



A new neighbourhood policy for the EU

By Charles Grant

★ The European neighbourhood policy has failed to convince most of the countries around the EU to adopt democratic systems of government. The revolutions in North Africa give the EU a chance to learn from its mistakes and design a new policy, more focused on support for democracy.

★ If the EU wants to influence its neighbours it will need to increase its offer to them. This means more money and easier visa regimes. It should scrap the last restrictions on trade with its southern neighbours and bring them into a customs union. It should speed up the negotiation of free trade agreements with the eastern neighbours. And it should invite the most politically-advanced neighbours to join its discussions on foreign policy.

★ The EU should tie the delivery of aid to a neighbour's performance on democracy and human rights. The neighbourhood policy should be less technocratic and focus more on what the EU and its neighbours want to achieve politically. The Union for the Mediterranean should be shaken up.

★ Turkey is in many ways an inspiration for Arab countries, showing that a political movement inspired by Islam can co-exist with democracy in a fairly stable manner. And if its bid for EU membership falters, it may become another sort of example: a country that has close and constructive ties with the EU, without being a full member.

Introduction

The EU has been much criticised for being slow off the mark to react to the turmoil in the Arab world, and with justice. But what the EU says or does during a revolution will have little impact on the outcome. Much more important is whether the EU can adopt the right policies and programmes to help countries that have had revolutions – and those that so far have not had them – to become stable, prosperous and democratic. The EU will not be able to do that unless it recognises that its approach to North Africa has been deeply flawed.

In recent years external pressure from the EU has helped countries such as Romania, Serbia, Slovakia

and Turkey to become more democratic and to entrench the rule of law. In contrast, the influence of the EU on North African states has, if anything, bolstered authoritarianism. Many EU leaders perceived an inevitable contradiction between Europe's values and its interests, and chose to prioritise the latter. This has damaged the Union's standing in the eyes of many Arabs.

The biggest reason why the EU managed to influence the political trajectories of Romania, Serbia, Slovakia and Turkey, but failed with the North African states, is that the former were motivated by the goal of accession. The EU has not yet found a successful means of influencing neighbours that have little chance of joining the EU.

European politicians have reacted to events in the Arab world in one of two ways. Optimists emphasise the opportunities, welcoming the prospect of democratisation. The pessimists – particularly in Southern Europe – see the revolutions primarily as a threat. Some Italian politicians, in particular, have focused on the risk of waves of migrants washing up on Italy's shores, and the spectre of Islamic fundamentalism. Their concerns about illegal immigrants are legitimate.¹

¹ *Italy has taken more than its fair share of North African immigrants, but overall it hosts fewer refugees than Austria, Britain, France, Germany, the Netherlands or Sweden.*

But these politicians' hostility to change in North Africa suggests that they have neither learned the lessons of failed policies nor thought much about the long-term future of the Maghreb.

Is it really desirable for the EU to be surrounded by autocracies, whose corrupt political systems hamper the development of human capital, economic potential and employment? In the long term, the greater the gap between the quality of life in Europe and the southern shores of the Mediterranean, the greater the risk of jihadism putting down roots in North Africa or illegal migrants spilling out of it. That gap was growing under the old regimes. Evidently, some of the recent revolutions may turn nasty – and at the time of writing the future of Libya is far from certain – but they give Arab societies, polities and economies the chance to modernise. The EU can make a real difference in helping to steer these countries in the right direction.

The pessimists counter – echoing what the Mubarak regime in Egypt always said, and what many Israelis said after the revolts in Tunisia and Egypt – that Arabs are not ready for democracy. They assert that the first time Islamists are allowed to compete in free elections may be the last time that there are free elections. When an Islamist party won the Algerian elections in 1991, the country's military did not want to test that thesis; it staged a military coup that led to a bloody civil war. Then in 2006 Hamas, an organisation with links to Egypt's Muslim Brotherhood, won the Palestinian elections. Though prevented from taking power, Hamas has not subsequently behaved like a group committed to democracy.

The optimists point to the modest roles that Islamists have played in the revolts in Tunisia, Egypt, Bahrain and Libya. These revolutions appear to have been driven not by extremists but by a wide variety of youths and professionals, committed to democracy. As David Cameron, the British prime minister, told the Kuwaiti parliament on February 22nd, “to claim that Arabs or Muslims can't do democracy...is a prejudice that borders on racism. It's offensive and wrong and it's simply not true.”

To its credit, the EU has made efforts to promote democracy in its relations with some of its eastern neighbours. It needs to adopt the same ambition for

its policies towards the south. It also needs to rethink its attitude towards Islamist political groups. Many European leaders have been reluctant to engage with Islamists on the grounds that they are fundamentally undemocratic. But the example of Turkey's ruling Justice and Development Party shows that parties with Islamist roots can work in a democratic framework. And though it is too soon to tell how Egypt's Muslim Brotherhood will develop in a freer political environment, there are some encouraging signs that it may seek to emulate Turkey's Islamists.

There have been positive developments in the Maghreb in recent years, and it is possible that pressure from the EU contributed to some of them. In Morocco, King Mohammed VI has moderated the authoritarianism of the monarchy. In Tunisia, women have gained more rights than in many other Arab countries, and the economy has performed quite well. Egypt's rate of economic growth increased, thanks to market-orientated economic reforms. Nevertheless, a general lack of freedom has shackled these countries' development. According to Freedom House, none of the Arab countries (before the revolutions) was free, and only three – Kuwait, Lebanon and Morocco – were partly free. Unfree societies are much more likely to be poor, corrupt and illiterate, and to mistreat women.

As one Polish observer has noted, recent events reveal “the collapse of the idea of authoritarian modernisation in the Arab world”.² The

² *Adam Balcer, 'The Jasmine democracy', policy paper, demosEUROPA, February 2011.*

EU needs to heed that lesson and focus on opportunities rather than threats. An excess of pessimism will damage the EU's ability to win the confidence of many Arabs and thus to influence events in their world.

Before the revolts in Tunisia and Egypt, the EU had begun to rethink the ‘European neighbourhood policy’ (ENP), through which it deals with the countries to its east and south. The key to a more effective ENP is that the EU must increase the offer that it makes to these countries, notably in terms of money, markets and mobility. It should also be stricter on conditionality – linking benefits to the performance of the neighbour – and make support for democracy a fundamental objective of the policy.

Both the European Commission and the EU's External Action Service understand these points. Their joint communication on the Southern Mediterranean, published on March 8th 2011, contains plenty of sensible ideas.³ They propose a ‘Partnership for Democracy and Shared Prosperity’, with three objectives – democratic transformation, people-to-people contacts and economic development. “A commitment to

³ *European Commission and High Representative, 'A partnership for democracy and shared prosperity with the Southern Mediterranean', COM(2011) 200 FINAL, March 8th 2011.*

adequately-monitored, free and fair elections should be the entry qualification for the partnership.”

But whatever the good intentions of the Brussels bureaucrats, the member-states may stymie a more effective neighbourhood policy, because of their reluctance to offer more aid, trade and visas, and because some of them – on past evidence – do not believe in promoting democracy. If the member-states are too cautious to allow a radical overhaul of the ENP, they will fail to provide neighbours with the help they need and damage Europe’s own interests.

Voters in the EU do not want the eastern and southern countries to be politically, socially and economically backward, or troubled and unstable. But they will not believe that more generous EU policies would reduce the chances of such negative outcomes, unless governments make a serious effort to persuade them. Europe’s political leaders need to rise to this historic challenge.

The next section of this policy brief examines the failings of the European neighbourhood policy, in both the south and the east. The third section suggests how the Union could offer a more attractive range of incentives to its neighbours. The fourth section proposes reforms to the ENP. Then the policy brief considers the potential role of Turkey as an example.

A flawed neighbourhood policy

The EU and its member-states have considerable expertise in aiding countries that are becoming democratic, as they showed when assisting Central Europe after the revolutions of 1989-90. They can help to build political parties and independent media organisations, supervise elections, support administrative reform and rule-of-law initiatives, strengthen NGOs, finance infrastructure and so on. They can also draw on tools that were not available 20 years ago. Under the Common European Security and Defence Policy, the EU can dispatch peace-keepers, law-officers and policemen, as it has done to a wide range of trouble spots, such as Aceh, Bosnia, Chad, Congo and Kosovo.

The EU has in fact been trying to promote democratic reform and economic modernisation in North Africa and the Middle East for many years, though without conspicuous results. The main reason for the EU achieving so little is that most of the rulers it has dealt with have not wanted to embrace serious reform. Those running Central Europe 20 years ago, by contrast, wanted change. In Egypt and Tunisia, the EU now faces two new, post-revolutionary governments that do want change – but the states they command are much weaker than those in Central Europe in 1989.

Shortly before the Tunisian revolution broke out, the EU started work on a revision of the neighbourhood

policy that had been launched by then Commission President Romano Prodi in 2004. The philosophy of the ENP was to create a ‘ring of friends’ around the EU, among the countries that could not become members of the Union or were a long way from membership. They would join “everything but the institutions”, in Prodi’s words.

The ENP involves the EU drawing up an ‘action plan’ with each partner. The plan sets out both the reforms that the neighbour concerned should undertake, and the aid that the EU will provide. The plans are political rather than legally-binding documents, but they work alongside legal agreements that the EU has negotiated with the partners – association agreements for the southern countries, and partnership and co-operation agreements for those to the east. The action plans are implicitly conditional: countries that do not reform should not expect to receive all the benefits. However, during the time that Benita Ferrero-Waldner was commissioner for external relations, from 2004-09, the Commission put less and less emphasis on the conditionality. The priority was to disburse the money.

The ENP has evolved over the past seven years. In 2008, on French President Nicolas Sarkozy’s initiative, the EU and its southern neighbours launched the 43-country Union for the Mediterranean (UfM).⁴ This revamped the earlier ‘Euro-Mediterranean Partnership’ (also known as the Barcelona process) that had been set up in 1995. Like the Euro-Mediterranean Partnership, the UfM complements the ENP. Few EU officials can explain clearly how the UfM relates to the ENP, but the former provides a forum where all the countries can meet together, while the latter focuses on the EU’s bilateral relations with each partner. The UfM is run by a secretariat in Barcelona and two rotating presidencies – one EU leader, and one leader from a Mediterranean country (these were initially Egypt’s Hosni Mubarak and France’s Nicolas Sarkozy, though rules for appointing their successors were never agreed).

In 2009 the eastern neighbours – Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine – were given their own special club, the Eastern Partnership (EaP), as a kind of enhanced neighbourhood policy. This features not only bilateral meetings between the EU and the country concerned, but also forums where those six and the EU can meet together, to exchange best practice, and also manage common programmes.

Over the seven-year budget cycle beginning in 2007, the EU’s European Neighbourhood Partnership Instrument has about €11 billion available in aid

⁴ In addition to the 27 EU states, this includes Algeria, Croatia, Egypt, Israel, Jordan, Lebanon, Mauritania, Montenegro, Morocco, Palestine, Serbia, Syria and Tunisia. Libya is an observer while the League of Arab States is a member. Mauritania is not part of the European neighbourhood policy.

for neighbours, with twice as much money allotted to the south as to the east (though on a per capita basis slightly more is spent in the east). There are also other EU budget lines available to neighbours, such as the Neighbourhood Investment Facility, which has €700 million over the seven years – to be matched by funds from the EU member-states – for grants to trigger extra project lending by the European Investment Bank (EIB). The EU has been able to steer loans from the EIB, the World Bank and the European Bank for Reconstruction and Development (EBRD) to support its objectives in the neighbourhood (though the latter lends only to eastern countries). The Commission has also given balance of payments support to Armenia, Georgia, Moldova and Ukraine.

⁵ *European Commission communication, 'Taking stock of the European Neighbourhood Policy', COM (2010) 207, May 12th 2010.*

In its own analysis of the first six years of the ENP, the Commission observed that “more has been achieved in the economic sphere, notably trade and regulatory approximation, than in the

area of democratic governance”.⁵ The EU has gone a long way towards realising its objective of a free trade area in the Mediterranean. There is almost complete free trade with neighbours such as Egypt, Israel, Jordan, Morocco and Tunisia. Industrial goods – including textiles – enter the EU without hindrance. The EU still puts tariffs on some vegetables and fruit, after a certain volume has entered the EU tariff-free.

⁶ *According to the Commission, from 2004 to 2008 EU exports to all countries covered by the ENP rose by 63 per cent, and its imports from these countries rose by 92 per cent.*

Commerce between these countries and the EU has boomed, with two-way trade now totalling about €200 billion a year (with the EU enjoying a small surplus).⁶ In 2006 air traffic between Morocco and the EU was

liberalised, leading to 52 new routes starting up within a year (Georgia and Jordan have subsequently negotiated similar air traffic agreements). Countries such as Egypt have opened up their telecoms markets, having adopted the EU's regulatory model.

The EU is now negotiating with several Mediterranean countries to liberalise rules on foreign investment and trade in services. It is also close to an agreement with the Mediterranean partners on a ‘regional convention on pan-Euro-Mediterranean rules of origin’ – after ten

⁷ *Rules of origin determine whether a good should qualify for preferential market access under a free trade agreement.*

years of negotiation.⁷ This single legal instrument would replace the web of about 60 bilateral protocols on rules of

origin that are now in place. When concluded, this convention will make it easier for the southern neighbours to revise the current, out-of-date rules of origin that govern their trade with the EU, and thus to boost their exports.

However, the UfM has achieved very little. It has been hamstrung by the Arab-Israeli conflict: some Arab governments have been reluctant to sit down alongside Israelis. Bureaucratic arguments have also weakened the organisation: the Europeans have rowed over who should take on the rotating presidency; the secretary-general, Ahmad Masa'deh, resigned in January 2011 after just a year in the job; and the second summit of the heads of government has been repeatedly postponed. The UfM has sought to focus on big projects involving governments, such as cleaning up the Mediterranean Sea, co-operation to develop solar energy and the creation of Euro-Mediterranean universities. These projects are worthwhile, but the Barcelona process was already tackling them, so the UfM has arguably added no value.

One weakness of the Barcelona process was its failure to focus sufficiently on private sector development. It did not prioritise the development of institutions that would have enabled businesses without privileged political connections to flourish. The UfM exacerbated this problem: more state-focused, it led to even less emphasis on grassroots economic activity and economic restructuring.

The UfM also reinforced a trend that had already been apparent since the early years of the last decade: the EU has focused more of its aid on governments and less on NGOs. The Mediterranean members of the EU have become increasingly worried about Islamic extremism in North Africa, as well as immigration from the region. With all EU governments worried about illegal immigration to a greater or lesser degree, the EU has made a priority of drawing up agreements on migration with Algeria, Libya, Morocco and Tunisia. In return for EU aid and advice on how to strengthen border security, these countries have promised to clamp down on illegal migration towards Europe, for example by combating trafficking networks. Another priority has been co-operation on counter-terrorism.

The EU has plenty of good reasons to discuss illegal migration and terrorism with its neighbours. But at the same time the EU – pushed by Italy, France and Spain – has downplayed the importance of human rights in its dealings with the Mediterranean countries. In theory, EU aid to countries such as Egypt, Tunisia and Morocco has been conditional on political reform and movement towards democracy. In practice the EU has given the aid despite few of the conditions being satisfied.

Two experts on EU policies in North Africa, Kristina Kausch and Richard Youngs, described the impact of the UfM harshly but accurately: “The UfM is expressly designed to push the focus of relations between Europe and North Africa away from the most sensitive political areas...The UfM rolls back the Euro-Mediterranean Partnership's

acquis on democracy and human rights...The EU has moved further and further away from seeking ‘a ring of well governed states’ on its southern edge and towards seeking a ‘ring of firmly governed states’... The EU’s ‘ring of friends’ is in truth a ‘ring of citadels’...The EU underestimates the fragility of the relationship between populations and regimes.”⁸

⁸ Kristina Kausch and Richard Youngs, ‘The end of the Euro-Mediterranean vision’, *International Affairs* 85:5, 2009.

The Eastern Partnership has been less of a failure than the UfM. The Commission is in sole charge, and does not have to share ownership with an institution based in Barcelona. The EaP has not abandoned the idea of trying to persuade neighbours to improve their political systems, though it has been tougher on Belarus, Moldova and Ukraine than on the Caucasus countries.

Moldova has been a moderate success story – partly because the pro-EU politicians in power since August 2009 have tried hard to move their country closer to the EU. The EU has made serious efforts to engage Moldova, offering substantial sums of aid for modernising the administration, ‘twinning’ arrangements that implant European officials in ministries in Chisinau, and talks on visa liberalisation (the EU has already given Moldova – like Georgia and Ukraine – ‘visa facilitation’, meaning that students, business people and researchers can obtain multiple-entry visas relatively easily).

The Commission organised a donors’ conference for Moldova in Brussels in March 2010, which raised €2 billion of aid from the EU, international financial institutions, the US and Canada, over four years. This year the Commission is due to start negotiations with Moldova on a ‘deep and comprehensive free trade agreement’ (DCFTA). This should bring it into many parts of the single market, eliminating some of the non-tariff barriers that restrict trade and investment between Moldova and the EU. For example the DCFTA will cover issues such as public procurement, services liberalisation and intellectual property rights. Trade between the EU and Moldova is already mostly free, though quotas still limit exports of Moldovan wine. All this attention from the EU helped the governing ‘Alliance for European Integration’ to defeat the Communists in last November’s parliamentary election.

Recent events in Belarus and Ukraine, however, show the limits of the EU’s influence in the region. When the EU started the ENP, it did not ask Belarus to join, because it was a dictatorship. However, a very modest degree of liberalisation in the country meant that in 2009 Belarus was offered – and took – a place in the Eastern Partnership. Before last December’s presidential election, EU ministers floated the possibility of billions of euros of aid – so long as President Alexander Lukashenko allowed a free election and moderated his authoritarianism.

But Lukashenko spurned the offer: having allowed rival candidates some access to television during the campaign, he then claimed an implausible 80 per cent of the vote, sent in riot police to clobber peaceful demonstrators and locked up many of his opponents. The EU has re-imposed sanctions on senior figures in the regime, while increasing aid for NGOs in the country. Lukashenko would rather be his own man, playing off Moscow and Brussels against each other, than tilt his country towards the EU. Such a tilt would require his country to open up and that would threaten the survival of his regime.

Viktor Yanukovich’s election as president of Ukraine in February 2010 has created difficulties for the EU: though his rapprochement with Russia is not a significant problem, his efforts to curb media freedom and make life difficult for rival political parties are much more worrying. Yanukovich says he remains committed to pursuing EU membership but his domestic policies are making a membership perspective ever less likely.

Ukraine was the first neighbour with which the EU tried the idea of a DCFTA. The talks began in 2008 and have not yet concluded, mainly because some Ukrainian oligarchs fear the liberalisation that would follow. Another factor, however, is that the EU has been too demanding; it expects Ukraine to make sweeping and expensive changes across a broad swath of sectors, ranging from abattoirs to emissions standards at steel mills, all at the same time.⁹ Despite the slow progress in Ukraine, the EU plans DCFTAs for other neighbours – not only Moldova but also Armenia, Georgia and the Mediterranean partners.

⁹ A Ukrainian think-tank, the International Centre for Policy Studies, says the DCFTA will require Ukraine to establish expensive new laboratories to test food safety and at the same time comply with the EU’s expensive environmental regulations. It published a 300-page report on the proposed DCFTA (‘Free trade between Ukraine and the EU: An impact assessment’) in 2007.

The mooted DCFTA with Georgia is creating tensions between Brussels and Tbilisi. The Commission has insisted on a demanding set of preconditions – more stringent than those imposed on other neighbours – before opening negotiations. According to one study on the proposed Georgian DCFTA, the Commission is asking Georgia “to adopt and implement an enormous amount of imprecisely defined EU internal market regulations going way beyond strictly trade-related matters, with no attempt to justify those which make sound economic sense for Georgia”. The authors claim that the imposition of industrial technical norms, and sanitary and phytosanitary measures, are equivalent to taxing Georgian production; apparently the price of some food products would rise by 90 per cent. Why should Georgia have to enact EU norms on cable cars and lifts when it does not produce either, the authors ask?¹⁰

¹⁰ Patrick Messerlin, Michael Emerson, Gia Jandieri and Alexandre Le Vernoy, ‘An appraisal of the EU’s trade policy towards its eastern neighbours: The case of Georgia’, CEPS, 2011.

The Georgians and their friends claim that compliance with EU standards would constrain economic growth. They may be over-stating their case; the Georgian political elite is so neo-liberal that, having abolished the Soviet-era food safety regime, it has neglected to create a new food safety agency. Many of the standards that the EU wants adopted would make it easier for Georgia to export to EU markets and elsewhere. But the EU should look at ways of making DCFTAs less burdensome for its partners.

The EU's failure to prevent Ukraine's and Belarus's political systems becoming more authoritarian – or to nudge Azerbaijan towards liberalisation – is not a fault of the EaP per se. The EU cannot, for the time being, make a credible offer of membership – as it could to the Central Europeans – because most member-states do not want to extend the Union further eastwards. As far as these countries' elites are concerned, the benefits the EU is offering are not sufficiently enticing to compensate for the stress and difficulty of trying to comply with EU demands.

The EU is learning that leaders in Belarus and Ukraine – and in the Caucasus countries, too – are less eager to integrate with the EU than were the Central Europeans. Membership would constrain their style of leadership, to say the least. Furthermore, the 'pro-European' constituencies in some East European societies are limited. There are not enough people to make the case for closer ties to Europe, or to pressure governments to take the steps that would facilitate integration with the EU.

A better offer for the neighbours

If the EU wants to influence its neighbours it needs to be able to make them a more generous offer. Given that the EU cannot – for the foreseeable future – offer the big carrot of membership, it should hold out, in the words of Poland's foreign minister, Radek Sikorski, "multiple small carrots, ideally timed to coincide with the electoral cycles of the partner concerned". This section looks at what those carrots could be: money, markets, mobility and the chance to take part in EU policies.

Money

Money is a powerful motivator. The forthcoming negotiations on the EU's financial framework for the period 2014-20 will not lead to a significantly larger budget. But within both the overall budget, and the part of it devoted to external relations, there is scope for increasing the amount spent in regions where the EU has a strong interest in stability, prosperity and political reform, and especially in the neighbourhood.

In the current financial framework (running from 2007-13), foreign policy is the Cinderella, receiving only 6 per cent of the EU budget. For the seven-year

cycle that starts in 2014, the EU may well curb spending on agriculture, currently 40 per cent of the total. It should increase spending on foreign policy to at least 10 per cent.

During the seven years that end in 2013, the European Development Fund, which goes to African, Caribbean and Pacific countries, has €23 billion to spend, while the Development Co-operation Instrument, which goes to Latin America, Asia, Central Asia, the Gulf region and South Africa, has a further €16 billion. The ENPI, for the neighbourhood, has just €11 billion. There are good reasons for the EU to spend money in its members' former colonies and other under-developed parts of the world. But the EU has a clear strategic interest in rebalancing its foreign spending so that the neighbourhood gets a boost.

To fulfil its potential, North Africa needs investment. The region has plenty of worthwhile projects that need funding. The EIB has been lending to North Africa and the Middle East for over 30 years, and now has more than €10 billion invested in the region. However, the EIB has carried out its work independently of the EU's foreign policy objectives, and has been inconsistent in applying political conditionality to its loans.

In the short term, the EU governments should back the call of High Representative Catherine Ashton for a €1 billion increase in the ceiling for the EIB's lending to Mediterranean countries. Because the EIB can raise capital very cheaply on bond markets, the extra cost to the EU budget would be negligible. Combined with other sources of money available to the EIB, this would allow an extra €6 billion of lending over 2011-13 – and do something for the EU's credibility in the region.

In the longer term, the EU should dust off a proposal from a report on the EIB's external lending, written by a group chaired by Michel Camdessus and published in February 2010. The Camdessus report called for the EIB to establish a foreign-lending subsidiary that could work in North Africa, Eastern Europe or further afield – wherever EU leaders decided. The point of setting up a special subsidiary is that lending outside the EU requires skills such as political risk analysis that are not relevant for infrastructure loans within the EU. Such a subsidiary should follow broad political guidelines set by the EU. For example, EU foreign ministers might want to reward a government that was performing well by offering extra credits.

Some EIB officials have floated an alternative scheme, in which the EIB would take a 30 per cent stake in a new development bank for North Africa and the Middle East. Gulf Co-operation Council countries, the states in the region, and other interested countries would provide the rest of the capital. However, the problem with a regional development bank is that it would risk being disabled by the same sorts of

political argument that have damaged the Union for the Mediterranean: where would its headquarters be, would every member agree to sit down in the same room as every other member, and would the Gulf states agree to extra loans for countries that moved towards democracy? Not many regional development banks have a great track record, and in any case such a bank would not be able to promote the EU's foreign policy objectives.

The European Bank for Reconstruction and Development has complementary skills to the EIB. It lends more to the private sector, especially small and medium-sized enterprises, and also takes equity stakes in companies. Like the EIB, it has not always applied political conditionality. The EBRD has much experience of economies in transition, currently lending to Eastern Europe, Central Asia and Turkey – but not to the Middle East and North Africa. To become fully active in that region it would need to rewrite its statutes, and the 61 member governments would have to ratify the change, which could take a year or two. But in the interim the EBRD is prepared to invest in, and manage other peoples' money in, projects in Egypt.

While much of the money that the EU gives or lends to the neighbourhood will go to governments or big infrastructure projects, NGOs and civil society programmes should not be forgotten. In countries such as Belarus or Syria, the EU will not want to give much money to the government, but it should support civil society groups that promote human rights and the rule of law.

However, the bureaucratic rules that the EU imposes on NGOs seeking its money are extremely onerous and often act as a deterrent to those who would otherwise apply. The root of the problem is the financial regulation that was put in place after the scandals that beset the Santer Commission at the end of the 1990s. The purpose of the regulation is to minimise the risk of fraud, but any organisation applying for EU funds has to jump through a ridiculous number of hoops. The rules need to be amended so that the procedures become simpler and more user-friendly. Such a reform would greatly improve the EU's image, all over the world.

Free trade and a customs union

Another powerful incentive is access to European markets. Many southern neighbours are competitive in fruit, vegetables, olive oil and wine – but these exports still face restrictions, which the EU should be willing to give up. The EU should press ahead with DCFTAs for its eastern and southern neighbours, so that it can bring them into parts of the single market.

However, the EU should rethink some of the obligations required for DCFTAs. Neighbours should be allowed to liberalise trade and meet EU requirements on standards in one sector at a time,

rather than all together. The DCFTAs should require less of poorer neighbours. For example, when a country reaches a certain level of per capita GDP, it could be obliged to take on more commitments to the EU. The Commission may be getting this message. The March 8th communication says, of the DCFTAs mooted for the southern partners, that they “should foster, in a *progressive* manner, closer integration between the economies of our Southern Mediterranean partners and the EU single market” (author's italics).¹¹

The EU should also invite the most economically advanced southern neighbours to join the customs union that already unites the EU and Turkey, and from which the Turkish economy has greatly benefitted. The southern neighbours have already promised to remove tariffs on imports from the EU, as part of the free trade agreements (FTAs) – in the form of association agreements – that link them to the EU. But a customs union would make them lower their external tariffs to the same level as those of the EU. It would also require the countries joining the customs union to eliminate tariffs among themselves. This is particularly important for the Mediterranean and Middle Eastern states, which trade very little with each other (only about 10 per cent of the region's trade is intra-regional) – even though non-tariff barriers are sometimes more of a problem than tariffs for intra-regional trade. The EU could help the countries that join the customs union to modernise their customs systems, and the transport links around border crossings.¹²

The customs union would replace the complex web of free trade agreements that link the EU and its neighbours. FTAs require rules of origin to establish which goods qualify for privileged access. A customs union including the Mediterranean countries would obviate the need for the convention on common rules of origin for the Euro-Mediterranean area, mentioned in the previous section. The extension of the customs union to the eastern partners would, for now, be more complicated, since they do not yet have FTAs with the EU (though they will when the DCFTAs are concluded).

The Commission dislikes the idea of a Mediterranean customs union. It points out that the Turkey-EU customs union is not problem-free, which is true. If the EU agrees on an FTA with a third country, Turkey has to take that country's imports on the same terms as the EU does; but the third country is not obliged to give Turkey reciprocal access to its markets, unless Turkey negotiates an agreement with it. So if Egypt joined the customs union, its manufacturers would face tough competition from emerging markets such

¹¹ *European Commission and High Representative, 'A partnership for democracy and shared prosperity in the Southern Mediterranean', March 8th 2011 COM(2011) 200 FINAL.*

¹² *A forthcoming paper by Sinan Ülgen, chairman of Turkey's EDAM think-tank, will propose a customs union for the EU and its southern neighbours.*

as South Korea (which recently agreed on an FTA with the EU) and India (which is negotiating one) – without gaining automatic access to their markets. But that problem could be overcome by phasing in the tariff reductions slowly. And when the EU negotiates future FTAs, it could represent the interests of fellow members of the customs union – which it has not yet done in the case of Turkey.

The Commission also makes the point that the EU-Turkey customs union excludes agriculture, textiles and services, and that it is therefore more limited than the association agreements covering trade between the EU and its Mediterranean partners. However, there is no reason why the EU-Turkey customs union should not be extended in scope, or why a customs union embracing Mediterranean countries should not include services and farm produce.

A Mediterranean customs union would increase competition and stimulate growth in all the countries involved. In the long run, neighbours in the south and the east with strongly-performing economies could be offered a ‘membership perspective’ for the European Economic Area (EEA). Once in the EEA they would, like Norway and Iceland, have to accept all single market rules. They would have the chance to influence – but not vote on – the making of those rules. The eventual prospect of EEA membership should encourage foreign investment in these countries.

Easier travel

The EU provides more than two million Schengen visas a year to ENP countries. Nevertheless, nothing has done more to damage the EU’s reputation in its neighbourhood than the cost and bureaucracy involved in obtaining a visa. Last year Stefan Füle, the commissioner for the neighbourhood, floated the idea of visa facilitation for southern neighbours, but was promptly rebuked by several member-states. The communication published by the Commission and the High Representative on March 8th revives the idea of visa facilitation and even suggests “gradual steps towards visa liberalisation for individual partner countries”. The chances of the member-states agreeing to any kind of liberalisation in the Mediterranean region are slim, but the Brussels institutions should be congratulated for pushing it.

The key to reducing irregular flows of people into the EU is to provide more legal routes in. The EU has already agreed on ‘mobility partnerships’ with Georgia and Moldova (as well as Cape Verde) and is talking to Armenia about one. The Commission is keen to use these partnerships to promote ‘circular’ migration, so that workers may move to the EU for a while, then return home. The main elements of a mobility partnership involve helping the country concerned to understand migratory patterns in and out of its territory; developing schemes that will encourage emigrants to return to their homeland;

collaborating on curbing irregular flows, through improved border controls and agreements that the partner country will take back illegal emigrants; and, crucially, the provision of temporary work visas for the partner’s citizens.

On that last point, the EU has no power to offer visas, so it needs member-states to provide them. For example Bulgaria, Cyprus, the Czech Republic, France, Greece, Germany, Hungary, Italy, Lithuania, Poland, Portugal, Romania, Slovenia, Slovakia and Sweden have opted in to the mobility partnership with Moldova. That country is enthusiastic, seeing the agreement as a means of reversing the brain drain from which it has suffered. The EU should offer these partnerships to other neighbours.

One interesting idea from the Commission is for the EU to sponsor reception centres for asylum-seekers in North Africa. Supervised by the UN High Commissioner for Refugees, these centres would look after asylum-seekers in a way that protected their rights, while they filed their applications and their stories were checked. Member-states signing up for the scheme would then take asylum-seekers that they regarded as bona fide. Such a scheme should mean that fewer asylum-seekers pursue dangerous and irregular routes into the EU. A proposal to establish a budget line for a pilot ‘joint EU resettlement programme’ along these lines is currently held up in the European Parliament.

The more that people from the neighbourhood visit the EU, the more speedily their countries will modernise. The Union should do a lot more to stimulate people-to-people contacts. The Erasmus Mundus programme, allowing students and academics to spend periods in the EU, is worthwhile.

In the period 2007-09, more than 3,250 students and academics from ENP countries spent time at universities in the EU (and nearly 500 students and academics went from the EU to neighbours’ universities). This programme should be expanded. And the EU should make it much easier for the neighbours’ students and researchers to spend time in the Union.¹³

13 The EU’s application forms for research grants and scholarships are incomprehensible even to native English speakers, let alone Eastern Europeans. The EU should give more discretion to its new delegations to give out scholarship and research money, on the basis of simplified application procedures.

Integration in EU policies

The EU needs to think more imaginatively about how it could invite the best performing neighbours to join certain EU policies. Already, the Balkan states, Moldova and Ukraine have accepted the *acquis communautaire* in energy policy, through joining the Energy Community for South East Europe. The Commission and the High Representative, in their recent communication, proposed extending this

community to the Maghreb and possibly in the longer term to the Mashreq, to promote “a real and reliable convergence of South Mediterranean partners’ energy policies with EU policy”. This could facilitate co-operation on renewable sources of energy, as well as gas and electricity transit corridors.

Egypt, Israel, Jordan and Morocco take part in the EU’s current framework research programme. Neighbours could be invited to join EU agencies, such as the European Environment Agency, or those dealing with food safety and pharmaceuticals. The EU has long been trying to promote ‘Trans-European Networks’, including transport corridors that run through the EU and the countries seeking to join it – but stop short of the neighbours. Why not extend these networks into the neighbourhood (and to Russia), and encourage development banks to invest in them?

Neighbours that have a good track record on democracy and human rights, and that tend to align their foreign policies with those of the EU, could be asked to take part in discussions on EU foreign policy, though not decision-making. This idea could be piloted in specific policy areas, and extended if successful.¹⁴ Neighbours could also be asked to take

¹⁴ Charles Grant, ‘Europe’s blurred boundaries’, CER report, October 2006.

part in EU peacekeeping missions, as part of the Common European Security and Defence Policy.

A better design for the neighbourhood policy

The EU needs not only to offer more benefits to neighbours but also to change the way it manages relations with them. It is due to approve a new ENP in April 2011. This should distinguish between the ENP countries to a greater extent than the current policy; radically reform the Union for the Mediterranean; rethink the way the Union applies conditionality to its aid; make democracy and human rights a more important objective; make the ENP more political, and less technocratic; and try to ensure that EU institutions and member-states give more consistent messages.

Greater differentiation

The EU has already created separate frameworks for dealing with the eastern and southern neighbours, the Eastern Partnership and the Union for the Mediterranean. And within those frameworks, the Union does not treat all the countries in the same way – the action plans vary greatly in scope and ambition. However, the 16 countries covered by the ENP are very different and need to be dealt with differently.

The south, with its instability and democratic stirrings, will require a different approach from the east, where authoritarian regimes in at least four of the EaP countries seem to be consolidating their hold

on power. Within the EaP, Azerbaijan, which has no desire to join the EU, needs a different kind of policy from its fellow EaP member Ukraine, which could one day get very close to the EU. The societies in the Arab neighbours vary enormously, for example in their attitudes to religion.¹⁵

¹⁵ According to a study conducted by the Pew Research Centre in 2010, cited in Balcer (see footnote 2), more than 80 per cent of Egyptians support stoning for adultery and the death penalty for apostasy. But in Lebanon only 20 per cent of Muslims support the first of those, and only 5 per cent the second.

Lumping countries together in the EaP and UfM frameworks can create problems. Once the EU offers benefits to one EaP country, the others assume that they have the right to the same benefit and kick up a fuss if they do not obtain it. For example, some EU governments have said they would be willing to offer a membership perspective to Moldova, on the grounds that such a small country would be relatively easy to digest – except that they would then come under pressure to offer the same to Ukraine, and perhaps the other EaP countries.¹⁶ Ukraine became the first eastern neighbour to be

¹⁶ Nicu Popescu, ‘Of Eastern and Southern neighbours’, EUobserver.com, February 14th 2011.

offered a DCFTA, giving it a special status. But when the EU subsequently offered this privilege to others, Ukraine was unhappy. The EU’s relationship with each partner should be bespoke, so that neighbours do not assume that they are bound to receive the benefits that others have received.

Scrap or radically overhaul the Union for the Mediterranean

Some of the EaP’s multilateral forums, notably the meetings of civil society organisations and the foreign ministers, serve a purpose in enabling exchange of best practice. That cannot be said for the UfM. Even some of the French officials who helped to set it up admit that it has been a turkey. Ideally it should be scrapped, but unfortunately one law of international politics is that once organisations are set up they can never be abolished.

If the UfM is to be retained it should be drastically overhauled. The high politics – and the grandiose summits of heads of government – should be taken out of the organisation. That should make it easier for the UfM to bypass the problems of the Middle East peace process.

The UfM should become a technocratic organisation focused on the nitty-gritty of implementing its key projects. The secretariat should focus on encouraging public and private investment in these schemes, and on removing whatever obstacles may prevent them from operating across borders. One of the few good things about the UfM is that the countries in the neighbourhood have co-ownership, alongside the EU member-states, and that is worth keeping.

¹⁷ Christian-Peter Hanelt and Almut Möller, 'How the European Union can support change in North Africa', Bertelsmann Stiftung Spotlight Europe, February 2011.

A more radical idea from two German authors is to transform the UfM into a security forum, "as a first step to a structured security dialogue in the region, which would subsequently have to incorporate the Gulf States".¹⁷ The Mediterranean lacks any equivalent of the Organisation for Co-operation and Security in Europe, or the Asean Regional Forum, where governments can discuss security challenges. Given that the risks of instability, terrorism and weapons proliferation may grow in this region, such a forum could be useful.

More 'positive conditionality'

Some European Commission officials argue that the Union should abandon conditionality for the ENP, on the grounds that it has failed to prompt neighbours to reform and that it is hard to enforce. It is true that France, Italy and Spain often found reasons – whether commercial contracts or the fear of destabilising a secular regime – to dissuade the EU from applying

¹⁸ Richard Youngs, 'Europe's flawed approach to Arab democracy', CER essay, September 2006.

conditionality to its aid to North African countries.¹⁸ But the EU cannot avoid some sort of conditionality when it deals with neighbours, especially if it is, as one hopes, going to take democracy and human rights more seriously.

Conditionality is more likely to be effective if the EU can increase its offer, in ways explained in the previous section. Happily, the official line of the Commission, like that of the High Representative, is to call for stronger conditionality. "The EU should be ready to offer greater support to those countries ready to work on such a common agenda [of political rights and freedoms, accountability and participation], but also reconsider support when countries depart from this track."

Hopefully, EU governments will, as that communication suggests, be willing to cut off aid to neighbours that misbehave. But such 'negative conditionality' is always hard to enforce. The EU should therefore put greater emphasis on 'positive conditionality', which means giving extra aid, political support or visa facilitation to the best performing neighbours.

In the current ENP, positive conditionality plays only a small role. The €11 billion of ENPI funds were divided up among the neighbours at the start of the seven-year budget cycle. This reduced their incentive to reform: they assumed – correctly – that they were likely to get most of the money assigned to them, irrespective of their actions. Since 2007 small sums of money (€300 million over seven years) from the EU's 'governance facility' have been available to reward neighbours that carry out political reforms. Countries such as Ukraine and Morocco have benefitted, but the

EU has been too lax in deciding when and whether this money should be distributed.

A recent unpublished German foreign ministry paper suggested that "no more than half the ENPI funds should be pledged by binding country quotas. Instead, most of the funding should be allocated to individual partner countries according to how willing they are and what efforts they make to reform. The EU must be able to react to current developments on the ground more flexibly than it has been." That is exactly the right approach.

More emphasis on democracy and human rights

Stricter conditionality can only work if the EU is stricter in judging the performance of its neighbours, on issues such as democracy and human rights. The European External Action Service should be asked to develop benchmarks for grading the neighbours, on issues such as press freedom, independence of the judiciary, corruption and the conduct of elections. It should produce an annual report on each neighbour – rather like the Commission's annual report on the candidates for membership – that highlights both deficiencies and progress.

Hopefully, the publication of these reports would create a certain amount of healthy competition among the neighbours: they would vie to achieve top marks. The reports would also make it harder for the EU to abuse conditionality: if a member-state tried to increase EU assistance to a country that had received black marks in its annual report, it would run into political flak.

Thanks to the wisdom of hindsight, there is now a quasi-consensus among EU governments that the new ENP should be more focused on promoting democracy, human rights and the rule of law, especially in North Africa. The EU has to engage all its neighbours, even when they are undemocratic. It should pursue objectives on migration and counter-terrorism, as well as human rights. But in recent years it has got the balance wrong in North Africa. In 2005 Condoleezza Rice, then US Secretary of State, went to Egypt and said: "For 60 years my country, the United States, has pursued stability at the expense of democracy in this region, here in the Middle East, and we have achieved neither." That is also an indictment of EU policies.

The EU was mistaken to apply stricter conditionality to what Tunisia did on counter-terrorism and migration than to what it did on human rights. In May 2010 the EU should not have offered Tunisia an 'upgraded' association agreement, given that the 2009 elections had been rigged, and that the parliament had just passed a law criminalising contact between NGOs and foreigners.

One of the strangest things the EU has done in recent years was to start negotiating a DCFTA with Libya, in 2008. No other country in North Africa had received

this privilege, yet Libya's political and economic systems were the most backward in the region. This odd decision probably reflected pressure from Italy, which is deeply involved in the Libyan economy.

The EU should talk to all political tendencies in North Africa that renounce violence, including the many Islamist groupings that are pluralistic. Western governments that shun Islamists are more likely to remain ignorant about them and to miss the opportunity of drawing them towards a modernising agenda. The EU should also avoid the temptation to intervene in elections to support anti-Islamist parties. It lost credibility among many Arabs by not accepting the victory of Hamas in Palestine in 2006. The EU will need a while to convince these people that when it preaches democracy it means it.

A more political ENP

The ENP has been a technocratic exercise, modelled to a large extent on the accession process. When a country fulfils certain technical criteria – on product standards, border controls or competition policy, say – it receives specific benefits from the EU, in a related area. As already explained, the new ENP should be less obsessed with making neighbours meet EU standards and rules, not all of which may be appropriate.

The ENP should be more political, involving bilateral summits at which the EU can ask neighbours for help with, and bargain over, a wide range of political objectives. For example the EU should be able to say to a country: "If you allow television stations to criticise your leaders, we will increase aid." Hitherto it has seldom been ambitious or overtly political in the conditionality it has sought to apply. This policy brief has argued that the Union for the Mediterranean should become more technocratic. That should not prevent the *bilateral* relations between the EU and its neighbours being highly political.

One reason for the ENP being so technocratic is that it has been invented and managed by the technocrats of the Commission. "In Tunis – like everywhere else – the European mission's brief was to run programmes, not do politics or diplomacy," observes an analyst

¹⁹ Nick Witney, 'After complicity, complacency', *European Voice*, February 24th 2011.

who visited just after the revolution. "For Ben Ali and his cronies, it was like taking candy from a baby."¹⁹

The arrival of High Representative Catherine Ashton and her External Action Service should make it easier for the EU to broaden the neighbourhood policy, bringing together its technocratic and political sides. She has the opportunity to draw on a wide spectrum of the EU's capabilities and expertise, in areas such as trade, aid, humanitarian relief, the environment, energy, migration and traditional diplomacy, as she tries to establish priorities in relations with neighbours.

It remains to be seen whether the member-states will give her the freedom and the encouragement to do so.

Political bargaining between the EU and its neighbours should include the Union's foreign policy objectives. But that will require the EU to articulate better than it has done clear policies on matters of importance to neighbours. For some of them, that will mean the Middle East peace process. For many of them, one or other of the frozen conflicts is hugely important.

The EU needs to take the frozen conflicts in its neighbourhood more seriously than it has done. Its members are divided over Western Sahara, and so long as its fate remains unresolved, tensions between Algeria and Morocco (whose common border is closed) will damage the region's economic potential and those countries' relations with the EU. Similarly, the conflict over Transnistria – squeezed between Ukraine and Moldova, but legally part of the latter – will slow the Moldovans' progress towards the EU; Russia's occupation of parts of Georgia makes difficulties for Tbilisi's relations with Brussels; and the stand-off over Nagorno-Karabakh is not only problematic for Armenia's and Azerbaijan's links with the EU, but could also trigger a new war in the Caucasus. The EU and its governments have been too willing to leave these problems on one side and forget about them (though without co-operation from Russia the last three of those conflicts cannot be resolved).

Consistent messages

If the EU and its member-states want to be influential in the neighbourhood, they need to make an effort to give clear and consistent messages about what they want. Too often the message has been inconsistent. Some neighbours have been treated more generously than others, while the member-states have often disagreed on how to handle particular countries.

The chummy relations between some EU governments and certain North African regimes have become embarrassing since the revolutions began. In the early stages of the Tunisian and Egyptian revolts, France offered support to the existing regimes, and when Colonel Gaddafi started to use force against his own people, Italy and Malta were initially reluctant to criticise him. Subsequently the Europeans came together in agreeing on sanctions against the Gaddafi regime. They need to stay together, and to co-ordinate their approach with the US, which shares most of the EU's objectives in North Africa.

When EU institutions and governments give aid to the new democracies in North Africa, they must co-ordinate their efforts, to avoid duplication and the potential for conflicting objectives. The Commission, which acted as a clearing house for the world's aid to Central Europe in 1989, is well placed to play such a role. If the EU and its governments could act together in North Africa, in a focused and strategic manner,

they would greatly enhance not only their visibility but also their influence.

The role of Turkey and concluding thoughts

In many ways, Turkey is a fine example for North African countries to follow. It is more-or-less democratic, with a successful economy. The great majority of Turkey's Islamists are moderate and happy to work within a democratic framework. When it comes to foreign policy, Turkey is nobody's poodle. Over the past few years its foreign policy, steered by foreign minister Ahmet Davutoglu, has made Turkey more distant from the US, more hostile to Israel and more friendly to Iran. This independent line has created problems for Turkey's relations with western countries, but boosted its prestige in the Arab world.

Turkey's relations with its former territories in the Maghreb and Mashreq are not always easy. Turkey, like Britain, France, Italy and Spain, has to overcome the remnants of resentment against the former imperial power that still persist in some quarters.

Nevertheless, many North Africans, including Islamists, see Turkey as a model. Rached Ghannouchi, the leader of Tunisia's Islamist Ennahda party – who returned to Tunisia from exile in London after the fall of President Ben Ali – attended the funeral of Necmettin Erbakan, the Turkish Islamist leader, in March 2011. “We are learning from the experience of Turkey, especially the peace that has been reached in the country between Islam and modernity”, he told

²⁰ *Hürriyet Daily News*,
March 4th 2011.

Turkish journalists. “The Turkish experience, the success of Turkey, inspires the Arab world.”²⁰

Evidently, Turkey is a far from perfect model. Its own approach to democracy in its neighbourhood has been no more consistent than that of several EU countries. The concepts of democracy-promotion and of values-based foreign policy scarcely exist in Turkey. Like those other two realist countries, Russia and China, Turkey is firmly attached to the principle of non-interference. In 2009 Recep Tayyip Erdogan, the prime minister, congratulated Iran's president, Mahmoud Ahmadinejad, on his presidential election victory, despite evidence of vote-rigging and the bloody suppression of opposition protestors. During the recent upheavals in North Africa, Erdogan welcomed change in Egypt but then criticised the sanctions that the UN Security Council imposed on the Libyan regime.

But though Turkish foreign policy has sometimes been confused, the country's progress towards democracy since 1950, when it first held successful multi-party elections, is undeniable. The road has been bumpy. The then governing party's attempt to centralise power in its own hands triggered a

military coup in 1960; 20 years later, a highly polarised conflict between the two main parties provoked another coup. The lesson for Arab nations, according to Turkish scholar Sinan Ülgen, is that democratic systems endure when built upon institutions of high quality: effective political parties, an independent judiciary, bipartisan boards to manage elections and a parliament that works well. An army is more likely to retreat from politics when it is confident that institutions are strong enough to protect the democratic order from extremist forces.²¹

²¹ Sinan Ülgen, *The future of democracy in the Arab world: How relevant is the Turkish experience?*, *European Union Institute of Security Studies*, February 2011.

That is more or less what has happened in Turkey. However, in March 2011, 10 per cent of serving generals were in detention, suggesting that relations between the military and the ruling Justice and Development Party are far from smooth. There were also more than 50 journalists in custody – ostensibly because of their links to a terrorist conspiracy, but probably because they have annoyed the security establishment. Turkey has not yet reached the end of its bumpy path towards democracy.

One reason why Turkey has undertaken so many successful reforms over the past ten years is that it has been tempted by the carrot of EU membership, having been declared a candidate in 1999 (but in recent years a lot of Turks have started to think that carrot illusory, and the pace of reform has slowed). None of the countries covered by the ENP is going to start accession talks with the EU in the foreseeable future. But some of them could aspire to a status similar to that of Turkey. The chances of Turkey becoming a full member of the EU in the next ten years are very slim. In the short and medium term, the best outcome that Turkey can hope for is a hybrid status, half in and half out of the EU. There is no reason why the more successful neighbours – say, Moldova and Tunisia – should not achieve a similar status, taking part in many EU policies without becoming full members.

Turkey itself could do a lot to help the EU's Arab neighbours to modernise – by investing in them, developing infrastructure and advising on how to reform political systems. There may be projects that could involve the EU and Turkey working together.

Conclusion

Twenty years ago, the EU mobilised resources quickly, and quite effectively, for Central Europe. It came up with the European Bank for Reconstruction and Development, the Phare and Tacis aid programmes and a lot of political support. It earned the respect of the people in those countries, which made it easier for their governments to adopt the reforms that brought them closer to membership.

Now the EU needs to make a similar priority of North Africa, while not forgetting the crucial role it can play in the eastern countries. There is still time for the EU to bolster its credibility in the Arab world. Despite the mistakes it has made, the EU is not particularly unpopular in Arab societies. While certain EU governments have – sometimes deservedly – been accused of neo-colonialism in North Africa, the EU as a whole does not scare or enrage many people in that region. That should make it relatively easy for the EU to aid the Maghreb countries. Even though the EU cannot offer membership to North Africans, a stronger neighbourhood policy, with ‘multiple small carrots’, more focused on democracy and human rights, could prove effective in drawing these neighbours closer to the EU.

The new European neighbourhood policy, like the old one, will have to balance interests against values. And there will be times when they do not coincide. For example, the EU has a strategic interest in persuading Azerbaijan to support the Nabucco pipeline project, and to sell Europeans gas. But if the EU let values be the main guide of its relations with autocratic Azerbaijan, it would spurn close ties. Those strategic interests help to explain why the EU has been tougher on Belarus than Azerbaijan – despite there being more political prisoners in Baku than in Minsk. Whether

those interests justify the EU taking a softer line towards Azerbaijan than Belarus is a difficult question.

What should be clear in the new neighbourhood policy, however, is that only countries which reform their political systems will enjoy the closest relations with the EU. It will always be difficult for Europeans to reconcile interests and values in their foreign policy, but the lesson of the past decade in North Africa is that they got the balance wrong. They should have been truer to their values. Recent events suggest that the Europeans’ interests and values are more closely aligned than many of them had thought. They need not damage their interests by stepping up their efforts to encourage democracy to take root.

*Charles Grant is director of the CER.
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