

The Right Honourable
CHRISTOPHER PATTEN, CH
 Member of the European Commission

Doctor **JAVIER SOLANA**
 EU High Representative for the Common
 Foreign and Security Policy

7.08.02

Wider Europe

Angela Merkel

The April General Affairs Council invited the Commission and the High Representative to work up ideas on the EU's relations with its neighbours. The timing of this debate is driven, in particular, by the prospect of decisions on enlargement to be taken by the European Council in Copenhagen. These decisions will bring the dual challenge of avoiding new dividing lines in Europe while responding to needs arising from the newly created borders of the Union. At the same time we should fully exploit the new opportunities created by enlargement to develop relations with our neighbours.

1. What should be the **geographical coverage** of this exercise? The enlarged Union's neighbours fall into three main regional groupings: the Mediterranean (Barcelona Process); the Western Balkans (Stabilisation and Association Process); and Russia and the other eastern neighbours (Partnership and Co-operation Agreements). In addition, there are the EEA countries and Switzerland who seem likely to remain satisfied with the status quo, the candidate countries that are already engaged in negotiations but will not make the first intake of enlargement, and Turkey.

The imminent enlargement presents an opportunity to develop a more coherent and durable basis for relations with our immediate neighbours. The pace and scope of this process will have to be flexible – there can be no one-size-fits-all approach. The starting point should be that relations with all our neighbours should be based on a shared set of political and economic values. Building on this, we should aim towards regional stability and co-operation, closer trade links and approximation and/or harmonisation of legislation and progressive extension of all relevant EU policies. Looking to the medium and longer term, we could foresee a gradually evolving framework for an economic and political space surrounding the Union, which would nevertheless stop short of full membership or creating shared institutions. Building on existing instruments and relations, this approach could ultimately bring neighbouring countries fully into the internal market and other relevant EU policies.

H.E. Mr Per Stig Møller
 The Minister for Foreign Affairs
 Denmark

2. How do we want to **develop our relations** with present and future neighbours? The three main geographical groupings above can be distinguished by what we say about their prospect of accession to the EU. For the Balkans it is an explicit goal, although there remains a huge amount of unfinished business and many difficulties ahead. In the Mediterranean (apart from current candidates) membership is explicitly excluded and instead we put more emphasis on co-operation with and within the region. Our future eastern neighbours fall somewhat uncomfortably in between. Making their situation less ambivalent and more comfortable – particularly for Ukraine which is most actively seeking more concrete recognition of her European aspirations – is probably the most immediate challenge for our neighbourhood policy. This requires the delineation of an ambitious but workable policy framework for the next ten years or so, without closing any options for the more distant future.

3. What are **our interests** and what do we want to achieve? There are a number of overriding objectives for our neighbourhood policy: stability, prosperity, shared values and rule of law along our borders are all fundamental for our own security. Failure in any of these areas will lead to increased risks of negative spillover on the Union. In the Balkans, the Union has already defined a strategic framework through the comprehensive Stabilisation and Association Process and focus is now on implementation. In the Mediterranean the framework for bilateral and regional co-operation is taking shape, but the process is presently impeded by the crisis in the Middle East. With our future eastern neighbours, the main challenge continues to be to assist these countries through a difficult transition period. The enlargement of the Union will add a number of specific challenges here; how to tackle specific cross-border issues; how to develop regional trade and economic development; how to stem increased threats from crime, trafficking and illegal migration etc.

4. What **concrete measures** could bring us closer to our objectives? Five areas seem particularly promising:

a) **reinforced political dialogue** where the aim should be to enrich the quality of discussion rather than multiplying the number of high-level meetings;

b) **economic co-operation and closer trade links.** Over the last decade, the EU has concluded or launched a whole series of negotiations of different types which will lead to a patchwork quilt of trade agreements with various parts of the world. We should first assess their potential consequences for the multilateral trading system, for our neighbours, and for ourselves, including the new EU members whose competitiveness remains fragile. Initially, there may be scope to accelerate WTO negotiations where applicable and to work on progressive approximation to EU norms and standards. In the light of this analysis, the Commission will consider further moves towards full trade liberalisation, including free trade areas where appropriate, and will make relevant proposals accordingly.

c) co-operation on **JHA**, including **border** management and migration issues, taking account of economic and cultural links between both sides of the borders;

d) **financial assistance** including a new approach to cross-border co-operation that might pool existing resources and techniques;

e) **integration into EU policies** such as consumer protection, competition policy, research, education, culture and environment.

5. Do we need to create **new contractual arrangements** such as **Neighbourhood** or **Proximity Agreements**? There is already scope to upgrade relations within the existing agreements with the countries concerned and we must guard against cosmetic changes distracting attention or even becoming a substitute for substantive measures. The debate needs careful handling to avoid unrealistic expectations over the prospects of future enlargement. On the other hand, if we decide to set out specific and qualitatively enhanced objectives for our policy, this could justify a relabeling of our relations. Moreover, the strong symbolism of a new label that marks a strengthened commitment of the Union could help to raise the profile of relations with the EU and thus unlock additional political will and administrative capacity. The strong political and economic ties between the future members and their neighbours should help in this respect.

Consideration of all these issues comes into sharp focus in the run-up to the European Council in Copenhagen. When the frontier of the Union shifts eastwards, the opportunities and challenges raised by our **eastern neighbours** will affect us more directly than today. In no other neighbouring region will enlargement have such immediate consequences. While there are important opportunities to explore closer ties with these countries, there are also challenges in areas like illegal migration, trafficking and spillover from local or regional crises.

At present, **Ukraine** is most likely to be able to profit from greater incentives. The government and the political elite is broadly behind a pro-European agenda and have set themselves ambitious goals in this respect. Progress in relations will to a large degree depend on Ukraine's ability to implement further reforms in particular of the administration and judiciary. But the possibility of moving towards a "Neighbourhood Agreement" or something similar could serve as an important driving-force.

The cases of **Belarus** and **Moldova** are different. With Belarus we presently have virtually no formal relations: while there is scope to intensify support to Belarusian society, the Partnership and Co-operation Agreement signed in 1995 has not been implemented and attempts to make a policy of conditionality more effective have yielded little. Moldova, Europe's poorest country, is in a state of crisis which could render any long term strategy superfluous; the immediate question there is how the EU can engage more actively in resolving problems which will soon be on our doorstep. The key to the country's future political and economic development is resolution of the conflict in Transdnistria without which it will remain a source of instability in the region.

We need also to consider how **Russia** might be linked to, or fall within, a new neighbourhood policy. The arguments for differentiation are clear. Though Russia is already a direct neighbour, it is not indicating any immediate or medium-term interest in being a membership candidate. Politically, we have little interest in adding to the pressure for every new component or inflection in our relations with Russia to be replicated immediately with other eastern neighbours. Yet the EU's dialogue and co-operation with Russia on specific challenges emanating from, or relating to, the other countries of the region are crucial to the chances of solving them. And much of the substance of our basic objectives towards all four states – fostering stability and prosperity through gradual political and economic reform – is similar. In the end, Russia is an indivisible part of the region – it is difficult to envisage strengthened regional co-operation without Russia.

At the least, an initiative towards the eastern neighbours should **build on the existing PCA frameworks and Tacis programme**, based on a common assessment of their implementation and performance to date, and identifying future priorities. Depending on their respective situations, this could cover a range of possible types of agreement. A minimalist 'PCA plus' approach would have the advantage of avoiding raising undue expectations. However, the drawback may be that demands for a bigger gesture would persist, a prospect which would mitigate in favour of presenting a more ambitious objective at Copenhagen.

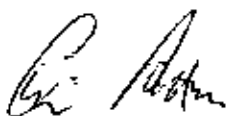
This could consist of the announcement in December of a new proximity policy initiative, with **initial focus on the eastern neighbours**, which could include the following possible elements:

- an upgrading of the PCA relationships with Ukraine and Moldova as the first "**European Neighbourhood Agreements**"; the guiding principle for the implementation of these Agreements should be self-differentiation. They should also contain clear **benchmarks and incentives** to attain them. Sequencing would be crucial – for example sufficient structural reform would be a precondition to benefit from trade liberalisation. And a genuine political dialogue would be needed jointly to monitor progress in domestic reforms and establish technical assistance priorities;
- one open question, in view of the analysis in 4(b) above, is whether these **benchmarks** should include **targets** for the **free trade agreements** that are already foreseen in the existing PCAs. Equally we should consider scope for progress with regulatory approximation and co-operation, aimed at assisting partners to incorporate and implement a range of single market disciplines; the work now beginning with Russia on a **Common European Economic Space** is an interesting model in this context;
- the Agreements could also foresee an **intensified political dialogue**, in selected areas and in international fora on the basis of mutual interest; greater emphasis could be put on fostering enhanced responsibility of these countries in regional security matters: closer co-operation on ESDP/crisis management could also be envisaged ;

- **Tacis** spending for the new border states could be increased, although this would mean cuts elsewhere. Funding should be targeted according to our priorities, as well as recipients' needs and ability to absorb; for example the EU has an interest in more effective co-operation on justice and home affairs in line with the Seville conclusions, including border management, migration and organised crime; **a new proximity instrument** might consolidate elements of the Tacis, Phare and CARDS cross-border programmes, and the Interreg funds which will be deployed in the newly acceding member states. Ways should be explored to make existing procedures more flexible and to improve the focus of spending on EU's practical priorities.
- further efforts could be undertaken to modernise and upgrade border posts and equipment in order to ensure **smooth and swift border crossings**; the establishment of joint EU consulates could be envisaged, as well as increased efforts on administrative capacity building;
- finally, it should be considered whether the Agreements might foresee eventual **access to Community programmes** for example in areas like research, environment, culture and education; however, such incentives would have to be financed and balanced by requirements of the response we would expect to see in each area.

All of this gives ample food for thought. However each of us conceives of the scope and priorities for a new neighbourhood policy, we will do well first to reflect if we want to shape future relations with the countries of the wider border in a manner of our choosing. As and when the first orientations of an agreed policy emerge, they should also be discussed with present candidate countries who could contribute valuable perspectives both on the countries concerned and on their own experiences of the challenges of transition. Our meeting on 31st August will provide an important opportunity to discuss these questions, allowing us to prepare well in advance for Copenhagen, and enabling us to work up more detailed proposals for a political and institutional framework with our new neighbours in due course. In this context, the Commission intends to present a communication in the autumn.

We are copying this letter to the other members of the GAC who will be attending the Gymnich meeting at the end of the month.



Chris Patten

Javier Solana