy (8), with low management (-1); Russia closed economy (5), management (-0.25); Ukraine closed economy (6), management (-0.5); Kazakhstan close economy (4), management (-0.5); Georgia and Azerbaijan, openness (2), management (-1.0); Moldova and Armenia openness (1), management (-0.25). In comparison, the two indicators for Estonia were as follows: openness (1.0), management (1), for the Czech Republic, Poland, Lithuania, Latvia and the Slovak Republic openness was 1, management (0.5-1.0). The results given here show that the changes were slow as openness was low as well. This also explains a limited inflow of foreign capital and inability to change with the application of the TACIS inflows of financial support.

Table 3. Average level of protection of EU against transition countries from CIS

Country	Simple average rate of protection ^{x,xx}	Weighted average rate of protection (ITC weights)	Tariff peaks
CIS	6.1	8.1	20.2
Armenia	5.7	6.9	16.4
Azerbaijan	5.6	7.0	14.7
Belarus	7.1	9.2	27.2
Georgia	6.1	8.6	17.1
Kazakhstan	6.6	7.1	22.3
Kyrgyz Republic	5.6	6.8	14.3
Moldova	5.9	6.8	20.9
Russia	7.1	11.1	30.4
Tajikistan	5.6	6.5	22.1
Turkmenistan	5.9	6.5	22.1
Ukraine	7.0	12.5	30.2
Uzbekistan	5.6	6.7	16.4

^xThe average rate of protection is the sum of ad valorem tariffs, specific tariffs, tariff quotas and anti-dumping measures, all converted into ad valorem equivalents.

^{xx} Simple averages are calculated on the basis of the UN standard trade classification system aggregation of the Harmonized Schedule level 2 (HS2) data by sector, provided by the ITC.

Source: ITC, 'International trade statistics 2001-2016', International Trade Centre (ITC) <http://www.intracen.org/itc/market-info-tools/trade-statistics/> [2016-11-30].

The simple average rate of protection of the EU market in relation to the CIS was 6.1, while for countries of CEEs it was lower (4.9), the weighted average rate of protection (ITC weights) was 8.1, while the same indicator for the CEEs was higher (8.8). The same could be said about the tariff peaks which for the CIS were 20.2 (on average) and for ECE 34.3 (on average). The presented comparison and data can be interpreted in two different ways. On the one hand, we can say that the EU used low ITC for imports from the CIS as exports from those markets were limited, so there was no need to protect the EU market. On the other hand, we can say that the EU encouraged investors to invest in the CIS markets and export the goods to the EU market. From a different perspective, one could also argue that the EU – having an FTA with the accession countries – sought to protect its own market by applying non-tariff barriers to trade. There were also limits used in some areas of sensitive goods, like textiles. Such a policy stimulated structural changes in the CEEs economies by showing what was or was not desired by created barriers. Such a policy moved production factors from branches characterized by low value added to branches with higher value added. Specialization in production of higher value added accelerates the process of catching-up.

Data presented in Table 4 indicates that the CIS economies are relatively less engaged in world trade as compared to the CEEs. Moreover, their economies are not diversified. Armenia, Georgia, the Kyrgyz Republic and Moldova are WTO members but this fact does not stimulate their engagement in trade outside the region. More than 25% of their trade is with the CIS and within this group it is focused mainly on the Russian market. In part, this can be explained by the fact that transport and formerly established relations follow the well-tested pattern from the former Soviet Union. This old pattern is adjusted to the existing infrastructure, i.e. roads, rail tracks, airports. New infrastructure is not built. Also the enterprises engaged in trade use and practice models of trade in their work. This is so as most of the enterprises engaged in such trade (export-import) remain state-owned. The share of private sector is relatively low and in most cases it works in a similar way to the public sector. The highest share of private sector in the CIS states is in Russia (70%) but it gives employment to a much smaller number of people proportionally to that share. This can be indicated by the disparity between small and large scale pri-

Table 4. Average level of protection in selected sectors in CIS

Sector name (HS2 level)	Transition CIS countries and selected competitors from CEEs or other regions	Total rate of protection (per cent)	Share of exports to the EU in total exports (per cent)	Share of sector in total country exports (per cent)
Meat and edible meat offal	Moldova	123.4	0.0	2.87
	Brazil	66.6	38.4	2.91
Edible fruit and nuts; peel of citrus fruit or melons	Moldova	31.9	65.2	4.64
	Georgia	30.1	78.3	6.73
	Romania	23.0	53.7	0.20
	Hungary	22.8	78.9	0.25
Preparations of meat, fish and crustaceans	Russia	23.8	12.8	0.07
	Poland	23.2	41.7	0.56
	Russia	114.8	2.1	0.06
	Belarus	111.2	0.0	1.47
Sugar and sugar confectionery	Moldova	61.3	9.6	0.66
	Poland	58.3	18.3	0.48
	Czech Republic	12.3	47.4	0.19
Fertilizers	Ukraine	24.6	2.4	0.25
	Russia	9.5	10.8	1.53
	Belarus	5.9	2.7	6.65
	Chile	6.6	12.1	0.70
	USA	4.8	1.5	0.32
	Slovak Republic	12.5	30.5	8.56
Iron and steel	Czech Republic	8.7	57.8	3.47
	Russia	1.2	21.5	6.09
	Kazakhstan	1.0	9.0	12.92
	Ukraine	0.9	1.1	2.52

Source: ITC, 'International trade statistics 2001-2016', International Trade Centre (ITC) <http://www.intracen.org/itc/market-info-tools/trade-statistics/> [2016-11-30].

vatization. Large scale privatization is lagging behind this process on a small scale. The lowest share of privatization is in Belarus (25%) and in both cases of large scale and small scale privatization – both processes are slow and not advanced. Ukraine and Georgia are fairly advanced in privatizing their economies (65%). This also concerns large scale and small scale privatization which is fairly advanced. Moldova is privatized in 30% and the evaluation of large and small scale privatization is comparable. That is, it is said that a comprehensive programme of privatization on a small scale is almost ready, while the big scale privatization indicator shows that more than 25% of the assets are in private hands. Openness or rather its lack postpones the process of development in this group of countries states. In 2002, Ukraine reached 47% of its GDP level in comparison to 1989. In Russia, the indicator was much higher but not satisfying as the economy achieved 71% of its 1989 level. For Georgia, the indicator was low and it came to 38%, while in Moldova it was 1% higher (39%). For comparison it is good to give the Polish example, where the economy grew achieving 130% of the 1989 level.⁸

4. The EU and the third countries: an overview of market access

Different countries apply different trade policies which mean that in practice they are more or less protective. Table 5 illustrates different levels of protection or access to the EU market for economies with different types of trade preferences policies. The conditions of access cover: MFN – condition available for all members of WTO and CIS (under the PCA agreements). The CIS countries benefit from the GSP as well. Exports of specific products no longer benefit from GSP when they reach a certain market share. GSP is not applied to textiles and agricultural products. According to the data, the most preferential access was offered in the late 1990's to markets linked with the EU by free trade agreements or to a group of least developed economies (Africa and Caribbean). The difference between nominal

8 EBRD, 'Macroeconomic Performance Tables for 2002', *Transition Report 2003*, London: European Bank for Reconstruction and Development (EBRD), 2003, p. 56.

protection rates offered within the preferential trading regimes and within MFN narrows when one takes into account the take-up of regional preferences.

Table 5. EU's pyramid of trade preferences, 1999 (simple average trade preference, 1999)

Contents	MFN ¹ bound	MFN applied	GSP ² and MFN	FTA ³ and MFN	LDC ⁴ and MFN	ACP ⁵ and GSP and MFN	ACP and LDC and MFN
All products	7.0	6.9	4.9	3.5	1.9	1.9	1.8
Agriculture products	17.4	17.3	15.7	16.7	10.3	10.3	9.5
Non-agriculture products	4.6	4.5	2.3	0.5	0.0	0.0	0.0

¹ Most favoured Nation status (WTO Members).

² Generalised System of Preferences applies to all developing countries if their market share in the specific product category, relative to the other countries in the group, does not exceed a certain level.

³ Average for all countries having signed a free trade agreement with the EU.

⁴ Least developed countries benefiting from special trade preferences.

⁵ African-Caribbean and Pacific countries covered by the Lomé accords, replaced in 2001 by a bilateral reciprocal trade preference under the Cotonou agreements.

Source: P.A. Messerlin, *Measuring the cost of protection in Europe: European Commercial Policy in the 2000s*, Washington D.C.: Peterson Institute for International Economics (PIIE), 2001.

Markedly, the CIS face the highest level of protection on the EU market. It is worth underlying that levels of protection can be interpreted as guidelines showing the areas of investment which in future can shape the specialisation patterns among the ENP regions and the EU. Higher protection for industrial goods means less protection for all type of services, lower protection for manufactured goods means increased interest in establishing a better industrial base. Having said this, it is worth looking into African, Latin American and Asian markets which are not covered by the ENP. A number of agreements with Latin American and Asian markets give free access to the EU internal market. Specifically, in Latin America: Mexico, Colombia, Peru, Costa Rica, Guatemala, Honduras, Nicaragua, Panama, El Salvador and in Asia: South Korea, Singapore – finished and in the process of ratification, negotiations with Japan, India, ASEAN states – individually, and TiSA – within WTO Trade in Services.

5. The EU's cooperation with Africa

The EU has been cooperating with Africa much longer than with the CEEs. The cooperation begun with the signing of the Treaty of Rome and establishment of the European Economic Community (EEC) in 1957. The six EEC expressed their desire to support changes in former colonies, overseas countries and territories and so declared their contribution for their prosperity and wealth. At that time, cooperation was not institutionalised. This happened only once Yaoundé I Convention was signed for the period 1963-69 and was followed by Yaoundé II Convention for the period 1969-75. These two conventions were addressed mostly to the French-speaking part of Africa; this is where the bulk share of the European Development Fund (EDF)⁹ financial support was allocated. Until today, the EDF provides finance for EU-African cooperation in different fields of economic development, social and human development as well as regional integration. The EDF is financed from direct contributions of the EU member states.

In 1975 the Yaoundé Convention was replaced by the Lomé Convention¹⁰. This move was justified by the fact that by then the United Kingdom became a member of the EEC. Following the UK's accession, its ties to the Commonwealth countries have become more pronounced at the Community level. In other words, the number of countries covered by the EEC's policy framework aimed at cooperation, trade and aid activities directed to the third states increased. The Lomé Convention to a large extent reflected the British attitude towards free trade that as a principle plays an important role in the UK's foreign policy. The UK has also brought in the EEC a new model of cooperation between more and less developed economies. The Lomé conventions begun in the mid-1970s and have continued in more advanced forms since that time. The institutional ties included the Lomé Conventions of 1975. These were replaced by the Cotonou Agreement of 2000 and

9 The European Development Fund (EDF) was established together with EEC in line with provisions of the Treaty of Rome in 1957. Its work was launched two years later in 1959, creating thus the main instrument for providing development financial support to Africa, Caribbean and Pacific (ACP) countries.

10 K. Laaksonen, P. Mäki-Fränti, M. Virolainen, 'Lomé Convention, Agriculture and Trade Relations between the EU and the ACP Countries in 1975-2000', *TRADEAG Working Paper*, 06/20, 2006, <http://ageconsearch.umn.edu/bitstream/18853/1/wp060020.pdf> [2016-04-12].

followed by the Joint Africa-EU Strategy (JAES) in 2007¹¹. The Lomé Convention set the frames, principles and objectives for cooperation between the EEC/EU and African countries. The so defined cooperation included a mix of financial aid support, political matters, trade and general advice.

JAES, the most current framework, shows a strong financial engagement in the changes in African states which in addition to EDF cover the DCI (Development Cooperation Instrument), Investment for Stability, Thematic Programmes¹², EU financial institutions such as EIB. The cooperation is constructed in such a way that the EU is engaged in the monitoring and evaluation mechanisms. The monitoring will be done in a similar way that was applied for the CEEs. The procedure will cover the consecutive stages from political dialogue, via Action Plans and ending with evaluation reports. The most recent summit took place on 11-12 November 2015 in Valetta. This meeting dealt with the issue of migration and was held by the first senior representatives of the two continents. The bilateral meetings concern different topics such as: Africa-EU civil society, youth leaders' summit, Africa-EU Partnership summit, Africa Banking forum, etc. The advancement of current cooperation is not shaped by the current events, but by a long period of network relations, where the EEC/EU was engaged in sending experts, advice and by contacting the institutions which supported their counterparts in different African states. Aid was supported by expertise, financial support and trade. Not only political matters were discussed but African states were also guided towards building a knowledge society.

6. EU's cooperation with Latin America

Relations between Latin American states and the EU were established in 1999 during the bilateral summit in Rio de Janeiro. Strategic Partnership EU-Latin America was launched at that time. The

11 Council of the European Union, *The Africa-EU Strategic Partnership. A Joint Africa-EU Strategy*, Lisbon, 9 December 2007, 16344/07 (Presse 291).

12 EC runs a number of Thematic Programmes, which cover the following: Programme on Migration and Asylum; Programme on Environment and Sustainable Management of Natural Resources, including Energy; Thematic Programme on Global Public Goods and Challenges.

summit of the CELAC (Community of Latin America and Caribbean, 2010) and the EU that was held on 10-11 June 2015 was concluded with a document titled *Shaping our common future: working for prosperity cohesive and sustainable societies for our citizens*. The political dialogue with Latin America was conducted between 1986-2011 in two forms: within the Rio Group and EU-LAC summits, which merged in 2011 into one comprehensive initiative of the Community of Latin America and Caribbean States (CELAC)¹³. This was followed by an action plan for 2013-2015, which to such priorities as social cohesion, development of trade cooperation, association and regional integration added two new priorities, i.e. gender and investment. The EU applies two financial instruments which support the political activities in the region. These are the Instrument for Development Cooperation (DCI) which in years 2007-2013 allocated €2.69 billion and EIDHR which allocates funds for actions on human rights. The EU came up with 4 initiatives in the region which deal with the Coordination and Cooperation Mechanism on drugs between EU and LAC; forum for social cohesion; structured dialogue for migration; joint initiative on research and development¹⁴.

The interest in establishing ties with the external world in this continent is diversified, which is reflected by a different type of agreements conducted between the EU and LAC. The established institutional ties cover bioregional agreements, subregional agreements as well as agreements conducted on a country level. Noting the latest events in the area it should be mentioned that Chile, Mexico and Peru are part of the TPP signed recently in 2015. This agreement is seen as a strong push or competitor for a negotiated agreement between the EU and US (TTIP). The share of EU exports and imports for individual states from the region is relatively higher than for CIS or African states, al-

13 T.A. O'Keefe, *Latin America and Caribbean Trade Agreements. Keys to a Prosperous Community of the Americas*, Leiden: Martinus Nijhoff Publishers, 2009.

14 European Parliament, 'EU-Latin America Relations', *Briefing*, 26 March 2014, European Parliamentary Research Service (EPRS), [http://www.europarl.europa.eu/RegData/bibliotheque/briefing/2014/140763/LDM_BRI\(2014\)140763_REV2_EN.pdf](http://www.europarl.europa.eu/RegData/bibliotheque/briefing/2014/140763/LDM_BRI(2014)140763_REV2_EN.pdf) [2016-11-06]; E. Gomez Ramirez, E. Lazarou, L. Puccio, G. Sabbati, 'EU-Latin America trade relations. Overview and figures', *IN-DEPTH ANALYSIS*, March 2016 – PE 579.086, European Parliamentary Research Service (EPRS), [http://www.europarl.europa.eu/RegData/etudes/IDAN/2016/579086/EPRS_IDA\(2016\)579086_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2016/579086/EPRS_IDA(2016)579086_EN.pdf) [2016-11-06].

though lower than for the CEEs that joined the EU in 2004/2007+. In general, it falls between 2.3-3.0% and in most cases is closed with a surplus in favour of the EU. The agreement is asymmetrical as in the case of the remaining regions, covered earlier in the study.

7. The EU's cooperation with Asia

• The EU cooperates with regional groupings in Asia and bilaterally with individual states. This is reflected in a number of different and individually tailored agreements which are signed by the EU in this area. The closest cooperation with the region can be seen within ASEM – covering cooperation with the Association of South-East Asia Nations, which is followed by links with the ASEAN Regional Forum (ARF) and South Asian Association (SAARC). As with the remaining regions, cooperation was developing gradually, which started with a political dialogue in 1996 within ASE (platform for dialogue). This led towards launching Europe and Asia strategy for enhanced cooperation in 2001. The strategy covered clearly set seven objectives of economic, social and security dimensions. The objectives are as follows: strengthening peace and security; increasing mutual trade and investments flows; enhancing development cooperation; protecting human rights; spreading off democracy; good governance and mutual awareness raising. In 2003, the EU prepared Security Strategy which specifies European interests in the Asian region. Since 2006 the EU has been an observer in South Asian Association of Regional Cooperation (SAARC). In 2011 the EU representative participated in the Pacific Island Forum (PIF), while the next year East Asian Pacific guidelines were issued. In the consecutive year (2012), the EU acceded to the treaty of Amity and Cooperation in South East Asia and expressed interest in the participation in EAS. This led to a new step of agreeing on the EU-ASEAN Plan of Action.

In the following years 2013-15, high level meetings were held with the participation of the EU politicians, if held in Asia-Pacific states, or Asian politicians, if held in the EU. An established network of institutional cooperation, supported by financial injection results in a number of agreements concerning free trade between individual countries in the region. Those agreements differ in the scope of liberalisation and are at different stages of advancement leading to the

finalisation of negotiations and signing them. Nevertheless, it is clear that the liberalisation with Asian markets is a big scale endeavour for the EU. Partnership cooperation Framework Agreements are in force with Indonesia, Pakistan, the Republic of Korea. Some are signed but still waiting for the ratification. Those are: Mongolia, Philippines, Vietnam. Two further agreements, with Singapore and Thailand, are initiated. Negotiations are pending with seven countries: Afghanistan, Australia, Brunei, China, Japan, Malaysia, New Zealand. The Framework Participation Agreement on crisis management is in force with the Republic of Korea and New Zealand. The Free Trade and Comprehensive Agreement (CEPA) are initiated with Singapore, in force with the Republic of Korea and negotiations are ongoing with: India, Japan, Malaysia, Thailand and Vietnam. China is also engaged in the investment liberalising agreement – which is being negotiated with the EU.

The EU assistance in the region in the years 2014-2020 will reach €6429 million, which is 20% more than in the previous Multiannual Financial Framework (MFF). The financial support is available within the Partnership Instrument Financing, Instrument for Stability and European Instrument for Democracy and Human Rights. The new MFF added three more priorities which could be financed from the allocations, i.e. poverty eradication, disaster prevention and energy security.

The difference in trade relations with this region is that the EU runs a deficit in the turnover with Asia-Pacific region. Mutually, Asia-Pacific and Europe are close partners in trade and capital flows. The EU runs a surplus in exports of services and a deficit in goods trade. This makes the general picture but, when a detailed illustration is given, the picture becomes more diversified.

8. Factors that shape the ENP

The ENP is shaped by a number of internal and external factors. The internal conditions can be divided into objective and subjective, the same can be said about the external ones. Internal objective conditions are decided by different interests and ties with a state or group of states towards whom the policy is addressed. Internal subjective conditions cover the knowledge about the state or a region and about the ties with the EU. Often it also shows limited knowledge about the simulative force of the fact that a state which plans changes has a per-

spective of closer cooperation with the EU. External objective conditions embrace the desire of cooperation with the EU, plans linked with such cooperation, a positive example of those who cooperate with the EU and have changed. It also includes confidence in such a relationship. Subjective elements can be seen in a critical approach to such cooperation seen as a method which helps to demonstrate power in the international relations. Following this general approach which shows how partners can interpret or misinterpret the intentions of cooperation offered by the EU, there are also a number of other conditions: seeing in the EU an external force, which can help to change; treating the EU and its neighbourhood policy as an effective factor of changes, experienced in similar processes with other states; confidence in the effectiveness of the methods offered to change.

The EU develops its relation with third states in certain consecutive moves. They cover the institutionalisation of external relations which includes membership in the IMF, EBRD, and membership in the WTO. Relations with the EU start from the stage of political dialogue, establishment of common specialised commissions which start to work together. The next steps depend on the attitude of a country towards closer cooperation with Europe and the degree of its economy's advancement and openness. When the state plans to closer cooperate with Europe and fulfills or is about to fulfill all the membership conditions, the EU prepares a draft of an association agreement. When the economy is not planning to be a member or does not fulfill the membership conditions, the EU prepares a different type of cooperation agreement. Looking at the structure and content of the conditions of such agreements, one can find that they are often tailored for specific purposes of a state which wants to cooperate with the EU. Enough to mention the Europe Agreements, Europe Partnership Agreements, Trade and Cooperation Agreements, PCA, Stabilisation and Trade Cooperation Agreements, Deep and Comprehensive Free Trade Agreement (DCFTA), Interim Agreements and finally all the conventions and group agreements open to a wider group of states. When the conditions included in the agreement are met and the time of its functioning expires, the old agreement can be replaced by a new one bringing deeper cooperation between the two partners. When there is no desire to change the former agreement, it can be supported by some additional forms of cooperation like e.g. four spaces in the case

of Russia or Customs Union with Turkey, although after a long time the country was not able to come with free trade eliminating barriers in trade. The individually tailored agreements can be seen as the EU response to different interests in establishing cooperative ties with the EU, they can also be seen as agreements which reflect higher or lower advancement of a state in changing its economic system.

Looking at the regions or wider continents, the EU and also some other European institutions (like ECB) establish ties with the region in the form of a Strategic Partnership which indicates what conditions the market has to meet in order to upgrade its relationship with the EU replacing such an agreement with a more advanced form of co-operation. Often the agreement with the EU is shaped by the openly expressed needs of the cooperation partner. This was the case with the *Interim Agreement* that was part of the Europe Agreement with Poland. Such a solution – afterwards – was used in the PCA agreements but in the first group of post-communist states it was applied only in the Europe Agreement with Poland. The *Interim Agreement* helps to bring into life the agreement without the need to ratify it by the national parliament. Some states want more competition; others prefer to keep some of the protection instruments unchanged or only reduced but not totally eliminated. The EU in its practice accepts such differences. This is so although a better solution for a state appears when it opens up as it brings stabilisation measures which are followed by the inflow of FDI, with advanced technologies or know-how.

The needs change with the advancement of development as well as with the progress in applying reforms. The needs are different in a matured society which had to overcome a number of difficulties, obstacles and worked together in those hard times. This does not mean that when the society is given a new agreement which was desired and wanted – it will work together in fulfilling all the conditions which are included in that agreement. Solidarity is usually coined in difficult times and ruined when the difficulties are overcome. Such a phenomenon was observed all over the process of widening and deepening the EU integration as well as in the remaining geographic regions.

The EU members also have diversified interests concerning the subjects they prefer to cooperate with and the motives of such decisions. For the old member states, the Southern dimension of the neighbourhood policy is of greater significance than the Eastern one. For the

new member states just the opposite – the Eastern dimension of the ENP seems to be more important. This is closely linked with the past but also with the fact that some of those states have borders with the CIS. Some of the member states support the policy of tough competition caused by liberalisation with economies representing a lower level of development, others are against. The position on one or other side changes with the visions represented by politicians and their knowledge and with the changes of national interests which follow. The stand-point in this area can change also in the light of a flood of refugees coming to Europe from South African states. This can be the case with policies applied in the neighbouring states which have the biggest inflow of refugees. Those states can be: Greece, Hungary, Croatia, Italy. The paradox with this problem is that according to the EU principles, support and solutions to those who escape from the area in war should be offered and this has to be done in a manner which integrates the EU member states, not divides them. Nevertheless, the EU until now has not worked out a complex policy which can be approved by the member states. This is so despite regular meetings held in Brussels on that issue.

The differences among the member states go further than the actions applied within the policies covered by the ENP and instruments applied in the policies. They also include an alternative, which simply imposes choices between financial aid and trade. In reality, both methods are applied but more weight is given to one of the two above mentioned methods. A specific 'beauty contest' showing the difference in approach of individual states was seen when states declared their support or critique towards the UK's vision of solutions which should be applied in Europe, which embraced: managerial solutions in the EU, competitiveness, future direction of integration (choice between politics and economy) and scope of sovereignty.¹⁵ In some cases, the divide here was clear, in other cases a camouflage strategy was applied. The states which profited from free trade and understood how important it was for the future relations of the EU with the third states – supported

15 S. Peers, 'The UK deal with the EU explained: what it says and what it means', *The Conversation*, 20 February 2016, <http://theconversation.com/the-uk-deal-with-the-eu-explained-what-it-says-and-what-it-means-55052> [2016-02-23].

the UK. The countries that supported a more interventionist approach were against the changes demanded and put on the table by Cameron. There was also a group of states which were openly critical to the deal but finally supported it and considered the new situation as condition which bounds them to introduce changes on their own markets. The divide here was not as simple as the divide into old and new member states. Supporters of new solutions and a more liberal approach included such states: Lithuania, Malta, Portugal, Ireland, Spain, Romania, Bulgaria, Poland, Italy, Estonia, Hungary, Slovenia or Germany. On the other side of the table were such states as Cyprus, Czechoslovakia, Austria, Slovenia, Holland, Croatia, Belgium, Greece, France, Finland, Luxemburg, Sweden, Denmark, Latvia. Finally, all heads of the governments or states approved the new conditions. This means that they accepted the arguments used in the debate.

European institutions have also something to say as far as priorities and importance of the ENP dimension is taken into account. Their opinion can be shaped by national interests of the person in power in the EU institution. This is so despite the fact that European politicians should be neutral in their policies. Sometimes the vision of a European institution is shaped by the fact that certain solutions which were used in the past have proved effective – so there is an assumption that it will prove effective in the current situation. In other cases, we can observe less objective approaches based on unpredictable sentiments or visions. The theory of international relations supplies us with an instrument to measure such power of a member state in the EU institutions.¹⁶ In general, the power of a state to influence the EU institutions or shape the applied policies and tools which it can use, covers such factors as: the population size, economic weight, a member state's policy preference, alliance building skills, administrative capacity, persuasive advocacy, receptiveness of other member states to the proposal and domestic political strength.

The role of institutions is crucial as they prepare the meeting of the member states on that matter. Enumerating the institutions, one should mention: the European Parliament, European Commission

16 N. Copsey, K. Pomorska, 'Poland's Power and Influence in the European Union: The Case of its Eastern Policy', *Comparative European Politics*, vol. 8, no. 3, 2010, pp. 304-326.

with its Directorates General, ECOSC, the EDF, etc. Again, people who work in the institutions, who take responsibility for preparing the meetings, have a big impact on what is decided in their course. The outcome of the meetings is often shaped by the way representatives of the member states are asked to present their stand-point, how the introduction to the discussion is prepared, what is the knowledge of the organisers about different politicians and their way of presenting their states' problems, etc. Often a better outcome can be achieved when the discussion is well managed which helps to balance the opposing views and comment on them.

The EU should work out a common policy towards the refugees thinking in the same time how the conflict causing the wave of refugees can be solved. The resulting approaches should take into account the differences in aspirations of the states covered by the ENP but at the same the interests of the EU member states as well as the interests of the partners should be taken into account. The ENP should be more concentrated on a diminished number of priorities and its effectiveness requires higher involvement. The last conclusion is linked with ownership enlargement and diminishment of the public share in the ENP economies. All those remarks point at a bigger need of more open discussions on what and how can be done, explaining goals, applied methods and available sources as well as the effectiveness of the applied methods to all the member states – despite their interests in a specific dimension of the ENP.¹⁷

9. By means of conclusions

Having a big number of factors which shape the final decision on cooperation – often the outcome results from tough bargaining or from a leader's abilities to persuade the others what really is needed and how it can be achieved. The final outcome of the policy commencement and instruments supporting can bring diversified results in different states. In one economy it will prove to be effective, while in another one less effective or totally ineffective. The final result of the application of a solution depends on the way the policy is pre-

¹⁷ European Commission, 'Review of the European Neighbourhood Policy'..., op.cit.

sented at home and how it is implemented. This was proved a number of times with the use of the aid policy in the developing world. In the majority of cases it resulted in increased external indebtedness and dependence of an economy on aid transfers. This experience has caused each aid transfer to be controlled by the creditor concerning the issues of how it is used and what the results of the application of the worked out plans are.

The introduction of reforms which bring social costs is often criticised by the states and not supported by their citizens, which seems to be natural. At the same time, it is also clear that states which are slow in their reforms cannot be free-riders on the cost of those who suffered and went through such tough decisions which were costly. This remark concerns both internal policies (the situation in the member states) as well as external policies (cooperating and partner states). When the changes are introduced in a short time and they are not divided into stages, in other words when quick action is undertaken in opposition to gradual moves, the results are better and the process can be advanced. Slow changes within the frames of a gradual approach paradoxically bring about higher social costs as costs spread over a long period and with time passing they are multiplied as on top of direct costs there are additional costs of abandonment and rejection. It is easier to build confidence and trust when the interests of participating states are not so strongly diversified. Nevertheless, there are negotiation techniques which can be used in order to come to a desired result. To conclude, the background of the decision-shaping, -making and -taking process within the ENP is relatively compound but at the same time the pressure of the happening events is one of the determinants to come to a conclusion which is effective and can satisfy the majority if not everyone.

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