

## 8 The European Union in the New Europe

The European Union has been pivotal in helping to reshape the politics and economics of post-Cold War Europe. EU foreign policy now places relations with the rest of Europe at the core of its foreign policy agenda – with the central concern of ensuring political stability and economic growth. Equally as important for the EU is to promote economic growth along the right lines. The objectives are to institutionalise and consolidate free markets, political pluralism, the rule of law and liberal democracy and to help prevent the threat of any resurgent communism.

EU policies vary as they focus on each of the very diverse political and economic circumstances and requirements of the different parts of Europe. The discussion in this chapter reflects the sub-regional distinctions of EU foreign policy. The five sub-regions are Northern Europe, Russia and the Commonwealth of Independent States (CIS) sometimes called the Newly Independent States (NIS), East and Central Europe (ECE), South-East Europe (SEE) and the three Mediterranean applicants – Turkey, Cyprus and Malta.

### EUROPEAN UNION RELATIONS WITH THE NORTHERN EUROPEANS

European Union foreign policy towards this region up until the end of the Cold War was focused on its trade relations with the member states of the European Free Trade Association (EFTA). These states included the Scandinavians – Finland, Iceland, Norway and Sweden – and the 'Alpines' – Austria and Switzerland, with Liechtenstein joining EFTA in 1995. In the wake of the Cold War and Austrian, Finnish and Swedish accession, Union policy continues where possible to integrate its domestic and external policies with non-EU EFTA joiners – Iceland, Liechtenstein, Norway and Switzerland.

*Security and defence* have not been major concerns for the EU in this relationship apart from in the immediate aftermath of the Cold War when the position of Russia in respect of Baltic state independence was uncertain and there was some concern about the potential

spill-over of conflict into the EU. Major issues in the relationship have been the management of *trade* and economic links between the two partners. Given the high level of economic development in this area, *development cooperation* policy does not form a significant part of EU foreign policy towards this sub-region. *Interregional cooperation* provided a core strategy and instrument of European Union foreign policy prior to the 1995 Scandinavian *enlargement*.

### Security and Defence

Four related issues have informed the security aspects of EU relations with its Northern neighbours. The first is the neutral stance of many of these countries in foreign policy and the second is an understanding that the management of strategic relations with Russia, formerly the Soviet Union, remains an important foreign policy priority for many of these countries. The third is the sensitivity of the EU to its long-standing Nordic member state, Denmark, which has consistently viewed security as more properly the concern of the nation-state (or of NATO), not that of the EC/EU whose competencies, it feels, should primarily remain in trade and straightforwardly 'economic' areas. The fourth is simply the absence of major security and defence problems in the area since the creation of the European communities in the 1950s.

Prior to the end of the Cold War, overt security issues were not of primary importance in European Union relations with these states. If security issues were considered, it tended to be in the context of the commitments to either official neutrality or the policy of neutralism on the part of Austria, Finland, Sweden and Switzerland. Although neutrality precluded EU enlargement northwards in the context of Cold War politics, neutral states on the Union's eastern borders helped provide a convenient buffer between Western capitalist states and the Cold War antagonist, the Soviet Union. Post the Cold War, however, neutralism became a non-issue as there was no longer a world characterised by superpower rivalry and therefore no rationale for neutrality in the face of a non-bipolar international system.

Even after the dissolution of the Soviet Union in December 1991, security concerns did not become a major factor in EU relations with the northern European states. EU member states which were also members of NATO tended to leave the institutional and strategic aspects of security and defence to the latter organisation – involving, as they did, very large strategic questions relating to the overall shape of the Western alliance's relationship with Russia. Inevitably, such

major strategic issues involved the United States as the major alliance partner as well as the Union and its member states. For non-NATO EU member states, particularly the Nordics, other channels of institutional deliberation and cooperation were available – including the Western European Union, the OSCE, the Nordic Council, the Council of Baltic Sea States and the Parliamentary Conferences on Cooperation in the Baltic Sea Area. In addition, the Barents Euro-Arctic Council was established in 1993 – providing an institutional forum for cooperation with Russia – and whose members were the EU states of Denmark, Finland and Sweden as well as the European Commission along with Iceland, Norway and Russia.

#### *Actors, instruments, legal bases and decision-making procedures*

The primary security forum for the major strategic concerns of member states in this area, namely relations with Russia, continues to be NATO. The WEU provides a potential security forum for Union relations with many of the northern neighbours as, institutionally, the WEU brings together NATO and non-NATO European Union member states as well as non-EU NATO members with European Union member states. Austria, Finland, Ireland and Sweden (non-NATO members) have observer status in the WEU and Norway and Iceland (non-EU but NATO members) have associate membership of the WEU. The 1993 Maastricht Treaty declared that the 'Western European Union was an integral part of the development of the Union'.

The institutional links with the northern neighbours operate mainly on an intergovernmental basis with efforts made to achieve consensus between the various states involved in each institution. The EU also maintains bilateral links with individual states through the Common Foreign and Security Policy mechanisms. The Swiss for instance are kept informed about CFSP priorities. Regular patterns of interaction with the Norwegian foreign ministry have existed since 1973 when Norway first rejected EC membership and was therefore ineligible to be a member of EPC. From 1988, meetings between the then EPC Presidency were formalised and Norway remains close to the CFSP process – although, as a non-EU member, not part of it.

#### **Trade and Interregional Cooperation**

The interrelated questions of trade and economic interpenetration and the institutional management of these relations have dominated

EU relations with the northern neighbours. Union objectives have been to try to maintain open access to EFTA markets. The move to 'ever-closer' relations with the northern neighbours is founded on complementary trade and economic links although it is by no means confined to those areas. The environment, for instance, is a significant area of mutual concern between the European Union and its northern neighbours in the early twenty-first century.

Prior to the 1995 enlargement that brought Austria, Finland and Sweden into the EU, the primary vehicle for interregional cooperation was through the link with the European Free Trade Association. This link was institutionalised in the creation of the European Economic Area (EEA) in 1993. The link was further consolidated when three more EFTA states, Austria, Finland and Sweden, joined the EU in 1995 (following on from former EFTA states – the United Kingdom which joined in 1973 and Portugal which had joined in 1986).

#### *Trade*

EC/EU trade with the EFTA countries grew in importance over the 1970s and 1980s so that by 1988, over 25 per cent of exports from the then EC/12 found their destination in EFTA countries – then comprising Austria, Finland, Iceland, Norway, Sweden and Switzerland. The percentage of EC imports from this area also grew in importance – from 17 per cent of all imports between 1977–79 to 23 per cent in 1991. Switzerland and Norway remained important trading partners for the EU after the 1995 enlargement. In 1998, Switzerland was the EU's second most important export market – and the third most important source of imports. Norway, with a population of only 4.5 million, was the Union's fifth most important market for both exports and imports in 1998.

For the EU, there have been minor irritations in the trade relations between itself and individual EFTA countries – particularly over fisheries policy. EU relations with Iceland, for instance, which obtained half of its export income from the fishing industry in 1995, have been marred by a series of disputes as Iceland has battled to maintain control over its 200-mile fishing limits. Fisheries disputes have also spilled over into key 'high politics' concerns with, for instance, EU attempts to improve access for Spanish and Portuguese fishing fleets, as part of the 1993/94 enlargement negotiations, arousing hostility from the Norwegian public and contributing to the 'no' vote in the November 1994 referendum.

On the whole, however, the Union has attempted to consolidate, institutionalise and, as far as has been possible, to harmonise trade relations with the EFTA states – both before the 1995 enlargement and after – to the extent that by the beginning of the twenty-first century, the remaining EFTA states are treated very similarly to EU member states. The main difference is that EFTA states remain outside the formal decision-making structures of the EU. One of the reasons, therefore, that EFTA states attempted to create more intensive institutional relationships with the EU, particularly as the Union has become a more important trading and political power since the 1980s, is to maximise involvement in rule-making within the EU on issues of direct relevance to the EFTA states. Given the close trade linkages between the two groups of states, were the EFTAs not to acquire some form of institutional relationship with the EU, they could be in the position of having trade rules imposed upon them. European Union impetus to greater cooperation comes from the attempt to chart a middle course – recognising a necessity to permit some EFTA input but at the same time guarding the privileges of decision-making for the member states of the Union.

#### *Interregional cooperation*

The now very long-lasting interregional cooperation arrangements between the Union and EFTA were initiated by the UK and Denmark in 1973. Both states had been committed to establish a free trade area in industrial goods incorporating EC and EFTA member states after their 1973 accession to the EC and withdrawal from EFTA. In 1973 therefore, the EC entered into bilateral arrangements for free trade agreements (FTAs) with each EFTA member state. The EC retained a dominant position in the relationship – as the hub at the centre of a network of ‘spokes’ with the agreements not requiring and not leading to much of a multilateral relationship until 1984 when EFTA member states met with EC member states for the first time in a multilateral framework in Luxembourg to discuss enhancing and improving cooperation. Claude Cheysson, the then president of the Council of Ministers envisaged the creation of a vast internal market as well as cooperation in international relations. Cheysson also introduced the idea of an EC/EFTA ‘European Economic Space’ – transmuted into a more formalised plan for a European Economic Area (EEA) by Jacques Delors in 1989.

European Union negotiations with EFTA prioritised market integration measures with initial agreements made on common transit

procedures and on the simplification of EC/EFTA trade administration in 1987. The moves towards the EEA intensified the process of harmonisation of single market rules and procedures with EFTA countries. The EEA covered free movement of goods, services, capital and persons but did not create a customs union between the two partners nor did it include EFTA in the common agricultural policy or the common fisheries policy. It was agreed that both partners would develop common policies on taxation and financial issues, although not to the extent of including EFTA states in the common currency. In addition to economic clauses, the EEA also included coverage of research and development, education, consumer policy, social policy and the environment.

EFTA states, however, remained disadvantaged in that they committed themselves to adopting EU rules and norms without a concomitant say in the decision-making process that elaborated those rules. The increased realisation that the EEA could not be a substitute for full membership provided a major impetus for European Union membership applications from Austria, Sweden, Finland, Switzerland and Norway. Thus, by the time the EEA came into force in 1993, EFTA was being denuded of important states. In addition, the Swiss voted in 1992 not to ratify the EEA, thus excluding the most important EFTA economy from participation in the intended vast single market. Although the EU eventually negotiated a bilateral agreement with Switzerland in 1998 which effectively achieved many of the EEA objectives, EU priorities were now elsewhere. Relations with Eastern Europe assumed centre stage and relations with the four remaining EFTA states, never a high priority except perhaps in the early 1990s, receded to the back of the European Union foreign policy agenda.

#### *Actors, instruments, legal bases and decision-making procedures*

The Commission has taken the lead in the relationship with EFTA, with the Parliament playing a subsidiary role. This was not an insignificant role, however, as Parliament had to assent to the EEA, thus giving it some influence on EU/EFTA negotiations. The EEA is governed by a Joint Committee, made up of EU and EFTA officials, and an EEA Council, consisting of ministers from the EU, members of the government of each EFTA state and the Commission. The agreement also established a joint EU/EFTA parliamentary committee. The instruments used by the EU in attempting to meet its objectives have been the normal processes of negotiation – backed

up by the fear of the EFTAs that their economic prosperity would suffer if they could not negotiate guaranteed market access for their exports and maintain as open an economic system with the EU as possible. The legal basis of the EEA agreement derives from Article 310 (ex 238). Decision-making procedures both in the negotiations and in the implementation of the agreement aim for consensus.

### Enlargement

In the 1980s, European Union strategy to negotiate a comprehensive deal with EFTA in the creation of the EEA had been designed, to some extent, to avoid individual applications for accession. In the 1990s, however, the EU reappraised its thinking on northern enlargement because of both pressures from individual EFTA states which resented continued exclusion from the 'club' and, most importantly, because the end of the Cold War forced a rethink of foreign policy priorities.

In the post-Cold War era, enlargement to include the northern neighbours made economic and political sense for the European Union. These states were definitely geographically European, they had undisputed democratic credentials and they were economically developed. Unlike the Mediterranean enlargements, these states brought no major problems of economic 'catching up' which the EU would have had to subsidise. As important, these states could contribute to the evolution of an even bigger single market that would have domestic benefits and would enhance EU economic and political negotiating clout in the wider world. In addition, they would also be able to contribute to what had become a major strategic objective for the Union – to help guide and assist Eastern European countries to reconstruct their economies along liberal capitalist lines.

EU negotiating processes with the five applicants were remarkably rapid compared to the drawn-out negotiations of previous accessions. The earliest application was from Austria – made in 1989. Sweden applied in 1991 and Finland, Norway and Switzerland in 1992. Formal negotiations with the four states (Switzerland withdrew its application in 1992) began in early 1993 and were over by March 1994. The accession treaties were signed in June 1994. In 1995, Austria, Finland and Sweden acceded to the Union – minus Norway whose public had voted for the second time (the first time in 1972 – see Chapter 2) to reject membership.

The European Union had been anxious to prove its efficiency in the aftermath of the Maastricht Treaty negotiations that had resulted in a bad press for the EU throughout the Union – particularly in Denmark where the population had at first refused to ratify the Treaty in 1992 and only finally endorsed it in May 1993. In addition, there were some pressures to push the accession treaties through Parliament before May 1994 when a new Parliament would be elected. Parliamentary assent is necessary for accession – and a new Parliament might be perhaps less ready to go through the procedures as rapidly as an outgoing Parliament.

Enlargement served to further EU foreign policy interests in terms of the economic and political consolidation of the Union as a global actor but more specifically provided support for EU economic and political objectives and policies in its relationship with the former Communist states of East and Central Europe and Russia. Enlargement to include these three states has not significantly changed the EU's own foreign policy stance – even though all three are former neutrals. Arguably, enlargement has improved the EU's ability to deal with problems in the far north of Europe through the enhanced Scandinavian linkages into sub-regional institutions such as the Council of the Baltic Sea States (see security section above). Enlargement may also have increased EU credibility with the countries of the South – given the positive Swedish record on development assistance. Increasingly, however, the EU will have to deal with the negative effects abroad of the swing to the right in Austrian politics after the 1999 elections of the far right Freedom Party led by Joerg Haider.

### *Actors, instruments, legal bases and decision-making procedures*

The European Commission and individual states were significant actors in EU enlargement policy and practice towards the northern neighbours. The Commission drew up the enlargement strategy which was approved at the Lisbon European Council in June 1992 but which had envisaged that accession negotiations would not start until after the problems regarding the Danish rejection of Maastricht had been resolved and the Treaty had been ratified. At the December 1992 Edinburgh European Council, the UK, however, was instrumental in pushing the timetable forward so that the Lisbon decision was overturned, enabling accession negotiations to begin immediately. The instrument of accession is the treaty that is concluded between the applicant state and the member states of the Union. The criteria for membership of the EU are set out in Article 49 of the

consolidated Treaty on European Union (ex Article O). This specifies that the Council must act unanimously after consulting the Commission. The Parliament must also give its assent, by way of an absolute majority.

#### EUROPEAN UNION RELATIONS WITH RUSSIA AND THE NIS

EU relations with Russia remain the most important foreign policy concern in this sub-region. The Ukraine is the second most important state within this region for the EU because of its size, relative wealth and geostrategic position. The three Caucasus states of Armenia, Azerbaijan and Georgia, the five central Asian states of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, and Belarus and Moldova comprise the remaining NIS.

Until the end of the 1980s, the European Union had little bilateral contact with the Soviet Union, nor did it have relations with Soviet-led multilateral organisations including the Warsaw Pact, which was organised for security and defence purposes and which disintegrated after the end of the Cold War, or the Council for Mutual Economic Assistance (CMEA), which had brought together Communist states in a trade and economic organisation. The EC recognised the independence of the three Baltic states, Estonia, Latvia and Lithuania in the summer of 1991 and, after the disintegration of the Soviet Union into the component members of Russia and the Newly Independent States (NIS) in December 1991, the EC agreed to recognise the remaining successor states. The caveat was that these states should agree to uphold treaties that had been formerly entered into by the Soviet Union and to respect human rights. Russia received recognition immediately with the remaining NIS formally recognised between January and May 1992.

Since the end of the Cold War, the Union has been increasingly concerned about instability in the former Soviet Union (FSU) and has sought to provide economic and financial assistance to encourage moves towards market economies and, towards the end of the 1990s, began to focus on encouraging the consolidation of liberal democratic models and the rule of law. It has been relatively cautious in developing relations with the FSU – especially compared to its bold and rapid moves in developing relations with the Central and Eastern Europeans. European Union reluctance to take on a more interventionary role arises because of two reasons. The first is that the scale of the problems facing FSU states means that intervention may not be successful and secondly a failure to achieve

economic and political improvements would therefore associate the Union with policy failure.

Direct involvement by the EU in *security* issues has been minimal. *Trade* relations with this sub-region are increasingly important for the EU with sectors like gas and oil of both strategic and economic importance for EU/Russia/NIS relations. Policies and activities have encouraged integration in the wider liberal international political economy. The focus of EU *development cooperation* policies has been to support the construction of market economies and to promote democratisation and has complemented EU interests in the trade area. Some *interregional cooperation* has taken place, which the EU has encouraged through budgetary allocations and technical support, and the Union also recognises two groups of states as having discrete regional interests. These are the Caucasus states and the five central Asian states. In the main, however, relations with the FSU states have developed in a more or less bilateral fashion. *Enlargement* is not a policy option for the states in this region although it is sometimes conceived of as a distant goal for some of the NIS.

#### Security and Defence

Prior to the end of the Cold War, the EU had avoided involving itself in direct responses to the Soviet Union on security and defence issues – preferring to leave security issues to other bodies, particularly NATO. Despite pressure from the United States to become active against the Soviet Union at times of international crises, it remained a reluctant actor in security issues. It only imposed very limited sanctions on the USSR after the 1979 Soviet invasion of Afghanistan and the 1981 military coup in Poland (which the US argued was supported by the USSR).

With the break-up of the Soviet Union in 1991, the European Union became briefly involved in the security area when it engaged in shuttle diplomacy to support the independence of the three Baltic states, Estonia, Latvia and Lithuania – temporarily suspending aid to the Soviet Union as an instrument of pressure. The EU has also expressed some concerns about the massive use of military force and violations of human rights in Chechnya – although there have been criticisms that the Union has not done enough to pressure Russia in this area. In this respect, however, the EU reflected the decision of member states not to disengage from Russia – seen also in the decision in early 2000 by the Council of Europe and the OSCE to maintain ‘constructive engagement’. This was despite the decision of

the parliamentary assembly of the Council of Europe to suspend voting rights of the Russian parliamentary delegation in protest at the military crackdown in Chechnya.

The EU engages twice a year in direct political dialogue with Russia at the presidential level – of the Commission, the Council and the Russian Federation. This is an extremely high level of political engagement and is recognition of Russia's Great Power status – demonstrating also that the EU grants political equivalence to Russia as with the United States and Japan. Political dialogue also takes place during meetings of the EU–Russia Cooperation Councils – set up as part of the Partnership and Cooperation Agreement that came into force in 1997. The EU has also agreed cooperation on support for democratic reform and more direct security-related matters such as the retraining of army officers and the conversion of defence-related industries as part of the Action Plan for Russia adopted in May 1996.

Much European Union involvement, however, has been indirect, through links with the OSCE and through individual member-state input in NATO. Exceptions to this rule included the 1993 decision by the EU to take a 'Joint Action' under the terms of the Treaty on European Union – only the second time the procedure was used – to agree election observation at the 1993 Russian elections. For the most part, however, the Union has been content to let the OSCE take the lead in security problems in this sub-region. This is partly because this is an acceptable arrangement to Russia, the dominant power in the region, and partly because the Union has not considered that it has faced direct security challenges in the sub-region. The CSCE/OSCE is also able to call on the resources of 54 states – including the USA and Canada. The CSCE, for instance, attempted mediation in the conflict in Nagorno-Karabakh between Armenians and Azeris in 1992 and it was the CSCE again, this time with the UN, which tried to ease tensions in Georgia in 1992 in the conflict over South Ossetia and Abkhazia. Likewise, it was the CSCE that was involved in attempting to help resolve conflict in Moldova in 1993/94.

OSCE 'Missions of Long Duration' – designed for conflict prevention and crisis management – have been situated in Georgia, Tajikistan, Ukraine and Moldova – with individual EU member states involved through their membership of the OSCE but with the EU generally taking a back seat – providing finance for projects which could help to ease tensions. Examples of such support include aid

for transport and energy projects in Georgia – designed to ease cooperation with South Ossetia. The European Union has had most difficulties in Tajikistan where continuing civil war meant that Union personnel could not operate safely, and TACIS personnel were killed after being kidnapped in Dushanbe, the capital, in 1997.

#### *Actors, instruments, legal bases and decision-making procedures*

To the extent that the EU has been involved in security and defence issues, it is the member states and the Commission that have taken the lead. The Commission has played a role in EU policy towards Russia and the NIS – in 1995 using its right of initiative under Article 18 (ex J 8) to produce a report recommending that dialogue take place in the security arena. The Parliament has closely followed the relationship with Russia and the NIS – insisting, for instance, that democracy promotion be fully integrated as a key objective of Union policies. An important actor within the patchwork of pan-European security relationships is the OSCE. Since the end of the Cold War, the EU has used the classical instruments of diplomacy in its relations with the FSU and the NIS, backed up by financial and technical aid provided by the Union within the framework of various trade and development cooperation activities (see below). Security objectives have not been divorced from EU economic and political objectives including, most importantly, the promotion of market economies. EU policies have developed on an intergovernmental foundation with key decisions being made consensually. An example of this *modus operandi* was the 1993 Joint Action which was concluded under the terms of the intergovernmental pillar of the Treaty on European Union.

#### **Trade and Development Cooperation**

Prior to the end of the Cold War the Soviet Union had been an insignificant export and import market for the EC/EU. It had not been a recipient of either development or humanitarian assistance. Subsequent to the end of the Cold War, Russia and the NIS (along with East and Central Europe – see below) were transformed into a key focus of European Union trade and development policy. The demand from the new liberal capitalist economies for Western imports was a source of potential markets for EU business. Development cooperation was designed to consolidate the transformation to market economies – in the expectation that such assistance would also help to facilitate market access for EU business. In addition, the

now open economies of the NIS provided potential sources of crucial strategic minerals, especially oil and gas, that the EU hoped to be able to exploit. Development aid supported these export and import objectives – not just through narrowly defined economic assistance but also through providing aid for democratisation as well as the consolidation of market economies. Humanitarian aid was also donated to Russia and the NIS – partly for its own sake and partly to help avoid further instability at times of crisis.

The Soviet Union's share of the EC's export markets had amounted to only 4 per cent in 1980, dropping to 3.5 per cent in 1990. Similarly, the Soviet Union held only a very small market share of EC imports – amounting to just 3.6 per cent in 1980 and just 2.7 per cent in 1990. EC policy had refused to recognise the CMEA as an interlocutor for trade agreements with CMEA member states as it had wanted to minimise Soviet influence over EC relations with individual Communist countries. It was not until 1988, three years after the advent of Gorbachev to power, that the two organisations entered into formal relations with each other. These multilateral relations were not developed, however, as the CMEA collapsed in 1991 at the end of the Cold War. Instead, the EC set about strengthening bilateral trade and economic relations with the Soviet Union and its successor states – at the same time as encouraging multilateral cooperation between the Soviet Union and the NIS.

In 1989, prior to the break-up of the Soviet Union, the EC signed an 'Agreement on trade and commercial and economic cooperation' with the USSR – designed to come into force in April 1990. It was of limited scope – increasing access to EC markets on the basis of the most favoured nation for only a small number of products but maintaining quantitative restrictions on the classic 'sensitive' products of textiles, coal and steel. The agreement, however, did serve to establish a negotiating relationship between the two partners and also, importantly, initiated important institutional cooperation in, among other things, customs control and nuclear safety. The agreement was also supplemented by development assistance. Food aid was sent in 1991 and technical assistance promised aimed specifically at assisting in the transition to a market economy. In addition the EU established a diplomatic presence in the Soviet Union with the opening of an official delegation in 1991.

After the creation of the Commonwealth of Independent States (CIS) in 1991, the EU ruled out the development of the kind of intensive relations that were in the process of being developed with

the East and Central European countries. It did not accept overall responsibility for coordination of aid to the FSU – instead supporting member states in multilateral initiatives with the World Bank and the G7. Nevertheless, the EU recognised that basic trade and economic cooperation agreements were going to be insufficient to delineate and support future relations – particularly with Russia, still a global player despite its economic problems. Instead the concept of the 'Partnership and Cooperation Agreement' (PCA) was born – designed to intensify trade relations, promote economic cooperation, assist and consolidate moves towards market economies and also allow for an element of political dialogue.

PCAs took some time to negotiate – the first two being agreed with Russia and the Ukraine in June 1994, then Moldova in November 1994 – followed by Kazakhstan, Kyrgyzstan and Belarus in 1995. The EU signed PCAs with Armenia, Azerbaijan, Georgia and Uzbekistan in 1996, and Turkmenistan in 1998. Only Tajikistan, with its continuing civil war and violence, was excluded from the raft of PCAs agreed with the NIS. The signing of PCAs did not indicate an acceptance that human rights records were acceptable – after all, the US State Department issued a report in 1999 that categorised Turkmenistan's record as 'dismal' – but did reflect the anxiety to support the consolidation of market economies.

The main instrument of EU support has been the TACIS (Technical Assistance for the CIS) programme – designed to benefit the twelve NIS and Mongolia. From its inception in 1991 up until 1999, TACIS allocated around 4 billion ECU to the recipient states and was planning to spend some 4 billion more between 2000 and 2006. The EU recognised that these sums amounted to a drop in the ocean compared to the estimated thousands of billions required for economic restructuring but argued that the targeting of TACIS funds for technical assistance – as opposed to financial support or direct investment – meant that its assistance could focus on areas where it could make a difference. Thus, between 1991 and 1997, TACIS funds were heavily concentrated in specific economic sectors – nuclear safety and environment (648.5 MECU), public administration reform, social services and education (488.59 MECU), restructuring state enterprises and private sector development (478.78 MECU), energy (317.71 MECU) and agriculture (307.59 MECU) being the most important. The EU re-evaluated the TACIS programme in 1998 after some criticism that it was spending too much money on EU consultants and not enough on the NIS. Although the evaluation

concluded that TACIS had on the whole been positive in its contribution to NIS development, the Union redirected policy priorities so that for 2000 to 2006 the major objectives would be the promotion of democracy and the stimulation of investment in the NIS.

In addition to TACIS, the EU utilised other sources of support for the NIS, particularly after deterioration in the Russian economy in 1998 which severely affected NIS states – which are still closely tied to Russian economic structures. The Ukraine received balance of payments support, Moldova 'macro-economic aid' and Armenia and Georgia 'exceptional financial assistance'. Rehabilitation aid for infrastructure destroyed through war or natural disaster went to Azerbaijan, Georgia and Tajikistan and support for food security programmes went to Armenia, Azerbaijan, Georgia, Kyrgyzstan and Tajikistan. Humanitarian aid – mainly food and medical assistance – went to all the NIS. Tajikistan was by far the major recipient, receiving 16 MECU in 1998 for the victims of civil war – benefiting also from the 1999 supplementary aid allocation under the TACIS programme. Even Russia had to turn to the EU for emergency assistance and, for the first time since the break-up of the USSR at the beginning of the decade, found itself an EU food aid recipient to the tune of 400 MECU in 1999.

Of the NIS, Russia still remains the state with the greatest economic interest for the EU. Its sheer size compared to the other states – with over 75 per cent of total territory of the NIS and over half the population – offers potential as an export market and source of natural resources. EU exports to Russia rose substantially after the end of the Cold War – from 6.9 billion ECU in 1992 to 21 billion ECU in 1998 – EU imports rose from 10.7 billion ECU to 23.2 billion ECU in the same period. In 1998, Russia was the Union's seventh most important export market and sixth most important source of imports. The size and the scale of investment necessary to rehabilitate and reconstruct the economy makes it difficult, however, for the EU to develop and implement a comprehensive trade, economic and development policy towards Russia. Union policy is likely to continue to narrowly target sectors in which it has both a direct interest and in which it feels it can make a direct contribution. Russia and some of the smaller states, for instance, Azerbaijan, Kazakhstan and Turkmenistan, are important actual and potential gas and oil suppliers to the Union and the Union has concentrated a significant proportion of TACIS funding in energy and transport (to Europe) projects. Targeting is to be even more fine-tuned in that the 4 billion

ECU TACIS allocation for 2000 to 2006 will fund around 100 projects – compared to 1,000 projects funded between 1992 and 1999 from a similar amount.

#### *Actors, instruments, legal bases and decision-making procedures*

The Commission played a key role in developing economic, trade and development policies with Russia and the NIS. Within aspects of the many programmes, actors were multifarious. Non-governmental organisations and international humanitarian organisations played a part in carrying out ECHO programmes. Within TACIS, apart from the Commission officials, at least seven different actors contributed to implementation. These included the TACIS national coordinator, the Coordinating Unit, the partner organisation in-country, the usually European contractor, the task manager, the EC delegation representing the Commission in the country and the monitoring team. The major instruments have been financial, technical and humanitarian, including food, assistance. TACIS funding and humanitarian aid is grant aid – and therefore an instrument of assistance that does not add to the debt burden for countries in economic difficulties.

The 1989 trade and cooperation agreement with the Soviet Union provides the legal basis for relations with the NIS. This treaty was based on Articles 133 (ex 113), 308 (ex 235) and 300 (ex 228) and forms the basis for PCAs. The PCAs themselves have the status of 'mixed agreements' as they involve both the EU and the member states. The legal foundation for the TACIS programme is in Article 308 (ex 235). Decision-making therefore involves dialogue and negotiation with all three major institutions of the Union.

#### **Interregional Cooperation and Enlargement**

The European Union does not intend to include any of the NIS in enlargement plans for the foreseeable future. This has not prevented these states, including Russia, considering at times the possibilities of membership and certainly, what the NIS states on the whole have made explicit, is their aim to build close partnerships with the Union. The EU has supported the NIS in multilateral cooperation efforts between themselves and with other international actors as appropriate. Russia, for instance, works within the Council of Baltic Sea States and the Barents Euro-Arctic Council. The latter organisation has been involved in regional and cross-border projects in areas



ranging from economic development to education with a particular focus on environmental improvements. As well as encouraging intraregional cooperation the Union has engaged in a limited way with multilateral interregional activities. In 1999, for instance, the EU held a regional Summit with Armenia, Azerbaijan and Georgia.

The EU encouraged the development of both *interregional* and *intra*regional cooperation through the TACIS programme – allocating some 40 per cent of funding to multinational projects in the 1990s with major programme areas being interstate cooperation in the fields of transport, the transit of hydrocarbon resources to Europe and environmental protection. TRACECA (Transport Corridor Caucasus Europe Asia) and INOGATE (Inter-State Oil and Gas to Europe) involve dozens of cross-national projects. Azerbaijan and Georgia, for instance, work within a TRACECA-initiated rail project while the key TRACECA objective is to provide a fast, accessible transport route from Central Asia to deep sea shipping, across the Black Sea and the Caspian Sea to EU and Western markets. Small cross-border projects also designed to facilitate interregional cooperation have included the three TACIS-funded Russian–Finnish border crossing posts.

#### *Actors, instruments, legal bases and decision-making procedures*

Much of the interregional activity promoted by the EU has been implemented through the TACIS programme with actors, instruments, legal bases and decision-making procedures therefore as set out in the section above on trade and development cooperation.

#### EUROPEAN UNION RELATIONS WITH EAST AND CENTRAL EUROPE (ECE)

Prior to the end of the Cold War the EC had developed limited bilateral relationships with East and Central European countries – often in the face of opposition and suspicion from the Soviet Union. In the wake of the Cold War, policy towards the ECE states became core to the foreign policy activities of the EU. From a position on the periphery of foreign policy concerns, the ECE states assumed central importance – with plans for accession being placed on the agenda for the Czech Republic, Estonia, Hungary, Poland and Slovenia. In addition the EU signalled to Bulgaria, Latvia, Lithuania, Romania and Slovakia that they would not be very far behind given further negotiations and the meeting of accession ‘conditionality’.

In EU parlance, the very term ‘East and Central European states’ became understood as a category applying to those states based in Europe which would fairly rapidly be accepted for membership of the EU. Thus the former states of Yugoslavia were excluded from this definition (see below), apart, that is, from Slovenia which was accepted as a candidate for membership. The rationale was partly to indicate to former Yugoslav states and to outside powers with an interest in the region – like Russia and the United States – that the Union considered itself a pan-European entity and, provided European states were prepared to meet EU conditionality, there would be no long-term bar to any European state joining the Union. In addition the three Baltic states, although formed from the disintegration of the Soviet Union, were only very briefly understood by the EU as ‘NIS’ along with the other states of the FSU. For the EU, the Baltic states are ‘East and Central European’ and eligible for EU membership.

The underlying motive for the rapid intensification of European Union involvement in East and Central Europe has been the urge to prevent instability which could spill over into EU borders whether this be in the form of a vast influx of refugees and migrants or, at worst, the carrying-over of political violence. The methods chosen to respond to this strategic objective have been the promotion, development and consolidation of market democracies – thus the EU has concentrated its major efforts on support for economic reform and democratisation. The ECE countries have been encouraged to integrate their trade in the globalising world economy – to open up their internal markets to foreign trade and to modernise internally such as to make their exports competitive abroad. Thus Union *security* objectives have been underpinned by *trade* policy with *development cooperation* policy complementing both security and trade policy objectives. The EU has tried to promote *interregional cooperation* – without much success – given that the ECE countries persist in orienting their foreign policies bilaterally to the Union. In any case, interregional cooperation with the EU – the most important of all such projects for all the ECE – has been submerged under the imminent plans for *enlargement* which has provided the central focus of European Union policies towards this group of states since the mid-1990s.

#### Security and Defence

EU interest in security issues in ECE can be characterised as *minimal* prior to the end of the Cold War, *reasonably substantial* during the

period of immediate transformation from communism to capitalism between 1990 and 1992, and *indirect* from that period onwards. Since 1992, the EU has preferred to deal with security issues indirectly, given that the relationship with Russia still provides the all-important backdrop and concerns the Western alliance as a whole. Thus NATO remains the premier organisation for dealing with security and defence issues. The EU also prefers to work within other multilateral organisations, particularly the OSCE which is seen by the EU as an appropriate forum and instrument of security cooperation, conflict resolution and conflict prevention.

Prior to the Cold War, EC relations with the ECE states were also left to NATO leadership with EC involvement only occurring in a very limited manner. The EC, for instance, after pressure from the United States, imposed minor sanctions on the Soviet Union in retaliation for the declaration by General Jaruzelski of martial law in Poland in 1981 (see section on Russia and the NIS above).

The most substantial EU involvement in the ECE in the security sphere was in the immediate aftermath of the Cold War, when the EU intervened to support Estonia, Latvia and Lithuania. The three Baltic states had declared independence from the Soviet Union in 1991 and, during the process of negotiating the terms of independence, the Soviet Union made threatening military gestures towards the three states. The EU responded with a suspension of food aid and technical assistance to the USSR. The EU also engaged in shuttle diplomacy with the major protagonists to assist in what eventually was a peaceful transition to statehood for all three states. The EU also intervened in June and July 1991 to help ward off military action by Yugoslav forces against the newly independent state of Slovenia – officially recognising Slovenia (and Croatia) as independent states in January 1992.

Potential for military conflict remained given Russian concern about the treatment of the large Russian minorities within the newly independent Baltic states. To a large extent this conflict was avoided through the mechanism of the EU-initiated 'Stability Pact' – the centrepiece of EU efforts to promote stability in the ECE and to help avoid potential military conflict and political violence through the institutionalisation of conflict resolution mechanisms.

In 1993 the French premier Edouard Balladur had proposed that the EU should contribute to the stabilisation of Eastern and Central Europe (ECE) through the organisation and implementation of a series of conferences whose focus would be the position of minorities

and the consolidation of territorial borders. Eastern and Central European countries would be encouraged to resolve outstanding problems through negotiation and it was hoped that these fora would also provide the impetus for the promotion of intraregional cooperation between these countries. The EU also envisaged these conferences as enabling the ECE countries to prepare for eventual EU membership through both the resolution of outstanding political problems and encouraging habits of regional cooperation. In 1995 when the Stability Pact was finally agreed in Paris, it was also agreed that the instruments and procedures of the OSCE would be used to implement the Pact. Some of the several hundred projects developed under the aegis of the Pact are straightforwardly security oriented – in the fields for instance of de-mining and arms control. Others are broader in scope – ranging from support for the development of independent media to anti-crime and corruption measures to support for refugee return.

Stability Pact participants included the EU member states along with Canada, Japan, Russia, Turkey, the United States, and Albania, Bosnia Herzegovina, Bulgaria, Croatia, Hungary, Romania, Slovenia and the former Yugoslav Republic of Macedonia. Observers included the Czech Republic, Moldova, Norway, Poland, Slovakia, Switzerland and the Ukraine. The EU maintained quite a hefty indirect involvement as it agreed to use resources from its already existing programme to support projects in Eastern and Central Europe (PHARE) emanating from the various agreements concluded under the terms of the Pact. The OSCE, however, was left with the management of the process – with the EU member states expected to push along the process within the OSCE – thus leaving the EU somewhat distant from direct involvement in potentially conflictual security issues involving these countries.

The EU has been content to permit NATO to take the lead in the more classical concerns of security – military and defence issues – with the Czech Republic, Hungary and Poland joining NATO as full members in 1999. The remaining ECE countries – Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia – are members of the NATO-led Partnership for Peace arrangement which brings together NATO member states with ECE, NIS and South-East European states in military and defence cooperation activities. An overarching multilateral forum called the Euro-Atlantic Partnership Council (EAPC) was formed in 1997, and which by 1998 had 44

members, is designed to coordinate military and political activities which bring together NATO with the partner countries.

*Actors, instruments, legal bases and decision-making procedures*

The Council and the Commission had been involved in security policy towards the ECE – most notably through the development of the Stability Pact. The lead actors remain NATO and the OSCE. The WEU has recognised East and Central European states, including the Baltic states, as associate partners since 1994. The Stability Pact negotiations used the classic tools of conference diplomacy while the financial instruments supplied under the PHARE programme provided a substantial means of implementation. In October 1993, the ‘promotion of stability and peace in Europe’ was declared an area for ‘joint action’ under the procedures of the CFSP underpinned by Article 13 (ex J3) of the TEU. The legal foundations for policy varied – depending on the issue being considered but also on which particular phase of specific projects was being implemented. The PHARE programme is underpinned by Article 308 (ex 235) of the treaties establishing the European Communities. As in many other areas of EU decision-making – even when the formal procedure allows for majority voting, as with the Joint Action under the CFSP, major efforts are made to achieve consensus.

**Trade and Development Cooperation**

Prior to the end of the Cold War, the EU had developed limited trade relations with ECE states. Since the Cold War, trade volumes have increased although they still comprise only a fraction of EU global trade. Nevertheless trade partnerships, expressed through comprehensive association agreements, have intensified to the extent that trade policy towards ECE countries forms a central focus of EU foreign policies. The importance of these partnerships is indicated by the in principle agreement to offer European Union membership to all ECE states. Trade policy has long-term objectives – designed both to increase EU export and import markets and to help in political stabilisation and the consolidation of market economies in the ECE states. EU negotiating strategy towards East Europe was to link economic concessions with progress towards political and economic pluralism. Development cooperation was channelled in support of these multifarious objectives through the mechanism of the association agreements – more commonly known as the ‘Europe’ agreements.

*Transiting Cold War relations*

Of the ECE states, Hungary, Poland and Czechoslovakia had been the most important for the EC in trade terms during the Cold War. Each of these states provided around 2 billion ECU-worth of exports and 2 billion ECU-worth of imports with the EC in 1987. The EC negotiated a number of ad hoc sectoral agreements with Bulgaria, Czechoslovakia, Hungary, Poland and Romania in the Cold War years – in agriculture, textiles and steel. Romania was given slightly preferential treatment by the EC because it was judged, along with Yugoslavia, to be more independent of the Soviet Union than the other ECE states. Romania was granted a joint committee on trade in 1980 as well as improved access to EC markets. The EC had involved itself only in a very minor way with any form of development assistance to the ECE states – with Poland receiving food aid and medical assistance after 1983.

More substantial trade agreements with ECE countries only became possible after the EC and the CMEA agreed to recognise each other in June 1988 after which EC trade and cooperation agreements with Hungary and Poland came into force in 1988 and 1989 respectively. A trade agreement had been negotiated with Czechoslovakia in 1988 – only being transmuted into a trade *and* cooperation agreement and coming into force in 1990 after elections had been held in the country. Similar agreements with Bulgaria and Romania came into force in 1990 and 1991 respectively. The German Democratic Republic (East Germany) signed a trade and cooperation agreement in 1990 – but it was overtaken by unification in 1991 and never came into force.

These early agreements were negotiated as states were on the cusp of the transition from communism to capitalism. EC negotiators took a tough line with Communist states – insisting on political reforms in return for improved access to EC markets. The rapid pace of political change in the ECE states between 1988 and 1991 was matched, however, by an accelerated implementation of EC cooperation. The hard-fought-over agreements were liberalised – particularly in relation to the abolition of quantitative restrictions on ECE exports. The EU also assumed a pivotal role in economic development of the ECE states after the Commission assumed leadership in development cooperation to the ECE on behalf of the wider international community in 1989.

### *Post-Cold War and the first priorities*

In 1989, the Summit of the G7, the world's most prosperous nations, invited the Commission to coordinate aid from the G24 countries – the then member states of the Organisation for Economic Cooperation and Development (OECD). These were the twelve EC member states, the six EFTA states and Australia, Canada, Japan, New Zealand, Turkey and the United States. Other participants in the aid effort were the international financial institutions – including the World Bank, the IMF and, after its creation in 1990, the European Bank for Reconstruction and Development (EBRD). Initial assistance went to the areas of agriculture, access to markets, investment promotion, vocational training and environmental protection but from 1993 aid priorities shifted to nuclear safety, macroeconomic assistance and environmental protection with bilateral groups dedicated to providing a comprehensive and multi-sectoral strategy for each ECE country.

The sums of money committed through the G24, while not comprising a 'Marshall Plan' for East and Central Europe (see Chapter 2), were substantial and the majority was provided by the EU member states and the EU institutions. Between 1990 and 1996, out of a total international aid to the ECE states of some 98 billion ECU, the 15 EU member states provided some 37 billion ECU while the EU provided 11 billion ECU, the EIB nearly 5 billion and the ECSC 200 million – totalling just under 53 billion ECU. Within this overall context, however, Germany was by far the largest donor with over 17 billion ECU of aid – next in line of the member states being France with 6.5 billion ECU, followed by Austria at 4 billion ECU and Sweden at 1.5 billion ECU. By contrast in the same period the largest single donor state outside the EU was the United States at just over 11 billion ECU, followed by Japan at just over 5 billion ECU. Out of the international financial institutions, the IMF contribution amounted to just over 10 billion ECU, the World Bank just under 10 billion ECU and the EBRD around 5 billion ECU. EU aid was particularly valuable as most of it comprised grants, that is non-repayable assistance.

EU aid was allocated via the PHARE programme – designed in 1989 to aid Poland and Hungary as the countries furthest along the road to economic transformation but rapidly transformed to an instrument to assist all East and Central European states in 1990, including the then Yugoslavia. Most PHARE projects were designed

to assist in the transition to market economies although PHARE regulations also permitted the funding of humanitarian assistance. Since 1994 PHARE programmes had been designed to assist in pre-accession strategies (see section on enlargement below) and there have also been continuing moves to encourage intra- as well as interregional cooperation (see section on interregional cooperation below). Between 1990 and 1996, the sector in receipt of most PHARE funding was infrastructural development at 22.1 per cent followed by private sector development at 18.4 per cent and education, health and training at 14.7 per cent. Humanitarian aid came next at 7.8 per cent.

The EU and the member states provided loans to the ECE states through the EIB, ECSC, Euratom and through an EC macro-financial assistance facility. Between 1990 and 1996, the EIB loaned just under 5 billion ECU to the ECE states (as well as Albania). These loans were focused on the areas of infrastructure, energy, telecommunications, environment and support for small and medium-sized enterprises (SMEs). Macro-financial assistance to the ECE states from 1990 to 1996 amounted to just under 3 billion ECU (again including Albania). ECSC loans have been sector specific and relatively small although the Euratom loan of 1994 (also destined for Russia and Ukraine) was reasonably large – around 1 billion ECU – and designed to support ECE nuclear safety efforts.

The EU also played a part in the establishment of the EBRD – an initiative of President Mitterand of France. At its founding in 1989/90, there was some resentment from the smaller EU member states that they had not been consulted sufficiently. However, the EBRD was eventually set up in 1990 and was created specifically to assist states in the transformation from Communist planned economies to liberal market economies *and* democratic polities through the provision of loan finance. EU member states, the Commission and the EIB held 51 per cent of shares – but the member states far outweighed the Commission and the EIB – with the community institutions holding only 3 per cent of shares each.

The trade and cooperation agreements – the so-called 'first generation' agreements – provided an inadequate and unsatisfactory vehicle through which to frame and monitor this vast expansion of EU economic activity in ECE. Even as these were coming into force, the EU started to consider how economic and political relations could be reinforced so that at the Dublin European Council in 1990, member states agreed that some form of association should be offered to eligible ECE states. Association would permit the

institutionalisation of political as well as economic dialogue and would also provide the basis for a series of partnership institutions to be established which could in turn provide for more systematic cooperation between the EC and the ECE states.

The association or 'Europe' agreements as they became known were not accession agreements but instead were frameworks designed to promote free trade between the EU and individual ECE states over periods ranging up to ten years. The so-called 'second generation' Europe agreements came into force with Poland and Hungary in 1993, with the Czech Republic, Slovakia, Romania and Bulgaria in 1995, with Slovenia in 1996 and with Estonia, Latvia and Lithuania in 1998. Accession was only vaguely anticipated by these agreements and was made conditional on the ECE state fulfilling the requirements established by the EU. These agreements therefore did not represent a partnership of equals – and although trade liberalisation in industrial products occurred, there was and remains resentment in ECE states that the EU has maintained a protectionist agricultural policy that has restricted ECE access to EU agricultural markets. The continued pressure for accession from ECE states is to a large extent guided by the knowledge that it is only with full membership of the EU that ECE states would be able to fully benefit from both unrestricted market access and the substantial structural funds the EU allocates to EU less-developed regions.

Although trade has been growing between ECE states and the EU, it is still much more important for the former than for the latter. Total volumes of trade for the ECE states increased steadily after the end of the Cold War with a very rapid concomitant increase in total trade with the EU. By 1998 for instance only Bulgaria and Lithuania had less than 50 per cent of total imports (45 per cent and 50.2 per cent respectively) and exports (49.7 per cent and 38 per cent respectively) deriving from and heading for the EU. All saw large increases in a short time of their percentages of trade with the EU – with Slovakia for instance having around 25 per cent of its total trade with the EU in 1994 – rising to around half its total trade in 1998. Over two-thirds of the total trade of Hungary and Poland was by 1998 with the EU. These figures indicate that trade and economic integration with the EU is already occurring as far as ECE states are concerned. For the EU, trade volumes with the ECE states are minimal and showing little sign of increasing – between 1994 and 1998 the percentage share of EU imports from all the candidate

countries remained at just 3 per cent and the equivalent share of EU exports dropped from 4 per cent to 3 per cent in the same period.

#### *Changing priorities*

From 1997 PHARE priorities changed and were focused on two areas: institution-building and the financing of investment. Some 30 per cent of total PHARE funds were to be allocated to the former and 70 per cent to the latter. The budget allocation for 1995 to 1999 is just under 7 billion Euros.

#### *Actors, instruments, legal bases and decision-making procedures*

All the institutions of the Union have played important parts in trade and development cooperation relationships with ECE states. The Council and the Commission have maintained the impetus in terms of strengthening relations, with the Parliament closely monitoring developments through its various committees and delegations. The Parliament, for instance, used its co-decision rights in budgetary procedures in 1990 to increase Community aid to Hungary and Poland. The Commission has played an important internal role in terms of negotiating trade and cooperation agreements and later the Europe agreements. It has also played an important role as the coordinator of global aid to the ECE – organising and leading assistance from EU and non-EU member states including the United States.

The Europe agreements are managed by the Association Council, the Association Committee and the Association Parliamentary Committee. The Council meets once a year and comprises members of the European Council, the Commission and the government concerned – with representatives usually at foreign minister level. The Association Committee is the working body which directs the partnership and its members are Commission civil servants on the one hand and junior ministers or senior civil servants from the partner countries on the other. The Parliamentary committee, as the name suggests, brings together members of the European Parliament with parliamentarians of the partner country and it has the power to make recommendations to the Association Councils.

The PHARE programme, along with EU and EIB loans, has been the major instrument of trade and development cooperation with the ECE. PHARE has supported other programmes including the Trans-European Mobility Scheme for Universities (TEMPUS), the European Training Foundation, the Joint Venture Support

Programme (JOPP), the Programme of Local Government Cooperation East-West (Overture), Cooperation in Science and Technology with Central and East European Countries (Cost) and the PHARE democracy programme.

The trade and cooperation agreements were based on Articles 133 (ex 113), 308 (ex 235) and 310 (ex 238). The Europe agreements are based on Article 310 (ex 238) and 300 (ex 228). This has meant, among other things, that the Europe agreements had to be approved by the European Parliament, by way of an absolute majority. It also meant that the Europe agreements had to be ratified by the parliaments of the member states and the partner state. The interim agreements, which came into force to implement the trade aspects of the Europe agreements prior to ratification, were based on Article 133 (ex 113).

### Interregional Cooperation and Enlargement

EU motivations for further integration were essentially political – with enlargement seen as a way of consolidating market economies, liberal democracies and political stability in the wider European space. The EU has used enlargement negotiations to promote political and economic changes in candidate countries that the EU conceives as desirable. Enlargement has been an acknowledged central focus and instrument of a European Union foreign policy designed to achieve stability and security in Europe.

The original intention had been to try to develop close relations without committing the Union to accession but this policy rapidly changed to accept enlargement as both inevitable and feasible. The EU initially made efforts to encourage interregional cooperation – for instance with its early 1992 meeting with Czechoslovakia, Hungary and Poland to discuss political issues of mutual interest such as the Yugoslav crisis. Further ad hoc meetings took place with the Czech Republic, Poland, Hungary and Slovakia but, since the mid-1990s, interregional cooperation in terms of systematic cooperation between an organised group of ECE states and an organised group of European Union states has been displaced by the overall priority of bilateral accession negotiations.

ECE states had always been reluctant to allow interregional cooperation to be used by the European Union as a delaying tactic or worse a substitute for EU membership. Since the 1993 Copenhagen Council which agreed that ECE accession could take place providing those states met the criteria for membership and the 1994 Essen

European Council where the EU took a positive decision to help prepare the ECE states for membership, interregionalism has given way to enlargement as the key policy for arranging its relations with the ECE states. Some *intra*regional cooperation continues to be supported, for instance through the PHARE programme where a percentage of the budget is set aside for the promotion of *bon-voisinage* projects between the candidate countries as well as NIS and South East European countries. The EU has also supported the formation of the Central European Free Trade Area (CEFTA) which was formed between the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia as well as the Baltic Free Trade Area (BFTA) between the three Baltic states.

The European Union received applications for membership between March 1994 and June 1996 from ten ECE states. The Commission began working on a pre-accession strategy in 1994 and some attempts were made to engage the applicant countries with what was first termed a 'structured relationship' with the institutions of the European Union. The 'structured dialogue' that emerged from these antecedents involved, among other things, ECE leaders meeting with the European Council. Unfortunately, these meetings did not achieve their promise and were given little priority by the EU. The attempt at a multilateral focus was finally abandoned when the EU agreed a systematic programme for accession in 1997.

In July 1997, as part of its wider discussions on the future of the Union, in a paper entitled 'Agenda 2000: For a Stronger and Wider Union', the Commission recommended that accession negotiations commence with Estonia, the Czech Republic, Hungary, Poland and Slovenia. The December 1997 European Council agreed with the Commission while making clear, as had the Commission, that accession negotiations would also be opened with Bulgaria, Latvia, Lithuania, Romania and Slovakia. As soon as this latter group of countries were deemed to have met the criteria for membership they would proceed from what the Commission called 'pre-in' status to that of 'in' status. Key negotiations would be bilateral although the Union attempted to retain a supplementary multilateral forum in a 'European Conference' in which CFSP and Justice and Home Affairs issues would be discussed with all those states which had applied for membership and which had an associate relationship with the EU. The EU also registered its strategic vision of a Union that potentially includes all of Europe in that Estonia, one of the new Baltic states formed from the break-up of the former Soviet Union, as well as

Slovenia from the former Yugoslavia, are included as 'fast-track' applicants in the plans for this fifth enlargement.

The 1997 Commission 'Opinions', which found that four ECE states and Slovenia met the membership criteria and could be 'fast-tracked' into the EU and that the five remaining ECE states would have some further work to do before individual accession negotiations could commence, provide the base for subsequent Union policy. The EU opened accession negotiations with the 'ins' in a multilateral meeting of foreign ministers from the EU and the six candidate countries (five ECE plus Cyprus) in 1998 before moving to bilateral negotiating fora. The EU concluded individual accession partnerships with *all* ECE countries – both 'ins' and 'pre-ins'. The partnership agreements outlined what the candidate country needed to do to fulfil the conditions of EU membership – particularly in respect of how far the applicant state had come in adopting the *acquis* (rules, procedures and norms of the Union). The EU also used these agreements as a basis for deciding the scale and amount of PHARE funding which would be allocated in financial support for the candidate country. Since the start of accession negotiations, the Commission has researched and published annual reports on progress made towards adoption of the *acquis* by each ECE state.

In December 1999 at the Helsinki European Council the enlargement process was pushed a step further when it was agreed that the Union should be able to absorb the 'ins' – that is the first tranche of candidate states – by the end of 2002. It was also agreed that bilateral accession negotiations with the 'pre-ins' – Bulgaria, Latvia, Lithuania, Slovakia and Malta – could start in February 2000. Thus, by 2000, the EU was engaged in intense bilateral negotiations for accession with all the ECE states.

#### *Actors, instruments, legal bases and decision-making procedures*

The European Council and the Commission have both been important actors in the rapid moves towards enlargement. Strategic direction has been set by the various European Councils with Germany and the UK being particularly proactive in encouraging and supporting accession for ECE states. The Commission has also been prominent in that its 1997 Opinions and the follow-up reports have provided the foundation for EU policy on enlargement. Since the December 1994 Essen European Council, the PHARE programmes have been used to support ECE states in preparing for accession. From 2000 the EU is also intending to offer aid for agri-

culture and further structural funding. The applicant states have also been permitted access to Community programmes such as education and training.

The legal foundation for accession is Article O (ex 49) of the TEU. The Amsterdam Treaty added caveats for accession in Article 7 (ex F 1) so that applicants for membership must demonstrate that they respect the fundamental principles of 'liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law'. Decision-making procedures *vis-à-vis* enlargement are straightforward. The candidate applies for membership and the Council requests an Opinion from the Commission. The Council must then decide unanimously if it wishes to open negotiations. The Commission then proposes the broad negotiating lines and the Council must agree these, again unanimously. The EU and the candidate country then agree a draft treaty of Accession which is submitted to the Council and the European Parliament. The Commission gives an Opinion on the draft treaty and the Parliament must then assent to the treaty by an absolute majority and the Council must unanimously approve the Accession Treaty. After signature by the member states and the applicant countries, the Accession Treaty must be ratified by each of the member states and the candidate state. The treaty comes into force after ratification.

#### EUROPEAN UNION RELATIONS WITH SOUTH-EAST EUROPE (SEE)

The former Yugoslavia and Albania were at the very margin of Union concerns prior to the 1990s, and in the post-Cold War period the European Union has been pilloried for not preventing war in the Balkans. It is arguable, however, whether any international actor could have prevented conflict in this region. More positively, the European Union has played a very substantial part in the economic redevelopment of South-East Europe and continues to be a major player and pole of attraction for all countries in the sub-region.

The five states in the region can be divided into two groups. The first is Albania and the Former Yugoslav Republic (FYR) of Macedonia with which the European Union has managed to maintain productive relationships. Croatia, Bosnia and Herzegovina, and the Federal Republic (FR) of Yugoslavia comprise the second group – with which relations continued to be problematic – with the partial exception of the unfreezing of Croatian–EU relations consequent on 2000 elections in Croatia. Within the FR of Yugoslavia, EU relations remain complicated in that it has effectively established a separate

foreign policy for Montenegro and Kosovo, both legally constituent entities within the Federal Republic.

EU policy towards the sub-region has been led by *security* priorities in terms of how to prevent war, to recover from war and to rebuild after war. The pursuit of *trade* objectives has not been a high priority for the EU. Instead it is *development cooperation* which has provided the focus of European Union policy. *Interregional cooperation* has also been a secondary issue, being promoted as an instrument in support of moves towards regional stabilisation. The tentative promise of *enlargement* to include those states that fulfil EU criteria in the moves towards democracy and respect for human rights has also helped underpin policies designed to achieve stability.

### Security and Defence

EU involvement in the former Yugoslavia and Albania began as the former state disintegrated from the early 1990s onwards. The EU had some initial success in negotiating military restraint on the various parties but by 1995 had to accept a leading role for the United States in resolving the conflict in Bosnia. EU foreign policy instruments proved inadequate and, by the time of the second Balkan war in Kosovo in 1999, the EU had altered its role to that of senior partner in the civilian aspects of the military effort. EU member states retained an involvement in military action but directed their efforts through NATO – not through an EU security capacity.

Between 1991 and 1992, the EU had aspired to take the lead in Western policy towards Yugoslavia – and had been supported by the United States in so doing. In 1991 the EU had succeeded in mediating a cease-fire in Slovenia and had engaged in several rounds of shuttle diplomacy between Brussels, Belgrade and other Balkan capitals in an effort to keep the peace. An arms embargo was imposed on Yugoslavia in 1991 and in September 1991 the EU convened a conference on Yugoslavia at The Hague to find ways of resolving the crisis – attended by all six republics of the then Yugoslavia. With Serbian rejection of the conclusions of the conference, Germany pressurised the EU into recognition of both Slovenia and Croatia as independent states. Despite enormous internal unease, exacerbated by the fact that an independent commission appointed by the EU to consider the recognition issue stated that only Slovenia and the former Republic of Macedonia fulfilled democratic criteria, the EU recognised Slovenia and Croatia as independent states in January 1992.

The EU next made an effort to try to stop the Bosnian conflict from deteriorating into violence. The Bosnian Serbs had rejected independence in March 1992 – after a referendum in which they had abstained but which had resulted in a vote for secession from Yugoslavia. The Council convened another conference in March 1992 and imposed sanctions again – this time on Serbia and Montenegro in June 1992. In August 1992 the Union convened yet another conference – in London – and this time in coordination with the UN. The so-called Vance-Owen plan, named after David Owen the EU appointee and Cyrus Vance the UN appointee, emerged from the deliberations of this conference but was rejected by the Bosnian Serb Assembly in April 1993. The EU imposed further sanctions on the now rump state of Yugoslavia – comprising Montenegro and Serbia. The EU convened another conference in Geneva in November 1993 – but in early 1994, after the bombing of Sarajevo market in February, EU foreign ministers moved to refer the Bosnia crisis to NATO and accepted a role for the use of force in resolving the crisis. Divisions within the EU on the scale, scope and timing of the use of force meant that the EU could still not produce a credible policy to deal with the continuing violence in Bosnia. In June 1995, Carl Bildt replaced David Owen as EU mediator but it was the United States which led the various factions into a peace agreement – brokered and initialled under US diplomat Richard Holbrooke's tutelage at Dayton, Ohio in November 1995 – and signed in Paris in December 1995.

The European Union, like every other international actor until 1995, had had little success in preventing and then stopping the war in Bosnia, although its key member states played a major role in the security sphere. It was troops from EU member states – particularly from Britain and France – which had led the UN military protection forces (UNPROFOR) when the United States government had refused to allow ground troops to become involved in Bosnia. Britain and France were also major contributors to IFOR – the UN implementation force mobilised at the conclusion of the Dayton Accords which in December 1996 was renamed as SFOR – the Stabilisation Force for Bosnia.

The European Union was also involved in the Kosovo war of March–June 1999. The Union had expressed concern about the suppression of Albanian rights by the Belgrade-based Milosevic regime since 1992 and, as the Kosovo crisis grew more violent in 1998 when Serb military and paramilitary forces clashed with the Kosovan



Liberation Army (KLA), the EU engaged in a number of actions designed to support a resolution to the conflict. In March 1998 it supported the OSCE decision to give Felipe Gonzalez a mandate on Kosovo by also nominating Mr Gonzalez as the Union's Special Representative to Kosovo. In April 1999, it again imposed sanctions on the Federal Republic of Yugoslavia – this time on the supply and sale of oil. More vigorous action was, however, left to NATO – with EU member states utilising the wider Atlantic alliance to carry out policy to enforce compliance on Milosevic. Finally, in June, the EU special envoy, President Martti Ahtisaari of Finland along with the Russian special envoy, Victor Chernomyrdin, former Prime Minister of Russia, met with President Milosevic to negotiate the terms upon which the bombing would end. This deal provided the foundation for the final agreement to end the war between NATO and the Federal Republic of Yugoslavia on 9 June 1999. EU member states continued to play a substantial security role in postwar Kosovo as Britain, France, Germany and Italy led four of the five multinational military contingents in KFOR – the UN force established in June 1999 and designed to enforce the peace.

#### *Actors, instruments, legal bases and decision-making procedures*

The European Council and the General Affairs Council made regular pronouncements on the security situation in South-East Europe. The EU used the troika arrangements and also appointed a series of special envoys and special representatives including David Owen, Carl Bildt, Felipe Gonzalez and Martti Ahtisaari. The Commission and the Parliament played secondary roles in the security aspect of policy towards South-East Europe. Member states operated in a variety of arenas including the EU, NATO, OSCE and the UN – although some priority was given to the EU as the focus for collective diplomacy. Instruments varied from the use of the diplomatic *démarche*, to the implementation of economic sanctions and the use of military force. The legal bases for EU activity in this sphere were the CFSP provisions of the Treaty on European Union. In 1998, for instance, the EU implemented five new common positions under Article 12 (ex J 2) of the TEU and five new joint actions on the same area under Article 13 (ex J 3) in respect of what it called the 'western Balkans'. Despite the often very different perspectives, decision-makers attempted to reach consensus on policy.

#### **Trade, Development Cooperation, Interregional Cooperation and Enlargement**

In 1980 the EC had signed a cooperation agreement with the former Communist state of Yugoslavia – hoping to encourage Yugoslavia to remain independent of the former Soviet Union. The EC allocated financial aid to Yugoslavia – its third financial protocol in 1990 amounting to 807 MECU. By contrast, Albania, the other 'old' state in the region, had no contacts with the EU until 1990, after which a cooperation and trade agreement was concluded in 1992. By 1999 the only two states in the region with contractual relations with the EU were Albania with its 1992 trade agreement and the former Yugoslav Republic of Macedonia with which a cooperation agreement came into force in 1998. Since the break-up of the former Yugoslavia, however, the EU's main channel of foreign policy is via the conduit of development cooperation as the new states of Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and the Federal Republic of Yugoslavia have become dependent on outside economic aid. It is the EU and the member states that are major donors to these states and to Albania.

Post-Dayton the EU developed what it termed its 'regional approach' to reconstruction. EU objectives were to support the peace accords through creating an area of 'political stability and economic prosperity'. The former Yugoslav Republic of Macedonia and Albania received preferential treatment under this approach compared to the other three countries, as Bosnia, Croatia and Yugoslavia were all carefully scrutinised as to their compliance with the Dayton agreements. Political and economic conditionality were overt features of the approach. Access to European Union trade preferences, financial and economic assistance and contractual relations were explicitly linked to progress in democratisation and, for the three 'Dayton' states, implementation of the peace accords.

In 1999, the EU updated the approach by agreeing a 'Stabilisation and Association Process' for the countries of South-Eastern Europe. The EU promised to negotiate new Stabilisation and Association Agreements (SAA) with those states that had moved in some way towards democratisation and political and economic reform. States would be offered 'a prospect of EU integration' – the idea being that the possibility of future EU membership would act as an incentive for cooperation in peace-building in the region. In addition to the prospect of negotiating an SAA, the stabilisation process also

included provisions to encourage intraregional trade and economic cooperation, democratisation, assistance in law enforcement and political dialogue at the regional level and was also intended to encourage private financial investment. The entire process was designed to contribute to the June 1999 Stability Pact for South-Eastern Europe – an EU initiative designed to provide a mechanism for cooperation between the EU, the United States, Russia, Japan, the South-East European states themselves, and Turkey along with the international financial institutions and any other country operating in the region. In 1999, however, only the FYR of Macedonia complied with the European Union's conditions for starting negotiations for a Stabilisation and Association Agreement in that it demonstrated what the Commission termed 'a credible commitment to continue on the path of democratisation and good-neighbourly and cooperative relations within the region'.

Overall financial transfers to South-Eastern Europe between 1991 and 1999 from the EU and the member states were substantial with Bosnia the recipient of the largest amounts of assistance – 2.5 billion Euros. The next largest amounts went to Albania and Croatia at 1.5 billion Euros each. Yugoslavia – including Montenegro and Kosovo – received just over a billion Euros while the Former Yugoslav Republic of Macedonia received the smallest amount of assistance – just over half a billion Euros. From the EU itself (not including the member states) Bosnia received the largest amount of assistance – at just over 2 billion Euros, then Albania at just over 800 million Euros, Yugoslavia at just under 500 million Euros, the FYR of Macedonia at just over 400 million Euros and lastly Croatia at just over 350 million Euros.

Serbia received some humanitarian assistance – for refugees, displaced persons and vulnerable groups. The European Union also donated 30,000 tons of heavy fuel and gas to opposition-run municipalities in Serbia. This 'energy for democracy' programme was designed to demonstrate that EU hostility was directed at the Milosevic government – not the Serbian people. EU allocations amounted to 7.7 million Euros in 1998 and 505 million Euros in 1999. The 1999 amount was divided into 127 million Euros for reconstruction assistance and 378 million for humanitarian aid. Allocations were increased in 2000 – to a total of 360 million Euros – with 275 million Euros going to reconstruction assistance, 50 million Euros to humanitarian aid and 35 million Euros for 'exceptional financial assistance'.

Trade and interregional cooperation efforts may be encouraged by the 2001 arrest of ex-President Milosevic although it may not make substantial progress until the remaining political conflicts within Yugoslavia are resolved. Enlargement to include the FYR of Macedonia may be technically possible but is problematic because of Greek hostility to the idea and again because of the instability illustrated by the violent skirmishes between Albanian separatists and the Macedonian army in 2001. Enlargement to include the other states in this region is a very distant prospect. In the short term, therefore, development cooperation provides the cornerstone of EU policy and practice towards the region.

#### *Actors, instruments, legal bases and decision-making procedures*

Within the Union both the Commission and the Council have played prominent roles in terms of the pursuit of economic reconstruction. Chris Patten, the Commissioner responsible for external relations at the turn of the century, has taken a leading role. After the war, the United Nations Mission in Kosovo (UNMIK), headed by Bernard Kouchner, led the reconstruction effort – with the EU taking the lead in the economic reconstruction sector. The member states made significant financial contributions to the overall economic reconstruction effort. The EBRD also funds projects in the region – in all the states except Yugoslavia – lending some 7.5 billion Euros between 1991 and 1999. The EU works closely with the World Bank in attempts to coordinate donor activity for the decimated economies of this sub-region.

The EU has proved itself adept in both developing existing instruments and developing new initiatives designed to deal with the specific economic and political instability in the area. Bosnia and Herzegovina, Croatia and FYR of Macedonia, for instance, continue to benefit from trade preferences originally designated for the former Yugoslavia. Albania and the FYR of Macedonia are also entitled to aid from the PHARE programme. Other classical instruments utilised have been humanitarian aid provided through ECHO (to all states in this sub-region) as well as EIB loans (to Albania). In addition the EU created the OBNOVA programme in 1996. This is an EC instrument designed to provide funding in support of the Dayton peace accords and is intended to help reconstruct Bosnia and Herzegovina, Croatia, the FYR of Macedonia and Yugoslavia. The Stability and Association Agreements will provide a new means of association with the EU – designed to give partner countries 'a prospect of

EU integration'. The trade and cooperation agreements with the FYR of Macedonia and Albania are based on conventional sources – Articles 133 (ex 113) and 310 (ex 238) of the treaties establishing the European Communities.

#### EUROPEAN UNION RELATIONS WITH CYPRUS, MALTA AND TURKEY

At the beginning of the twenty-first century, European Union foreign policy towards Cyprus, Malta and Turkey is shaped by the question of future accession. The European Union has agreed that the next round of enlargement should include Cyprus and Malta which are both actively involved in the implementation of pre-accession strategies. Since 1997, Turkey has also been considered as a potential candidate country with a dedicated 'European strategy' agreed to help Turkey prepare for accession in 1998. *Security and defence, trade, development cooperation* and questions of *interregional cooperation* are treated in the context of EU policy on enlargement.

Historically *security* issues, in the broadest sense, have impinged on EU relations with Cyprus and Turkey to the extent that the EU has attempted some cautious political intervention in Cyprus to encourage a solution to the division of the island. It has also made diplomatic and economic interventions in Turkey in response to internal political developments. The EC, for instance, froze its relations with Turkey in 1980 as a response to military intervention in the political process and has frequently condemned human rights abuses, particularly of the Kurdish minority. The EU has consistently argued that Turkey could not be considered as a candidate for membership until respect for human rights and rule of law was more firmly established within the country. The EC/EU position on Turkey, however, has also been tempered by its understanding of Turkey as a key strategic ally – and a member of NATO. The relationship with Turkey is further complicated by the Turkish military occupation of northern Cyprus since 1974 – precipitated by the Cypriot government's declaration of union with Greece. The Greek/Turkish border within Cyprus has since 1974 been patrolled by United Nations peacekeepers and has sometimes seen tense security stand-offs – for instance in 1996 when a Greek Cypriot was killed by Turkish troops. Positive change in relations between Greece and Turkey after the devastating earthquake of August 1999 – including preliminary agreements to pursue cooperation in the areas of tourism, culture, environment and combating organised

crime – offer some hope that it may be possible to secure a negotiated solution to some of the more long-standing and difficult issues in Greek–Turkish relations. This may in turn facilitate a climate of cooperation where the Cyprus 'problem' could at last be negotiated.

The EU has engaged in *trade* relations with Cyprus, Malta and Turkey under the auspices of association agreements since, respectively, 1972, 1970 and 1963. The EU remained an important trade partner for all three states – but to a varying extent. Between 1994 and 1998, for instance, the EU share of Cypriot imports increased from 55.5 per cent to 61.9 per cent while Cypriot exports to the EU remained at around 50 per cent, slightly decreasing from 52.2 per cent to 50.4 per cent. In the same period, the EU share of Malta's imports declined from just over 75 per cent to 69 per cent while the percentage of Malta's exports to the EU declined more dramatically – from 74 per cent to just under 53 per cent. Turkey on the other hand increased its import and export share to the EU in the same period – from just over 44 per cent to 52.4 per cent of imports and just under 46 per cent to 50 per cent of exports. EU relations are much more intense with Cyprus and Turkey than with Malta. The EU and Turkey established a customs union in 1995 while Cyprus and the EU expect to complete a customs union in 2002.

The EU provides *development cooperation* to all three states. Some of this comes in the form of financial assistance by way of the financial protocols attached to the association agreements. Other assistance comes in the form of humanitarian aid – for instance the 34 million Euros provided for disaster relief and rehabilitation after the 1999 earthquake in Turkey. Cyprus, Malta and Turkey participate in the Euro–Mediterranean (Euro–Med) partnership established in the wake of the Middle East peace process of the early 1990s (see Chapter 6). The EU and its 15 member states engage in *interregional cooperation*, therefore, in a formalised and institutionalised manner through the various meetings of the partnership.

It is *enlargement*, however, which provides the EU frame of reference to these three countries in the early twenty-first century. The 1963 association agreement with Turkey had included a clause that envisaged Turkish membership of the then EC although Turkey did not apply for membership until 1987. Cyprus and Malta applied to join in 1990 although Malta froze its membership application in 1996 after the Malta Labour party won the general election –

unfreezing its application after the victory of the Nationalist party in the elections of 1998.

Cyprus and Malta have been included in the enlargement negotiations along with the East European countries since 1994. The EU agreed a specific pre-accession strategy for Cyprus in December 1997 at the European Council in Luxembourg which permitted access to technical assistance and participation in certain Community programmes and projects – particularly those aimed at improving administrative capacity and in the fields of Justice and Home Affairs. The major problem remained the absence of a political solution to the Cyprus conflict and hence the lack of Turkish Cypriot participation in the negotiations. EU reports on Cyprus therefore deal only with Greek Cyprus – leading to a slight air of unreality about negotiations ostensibly designed to deal with the whole island but in fact only covering the wealthier southern Greek Cyprus. The EU hopes that the attractions of potential membership may help to encourage a settlement of the conflict but also risks importing a long-running international site of conflict within its own borders if a solution is not found prior to the deadline for enlargement negotiations.

Malta on the other hand presents few problems in terms of potential accession. It fulfils the Copenhagen political and economic criteria in that it is a functioning democracy, has an established market economy and is capable of fulfilling its obligations under the *acquis* – including possessing the capacity to cope with competitive pressure and market forces once a member of the Union. The EU began its 'screening' process of Malta in 1999 and in June 1999 the General Affairs Council agreed to include Malta in the multilateral political dialogue with the East European applicants and Cyprus.

Turkey has been a problematic case for the European Union. The EU's major ally, the United States, has encouraged Turkish efforts to join the EU because of Turkey's strategic importance in the Middle East and as a 'gateway' to the central Asian states of the former Soviet Union. The EU has been more cautious about Turkish membership – partly because of the Cyprus issue and partly because Greece, Turkey's major antagonist, has been wary of Turkish membership. In addition to these geopolitical concerns, however, there are others. Turkey is a very large state, with a population of some 63 million people whose average income in 1998 was just 32 per cent of the EU average. Countering this is the fact that Turkey, along with Norway and Switzerland, is more economically integrated with the European Union than any other state in non-EU Europe, and the EU reports

that Turkey more or less fulfils the economic criteria of Copenhagen. It has many of the characteristics of a market economy and is likely to be able to cope with competitive pressures and market forces within the Union. At the turn of the century, however, in 1999, the major issue of contention was that the Union did not consider that Turkey met the Copenhagen political criteria. The EU was concerned about widespread torture, restrictions on freedom of expression, human rights and protection of minorities. It was particularly concerned that the death penalty be not carried out on Abdullah Öcalan, the Kurdish leader – sentenced to death in June 1999 by the State Security Court.

Nevertheless the EU has pursued a policy of continuing engagement and dialogue with Turkey. Since 1997 the EU has developed a specific European strategy for Turkey that included measures to intensify the customs union and implement financial cooperation, to support approximation of Turkish legislation to the *acquis* and to encourage Turkey's participation in specific Community programmes and agencies. The December 1999 European Council at Helsinki confirmed the strategy – allocating 150 million Euros to assist in implementation during the years 2000–02.

#### *Actors, instruments, legal bases and decision-making procedures*

The Council and the Commission have been the major actors in the relationship with the three states – with the Parliament assuming an activist stance on relations with Turkey. The major instruments utilised to facilitate the relationship were the financial protocols attached to the association agreements. The EU has also engaged in diplomatic efforts to support a peace settlement in Cyprus and has used diplomatic means to bring pressure on the Turkish authorities on political issues. Since the mid-1990s, however, an important instrument has been the promise of accession. Pre-accession partnerships and the EU's 'screening' process have encouraged the adoption of the *acquis*. The political and economic strategic objectives of EU foreign policy – adoption of liberal democracy and market economies – are thus fulfilled through self-adoption by the partner states. The legal bases for the association agreements with the three countries were Articles 133 (ex 113) and 310 (ex 238) of the treaties establishing the European Communities. The association agreements were accompanied by Association Councils, Association Committees and arrangements for inter-parliamentary cooperation. Decision-making in respect of Turkey has not been straightforward

– with a failure to reach unanimity by the Council in 1991 entailing the rejection of a Commission proposal to enhance and improve relations. In 1995, the Parliament used its powers of assent in respect of the customs union with Turkey to insist on attention to human rights issues. The Parliament threatened not to ratify the customs union and only reluctantly agreed to do so after some political prisoners were released and changes in Turkish legislation on terrorism took place.

#### THE EUROPEAN UNION FOREIGN POLICY PRIORITY

The strategic foreign policy priority for the European Union in the early twenty-first century is to build a strong, prosperous, liberal democratic and politically stable Europe. Huge strides were made towards integrating northern European countries into the Union, and political and economic efforts remain focused on incorporating most of the remaining European states in the European constrictions which, by the early twenty-first century, is neither geographically divided nor split between organisations which are functionally separate from each other. The European Union of the twenty-first century, therefore, has changed to become an organisation that is more representative geographically of the continent and is much more capable in its ability to pursue diverse policy interests abroad than the European Community of the 1950s. Whether or not this is a 'good thing' or a 'bad thing' is discussed in the final chapter.

### Guide to Further Reading for Chapter 8

There is now an enormous literature on EU relations with the rest of Europe. Some sub-regions have more coverage than others with Central and Eastern Europe tending to be well covered and Russia and the NIS, by contrast, not as extensively analysed. A good chapter on EU relations with the wider Europe is in Christopher Piening, *Global Europe: The European Union in World Affairs* (London: Lynne Rienner, 1997). An overview of post-Cold War European security issues which includes relevant material on OSCE, EU, WEU and the Baltic–Nordic region is W. Park and G. Wyn Rees (eds), *Rethinking Security in Post-Cold War Europe* (Harlow: Addison Wesley Longman: 1998).

On relations with the northern neighbours, two indispensable sources are Helen Wallace (ed.), *The Wider Western Europe: Reshaping*

*the EC/EFTA Relationship* (London: Pinter/RIIA, 1992) and Lee Miles (ed.), *The European Union and the Nordic Countries* (London: Routledge, 1996). On relations with the NIS, the secondary sources are limited. Try Ole Nørgaard, 'The Post-Soviet Newly Independent States and the European Community: Prospects for Trade, Investment and Aid', in Ole Nørgaard, Thomas Pedersen and Nikolaj Petersen, *The European Community in World Politics* (London: Pinter, 1993) and Antje Herrberg, 'The European Union and Russia: Toward a New *Ostpolitik*', in Carolyn Rhodes (ed.), *The European Union in the World Community* (London: Lynne Rienner, 1998). The best source of raw data on EU relations with the NIS is the EUROPA website of the European Commission at <http://europa.eu.int/> – although this is of course not a source of critical evaluation of policies.

There are a number of accessible and systematic treatments of EU relations with East and Central European states. The most comprehensive and detailed, but unfortunately not available in paperback, is Karen E. Smith, *The Making of EU Foreign Policy* (London: Macmillan, 1999). Also useful is John Pinder, *The European Community and Eastern Europe* (London: Pinter/Royal Institute of International Affairs, 1991), Alan Mayhew, *Recreating Europe: The European Union's Policy Towards Central and Eastern Europe* (Cambridge: Cambridge University Press, 1998), Heather Grabbe and Kirsty Hughes, *Enlarging the EU Eastwards* (London: Pinter/Royal Institute of International Affairs, 1998). The Commission's view on enlargement can be found in Graham Avery and Fraser Cameron, *The Enlargement of the European Union* (Sheffield: Sheffield Academic Press, 1999). European Union policy towards East and Central Europe is also summarised in various official documents. For the quote in this chapter on trade and development cooperation see European Parliament, Directorate-General for Research, *Fact Sheets on the European Parliament and the Activities of the European Union* (Luxembourg: Office for Official Publications of the European Communities, 1994), p. 119.

EU policy towards South-East Europe has been transformed from an almost complete lack of interest prior to the break-up of Yugoslavia into an interventionary and active involvement in recent years. As a result there is little secondary literature. A good overview on the security issues is Andreas G. Kintis, 'The EU's Foreign Policy and the War in Former Yugoslavia', in Martin Holland (ed.), *Common Foreign and Security Policy* (London: Pinter, 1997). The EU website carries reports, speeches and a mass of data on EU activity in this

area and can be accessed at [http://europa.eu.int/comm/external\\_relations/see/intro/index.htm](http://europa.eu.int/comm/external_relations/see/intro/index.htm).

Two short accounts of relations with Cyprus, Malta and Turkey, the second with particular reference to enlargement, can be found in Christopher Piening, *Global Europe: The European Union in World Affairs* (London: Lynne Rienner, 1997) and Graham Avery and Fraser Cameron, *The Enlargement of the European Union* (Sheffield: Sheffield Academic Press, 1999). A view from the other side can be found in Christopher Pollacco, *Malta-EEC Relations* (Msida, Malta: Mireva, 1992). A comprehensive source on developments in respect of enlargement can be found on the EU enlargement website at [http://europa.eu.int/pol/enlarg/index\\_en.htm](http://europa.eu.int/pol/enlarg/index_en.htm).

## 9 Guns or Butter?

This book started out by asking if the European Union possessed a foreign policy. The last eight chapters have demonstrated that if we can get away from considering only that which is sanctified by the procedures and legalities of CFSP, we undoubtedly find that the EU has a comprehensive, extensive and sometimes remarkably effective foreign policy. It is simply banal to argue that because the EU achieves its foreign policy aims through a whole panoply of non-CFSP instruments and activities by fiat, it does not possess a foreign policy. The European Union is not of course always successful or efficient and therefore sometimes does not achieve foreign policy objectives or does not carry out policy very well. This is the same for all states – including the most powerful.

Some of the argument is necessarily about the perception or 'theory' one holds of what constitutes foreign policy (see annotated reading list at the end of the chapter for specific theorists). Theoretical issues do need to be resolved but they are nowhere near as important as the implications of the argument for the ethics and politics of the European Union. In practice, the Union can now intervene in almost any area of the world in almost any aspect of foreign policy. It has a massive armoury of instruments and activities that it can mobilise to achieve objectives abroad. Ethically, the question is should it do so? The Union, with its history of conflict with the United States, could become an increasingly independent actor in international affairs. Politically, the question is will it do so? And, given what we know about the Union's history and trajectory in foreign affairs so far, what can we say about what the future priorities of the European Union will be in its international relations? Where do we go from here?

### THE THEORIES

There are very many theories of international relations and politics that could help to explain and understand the European Union's role in world affairs. Some of these theories share certain assumptions even if they differ in their methodologies, normative biases and conclusions. Clusters of theories sharing basic assumptions can be thought of as traditions of inquiry, formerly widely known as