Wider Europe, neighbourhood: a new framework for relations with Eastern and Southern neighbours

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As of 1 May 2004, the European Union will encompass 25 countries, with a combined population of more than 450 million and a GDP of almost EUR 1000 billion. Such a dramatic enlargement will have weighty political and economic consequences on the EU's new neighbours, namely Russia, the Western NIS and the Southern Mediterranean. In response to this development the Council has requested that the Commission prepare a report on future EU policy vis-à-vis its new neighbours. For the purposes of this document the Commission does not include the candidate countries of Turkey, Bulgaria and Romania. In its Communication, the Commission is keen to emphasise that the EU must avoid drawing new dividing lines in Europe. Rather, future EU policy will rest on the promotion of stability and prosperity with its neighbours through the long-term promotion of reform, sustainable development and trade. The so-called "ring-of-friends" with whom the EU can enjoy close, peaceful and co-operative relations. First and foremost the Communication suggests that Russia and the countries of the Western NIS and the Southern Mediterranean should be offered the prospect of a stake in the EU's Internal Market and further integration and liberalisation to promote the free movement of persons, goods, services and capital - the four freedoms. The challenge to do so is great. There is, for instance, a great disparity between the levels of GDP. Most of the EU's southern and eastern neighbours have a nominal GDP per capita of less than EUR 2000. Poverty and social exclusion has increased sharply in Russia and the WNIS over the past decade. Similarly in the Mediterranean region relative poverty remains an issue. Nearly 30% of the population live on less than $2 a day and illiteracy rates remain high. Only 0.6% use the internet and only 1.2% have access to a computer. Other problems faced by these neighbouring countries are weak levels of foreign direct investment, weak functioning legal systems plus the negative effect of conflict (Western Sahara, Palestine and Transdniestria). In order to counter the negative impacts outlined above and in order to implement the "ring-of-friends" policy the Commission has put forward a number of proposals for further European Parliament and Council consideration. They are: - The extension of the internal market and regulatory structures. The implementation of such a policy would allow for the establishment of common rules and standards, vital if the EU's neighbours are to successfully access the enlarged EU internal market. This would also have the advantage of creating a level playing field in the area of goods, services, capital and persons. - Preferential trading relations and market opening. More open trade is a key component for market integration and as such the Commission urges the expansion of existing trade agreement with the neighbouring countries - both with the EU and amongst themselves. - Perspectives for lawful migration and movement of persons. The EU is keen to emphasise that the new external border should not be seen as a barrier to trade, social and cultural interchange or regional cooperation. Proposals include facilitating the crossing of external borders for bona fide third-country nationals living in the border areas that have legitimate and valid grounds for regularly crossing the border and who do notpose any security threat. - Intensified co-operation to prevent and combat common security. The Commission is seeking an intensification of co-operation, joint work and greater assistance to combat security threats such as terrorism and trans-national organised crime, customs and taxation fraud, nuclear and environmental hazards and communicable diseases. - Greater EU political involvement in conflict prevention and crisis management. Under this heading the Commission proposes that the EU should take a more active role in facilitating a settlement of the disputes over Palestine, the Western Sahara and Transdniestria. - Greater efforts to promote human rights, further cultural co-operation and enhance mutual understanding. Such efforts would include EU programmes and activities in research, education, culture and bilateral visitor programmes. - Integration of transport, energy and the communications networks and the European research area - in particular EU policies such as the Trans European Networks (TENs), Galileo and other research activities. - New instruments and investment promotion and

protection. Future agreements concluded with the EU's neighbours could include reciprocal provisions granting companies national treatment for their operations as well as a strengthening in the overall protection of investment. As such the EU should continue to assist in the fight against corruption. - Supporting WTO membership. The EU should support WTO negotiations with applicant countries - Russia, Ukraine, Algeria, Lebanon and Syria. - Financial assistance, better tailored to needs. This would include, for example, the strengthening of all forms of economic, legal and social cooperation across borders, especially between regional and local authorities and within civil society. - New sources of finance. The Commission proposed a possible Euro-Med bank as a means of providing additional support for private sector development in the region. It also suggests the further development of EBRD and EIB funding to Russia and its extension to take in the Ukraine, Moldova and eventually Belarus. In order to achieve the objectives listed above Action Plans and benchmarks should be drawn up by the Commission and presented to both the European Parliament and Council for consideration, following discussion with the partner countries concerned. A three-step process could be envisaged for developing and implementing the Action Plans for each country. 1. Dialogue in the existing frameworks of the Association and Partnership Co-operation Agreements. 2. The setting out of common objectives and benchmarks plus a timetable of their achievement 3. An annual review of progress in the implementation of the action plans. Lastly, the financial implications of the new Neighbourhood Policy should be reflected in the Commission's future budgetary proposals.