
The European Union and its Neighbours: “Everything but Institutions”?

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Abstract: The paper considers the status of the European Neighbourhood Policy in the light of the new Financial Perspective 2007-2013 and of the present internal state of the European Union. Even if in theory the ENP could have been a valid substitute for enlargement, it does not seem to have reached its aim of providing an adequate surrogate for full membership. Considering the figures of the new Financial Perspective 2007-2013, the issue of market access, and the internal power dynamics of the EU, we see that it is hardly conceivable that the ENP could ever give to its neighbours the same economic advantages that membership gives to the poorer members of the EU. Another controversial aspect is the clear asymmetric nature of the ENP, whereby the payoff for neighbours is conditioned on their “good behaviour”, thus amounting to a form of soft imperialism. While ENP tries to establish a comprehensive and coherent framework of the EU’s relations with its neighbourhood, the actual behaviour of EU towards its neighbours is shown to present some inconsistencies due to political expedience and pragmatic concerns. The consideration of some related basic issues of EU institutional reform, such as the weakening of the powers of the member states, or the introduction of some intermediate forms of partial membership, concludes the paper.

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1. Prodi’s promise

1.1 Introduction

Facing the greatest enlargement of its history (in terms of the number of countries, territory, and population), and a possibly long interruption of the enlargement process, the EU launched in 2003 the European Neighbourhood Policy (henceforth ENP) in order to furnish to its new neighbours of the East, left outside of immediate, or any, prospects of enlargement, some compensation and a kind of comprehensive framework for their relations with the EU, which could apply also to the neighbours (or alleged neighbours) of the South.² Presenting the basic philosophy of ENP in 2002 President Prodi made the famous promise: “everything but institutions.”³ The promise

¹ Some of the views presented here were originally contained in a short report to the conference on *The Challenges of European Neighbourhood Policy*. Rome, Ministry of Foreign Affairs, 26-27 November 2004 (Chilosì, 2004). Thanks are particularly due to Michael Keren and Susan Senior Nello for comments and suggestions leading to improvement of the paper, but also to Annalisa Meloni and Marcello Di Filippo for discussing specific related arguments. None of the above persons should however be held responsible for and remaining mistakes and controversial views. Email: chilosì@sp.unipi.it

² The relevant EU documents related to ENP are listed and made available at http://ec.europa.eu/world/enp/documents_en.htm. For a recent general survey of ENP and of its economic implications see Dodini, Fantini (2006).

³ Cf. Prodi (2002).

refers to the possibility for neighbours to have the same treatment and economic advantages of EU membership, except the participation in EU institutions, through a process of gradual adaptation to EU's membership requirements. Has Prodi's promise been fulfilled, or is it going to be fulfilled? We believe it has not, nor is it likely to be. Considering the figures of the new Financial Perspective 2007-2013, the issue of market access, and the internal power dynamics of the EU, we see that it is hardly conceivable that the ENP would ever give in practice to its neighbours, notwithstanding the theoretical possibility, the same economic advantages that membership offers to the poorer members of the EU, at least until when, if ever, the EU radically changes its decision making mechanisms.

1.2 Economic advantages for neighbours of “Everything but Institutions”

Let us consider now what are the advantages of membership and how non-members could share them. Considering the economic aspects only, the main advantages are three: The first refers to the creation of public goods, such as standards and norms, that can benefit economic activity, notably trade (not only with the EU), through predictability and uniformity. This can benefit non-members provided they accept those standards and norms,⁴ but does not require in principle a specially devised Neighbourhood Policy (no more than the non-participation in the European Monetary Union may hinder countries outside the EU from adopting the euro as a legal tender).⁵ The EU does not hold a copyright on its legislation and can only be happy if anybody else decides to mirror it.⁶ However, neighbours cannot take part in the process in which these norms and regulations are established, and these standards are devised, even if they can in principle influence the agreements that can be reached in the framework of the international organizations to which they may belong, which may constrain the establishment of those standards and regulations.⁷ Still EU legislation creates standards

⁴ Moreover there are some good reasons for a neighbouring country to acquire at least those parts of the *acquis* concerning standards and regulations (chapter 1), which are instrumental in having her wares accepted without fuss in the EU markets, as well as those favouring investment from EU countries (in particular chapter 5, concerning company laws). One could also consider the saving in legislative time and resources needed to prepare their own legislation, even if in turn adaptation of existing legislation to the *acquis* requires legislative time and resources. This applies in particular to those transitional and developing countries that are in the process of transforming their legal system anyway. However the *acquis* reflects the needs and opportunities of prosperous advanced economies and it may be hardly compatible with the different economic and social structure of more backward poorer economies. In particular one may doubt that Mutual Recognition Agreements, facilitating mutual trade, could be possible between countries at very different levels of technological and economic development. This presents a challenge both in the perspective of membership and in that of participating to the single market and the EEA (European Economic Area). In the end, as often is the case in economic matters (and not only in those), it is just an issue of trade offs, and the balance of costs and benefits depends on the specific circumstances, but especially on the possible response of the EU.

⁵ As in the notable case of Montenegro.

⁶ The same applies with respect to human rights, democracy, protection of minorities, establishment of a functioning market economy, in short all the Copenhagen criteria.

⁷ Of course neighbouring countries can attempt to influence the decisional processes inside the EU by representing their specific interests and concerns, but this can be effected in the usual framework of diplomatic representations or of agreements concerning bilateral relations. The ENP as such does not innovate in this respect, as it would, say, if it were to bring about a multilateral forum in which neighbours could collectively influence EU's decisional processes.

for its neighbours, what in itself amounts to a public good. The neighbourhood policy includes an operational structure for assisting the neighbours (as the EU does with candidates) that can facilitate the adoption of EU standards and regulations. This could be of some help for trade, especially by improving the opportunity for access to EU market through elimination, in particular, of the technical barriers to trade.

The second possible advantage refers to the net benefit (that is, net of contribution to the EU budget) of aid and financial assistance to the poorer members of the Union. This kind of assistance would certainly be provided to neighbouring countries if they were to be admitted to the EU (with the possible exception of Israel, since it is much better off than the others).⁸ The third benefit refers to the possibility of integration between neighbours' and EU markets ("a stake in the Internal Market"), as characterized by the four freedoms (free movement of goods, services, persons and capital). In turn harmonization of legislation and market access could bring the additional benefit of stimulating foreign direct investment. This has performed an important role in the progress of the economies of Central European new members as well as of the more backward EU economies in the past.⁹ As we shall see, on the issue of aid and of market access the promise has not been fulfilled, and possibly could never be, at least to a degree that would be equivalent, even if only in perspective, to membership. It is true that *in theory* assistance to a relatively poor neighbour could be provided in the same amount and according to similar modalities as assistance to a relatively poor member, and an analogous consideration can be made with respect to the opening up of the internal market to neighbours. But this is quite unlikely in practice because of political economy considerations related to the way the internal dynamics of the EU does operate.¹⁰

2. Aid and assistance.

Let us start with aid, and make some elementary calculations, on the basis of the Financial Perspective for the years 2007-2013.¹¹ What do the poorer insiders (and in particular the new EU members) and the even poorer neighbours get in the framework of the present Financial Perspective? Some simple figures suffice to give the overall picture.¹² The appropriation for the ENPI (European Neighbourhood and Partnership Instrument) for the present Financial Perspective is €11.967 billion (down from the €14.929 billion initially proposed)¹³, only slightly more than the Pre-Accession Instrument (€11.565 billion). Here one can already perceive the much lower financial effort of the EU towards its poorer non-candidate neighbours ("the countries of the

⁸ Somebody unacquainted with EU mores could be puzzled at the idea of Israel as a neighbour, since it does not have a common border with the EU. But for the purpose of neighbourhood policy countries that are separated from EU borders by a stretch of the Mediterranean Sea are also considered as neighbours. Even the countries of the Southern Caucasus are included in the ENP, even if they certainly are not neighbours in the geographical sense of having a common border with the EU.

⁹ On this point see Milcher, Slay (2005).

¹⁰ Cf. Baldwin, Wyplosz (2004), ch. 3, pp. 73 f. On the limitations to the prospect of the EU opening up its market to its neighbours in the areas where they are most able to compete (which often are the sensitive areas where the EU has lost its competitive advantage) see Milcher, Slay (2005).

¹¹ Truly speaking Prodi did not explicitly mention aid in his speech, but aid is for the poorer members an important advantage of EU membership.

¹² Cf. EU (2006).

¹³ Cf. Commission of the European Communities (2004).

south and eastern Mediterranean, the Western NIS and the countries of the southern Caucasus”) than towards candidate countries (Croatia and Turkey) or potential candidate (the countries of Western Balkans),¹⁴ considering the smaller number and disproportionately lower population of the latter groups.¹⁵ But the difference becomes really impressive if one considers the shares of the budget earmarked for cohesion (€308.041 billion) and for CAP (now prudishly renamed “Preservation and Management of Natural Resources”: 371.344) that really dwarf the ENPI. Of course members, unlike neighbours, contribute to financing those programmes. Let us consider therefore the *net* EU budgetary contributions in favour of the four poorest EU (15) members in 2003 (the data for the year 2004 are in principle less relevant because of the accession of the new 10 members in mid year, but in reality they are not much different, indeed somewhat higher on the whole, for the four countries concerned).¹⁶ In the single year 2003 only the net contributions (in terms of effective expenditure and receipts) amounted to €3.3617billion for Greece, €8.7065b for Spain, €3.4754b for Portugal, €1.560b for Ireland (not any longer among the poor, but still treated as such). Adding up we obtain €17.102b, markedly more than the amount earmarked for the neighbourhood policy for the whole seven years period of the Financial Perspective. If we also consider the much larger population and poorer conditions of the neighbours, presumably in greater need of assistance, in relation to that of the EU (15) poorest four, the disproportion becomes really impressive.¹⁷ Moreover the appropriation for the ENP includes funds for regional cooperation which will be spent in a yet undetermined proportion inside the EU, and, of the total appropriation for the ENPI, more than half is foreseen to be actually spent in the year 2013 and later.¹⁸ Similar, if somewhat attenuated, considerations apply to the year 2005, when the net contribution of the EU budget to the net recipient countries was €17.501 billion (of which 13.433 were allotted to the old four net recipients and 4.069 to the new ten ones).¹⁹ Going into detail, and considering the extent of net transfers in per capita terms, one is left with an astonishing

¹⁴ In principle the ENPI refers to following countries (the figures between brackets refer to millions of population): [Algeria](#) (32), [Belarus](#) (10), [Egypt](#) (76), [Israel](#) (6), [Jordan](#) (6), [Lebanon](#) (4), [Libya](#) (6), [Moldova](#) (4), [Morocco](#) (32), [Palestinian Authority](#) (4), [Syria](#) (18), [Tunisia](#) (10), [Ukraine](#) (48), [Armenia](#) (3), [Azerbaijan](#) (8) [Georgia](#) (5) and Russia (144). Russia however has not accepted, for prestige reasons, the ENP framework, but rather a so-called Strategic Partnership that in practice amounts more or less to the same (in the sense that it is for Russia to adapt to EU rules and regulations rather than the other way round). The candidate (2) and potential candidate (5) countries are: Croatia (4), Turkey (69); Bosnia (4), Serbia and Montenegro (11, but recently separated), Albania (4), Macedonia (2).

¹⁵ Among the neighbours, however, one country is not poor (Israel), and others (Belarus, Lybia or Syria) are not really actively involved with the ENP because of (possibly contingent) political reasons. They could become involved, even deeply involved, if the political obstacles are overcome.

¹⁶ Cf. European Commission (2005), p. 142.

¹⁷ Of course there may be the issue of the possible different degree of absorptive capacity, but it seems difficult that this difference may compensate the difference in the degree of financial commitments.

¹⁸ Cf. Commission of the European Communities (2004), p. 36. To make the comparison between the financial assistance to neighbours and present poorer member fairer, one should consider that assistance by the EU is only a part of overall development assistance neighbours receive, and one may well assume that in case a neighbour were to become a member of EU, the sources of assistance outside the EU could dry up. (The data on Official Development Aid can be found in the OECD site at http://www.oecd.org/countrylist/0,2578,en_2649_34447_25602317_1_1_1_1,00.html.)

¹⁹ Cf. European Commission (2006), p. 138.

difference between the assistance provided to the four older members and that to the new poorer ones (see table 1 on the next page).²⁰

The obvious explanation lies in the fact that assistance to new members was decided when they were still outside the EU²¹ and their clout in the internal dynamics of EU decisions was limited. Moreover, enlargement, as one would have expected of any decision taken at unanimity, tends to happen according to a Pareto-like principle, by which there cannot be losers, including the previous net beneficiaries from EU contributions, contrary to what equity and good common sense may suggest.²² According to the logic of Prodi's argument ("the quality of our relations with them will largely depend on their performance and the political will on either side") one could not justify the different treatment, since the neighbours were so close to the EU that they could even be admitted into the Club. On the other hand, one may expect that the contribution in favour of the new members will increase in time, both because of their coming of age as insiders into the power dynamics of the EU, and because of the gradual adaptation during the present financial perspective of the agricultural handouts, from 25%, in 2004, up to 100%, in 2013, of those applying to the countries of the "old Europe".²³

²⁰ One may be struck in particular by the following cases: the Czech Republic vs. Greece, countries of same population size and not too different per capita incomes, and Poland and Spain, countries of comparable size, but with very unequal treatment as far as financial assistance is concerned. The relatively high net per capita transfer to Malta, and to a lesser extent to the Baltic countries and Cyprus, among the "New Europe" countries, may be partly explained by the fact that there seems to be some tendency for smaller countries to benefit of higher net per capita contributions (this suffers however some exception: see in particular, among the "old" European ones, the comparison between Greece and Portugal). As to the overall relation between per capita income and assistance, a straightforward inverse relationship (which should lead to direct resources where they are possibly more needed and effective in reducing inequalities) finds a theoretical limitation in the so-called "absorption problem" that has led to the rule stated in the Berlin Agreement (1999) of limiting the transfers of structural funds to a maximum of 4% of GDP of the recipient country. The practical limitation however lies not only in the factual "absorption problem", which affects the concrete capability of countries to spend effectively, but even more in the complex internal dynamics of the EU, in the reluctance of existing recipients to give up the transfers of which they are beneficiaries, together with the refusal of EU members to accept an increase in their contributions to EU budget. ("All EU politicians claim to be for enlargement, but they also say in unison that somebody else should pay for it: the current net beneficiaries argue that they cannot be asked to accept less because it would be unfair to finance enlargement by cutting transfers to the poor. The current net contributors argue that their populations will simply not accept any increase in their transfers to the EU budget", Gros, 2004, p. 5.) In 2005 the size of structural funds expenditures as a percentage of GNI was on average 0,30%, ranging from a minimum of 0,05% in the case of Luxemburg to a maximum of 1,98% in case of Portugal (European Commission, 2006, table 1c, p. 108), far below the theoretical ceiling. For the new members the figure varied from 0,07% (for Cyprus) up to 0,78%, in the case of Lithuania. Even at these low levels there have been problems of absorption, attributed in particular to poor administration capabilities (cf. World Bank, 2006).

²¹ At the December 2002 Copenhagen European Council (cf. Senior Nello, 2005, p. 427).

²² It cannot be exaggerated the damning consequences of a Pareto-like principle for the ability to reach collective decisions, and for the span of economic policy itself. One may simply reflect how much would decisions be constrained inside a national economy if any intervention were to require that nobody were to be worse off.

²³ *Ibidem*, p. 425.

Table 1: Per capita contributions to net recipient countries 2005²⁴

Country	Population ¹	PPP per capita income US \$ ¹	Net per capita contribution from EU budget (Euros) ²	Net contribution as a percentage of GNI ²
New Europe				
Latvia	2306306	13200	114	2,09%
Poland	38626349	13300	48	0,80%
Lithuania	3607899	13700	132	2,35%
Slovakia	5423567	16100	50	0,73%
Hungary	10032375	16300	59	0,72%
Estonia	1341664	16700	115	1,54%
Czek Rep.	10246178	19500	17	0,19%
Malta	396851	19900	227	2,07%
Cyprus	775927	21500	116	0,69%
Slovenia	2011473	21600	50	0,37%
TOTAL	74768589		51 ³	0,76 ³
Old Europe				
Portugal	10524145	19300	225	1,64%
Greece	10647529	22200	366	2,19%
Spain	40280780	25500	149	0,68%
Ireland	3969558	41000	286	0,83%
TOTAL	65422012		205 ³	1,00% ³

¹From CIA (2005). ²European Commission, (2006), p. 138. ³Calculated from the data provided in European Commission (2006).

On the basis of the above figures one may appreciate the much lower degree of consideration for the interests of neighbours than for the interests of members and, to a lesser extent, prospective members. Thus it is obvious that on this account alone the neighbourhood policy (as well as the economic assistance to potential candidates) cannot really reduce the drive of neighbouring European countries towards possible accession, except for a radical, but quite improbable, change of perspective.

3. Market access.

What about the main aspect of Prodi's promise: the stake in the EU internal market? Part of the difficulties may lie in the adaptation of the neighbours to internal market requirements. This may be rendered relatively more difficult since EU financial aid for assistance in law-making and administrative reform to the willing neighbours would be lower, owing to the overall amounts involved, than for the candidate and

²⁴ The data reported in the table are net per capita contributions, this means the difference between what a country receives per capita from EU budget and the amount that it does pay into it. The countries that are listed are those that are net recipients, this means those for whom the difference is positive. For all the others the difference is negative.

potential candidate countries. However the neighbours really keen to adapt their own legislation completely to the EU's may not be so many. But the main issue here is that one would hardly expect the EU to open up its market completely in the more sensitive areas, where most of its neighbours could better compete, in particular agriculture,²⁵ over and above what would be required in an eventual conclusion of the Doha WTO round, however unlikely this has by now become.²⁶ Only in case of entry into the EU would the access to the internal market be necessarily complete. The arrangement for market access that Prodi had in mind when launching the ENP, and to which he explicitly referred, was the European Economic Area (EEA). The latter however does not necessarily imply complete integration in the EU market, insofar the EEA is a Free Trade Area and not a Customs Union. This entails the need to refer constantly in trade to rules of origin. In the specific case of EEA "the rules concerning processing of products and documentation of the origin of products are simplified" and, considering customs cooperation and simplified formalities "manufacturers in EFTA countries operate under approximately the same conditions as manufacturers in the EU",²⁷ but this cannot be generalized to different contexts, involving less advanced countries. Moreover, even if the EEA implies a deep integration with EU in a number of areas (among others services and public procurements, and free movement of capital and labour)²⁸ the free trade area is not all comprehensive. In particular, agriculture and fisheries are in principle excluded. A relevant consideration, relating to the issue of the previous section, is that the three EFTA EEA countries are net contributors to the EU budget, while the neighbours are in general net recipients of aid, and they would be much more so in case of equal treatment with EU poorer members ("everything but institutions"). Turkey has a customs union with the EU, but here too the customs union is highly incomplete, since, in particular, it does not include agricultural products, where Turkey should have a comparative advantage, nor services, and the EU can block alleged destabilizing imports through antidumping clauses.²⁹ The advantage of a free trade area is that, unlike a customs union, it allows members to enter independently into other similar arrangements. This is of particular importance in the case of our Eastern neighbours (first of all the Ukraine), because a possible entry into a free trade area with the EU does not exclude the possibility of a similar arrangement with Russia; however the rules of origin implied by a free trade area can be pretty onerous.³⁰

A general difficulty in an EEA type of arrangement is the need to adapt almost automatically to the changing EU legislation relating to the single market. In case of

²⁵ See on this point Grabbe (2004).

²⁶ Indeed the present Partnership and Cooperation Agreements that regulate the economic relations of the EU with its Eastern neighbours "are little but codification of WTO principles for non-WTO members." (Aaslund, Warner, 2004, quoted in Milcher, Slay, 2005, p.9.)

²⁷ Royal Norwegian Ministry of Foreign Affairs (1995). For the discipline concerning rules of origin and cumulation in the EEA, see EEA Agreement (2007).

²⁸ Integration extends to the areas of enhanced cooperation, such as, for Norway, Schengen cooperation and the Dublin convention (relating to the treatment of refugees and asylum seekers).

²⁹ For a detailed analysis of the customs union agreement between the EU and Turkey, see Kabaalioglu (1996).

³⁰ See Shumylo (2006), p. 10. By late Russia seems to have become rather impatient with Ukraine's attempts not to compromise its possibilities of integration with the EU, pushing instead Ukraine, though the leverage of its energy dependency, towards the construction of a Single Economic Space (with Russia Belarus and Kazakhstan), and, in the meantime, towards a customs union, which would be incompatible with a free trade area arrangement with the EU (see Jamestown Foundation, 2006).

membership, EU legislation would automatically apply (aside from the internal legislative adaptations that are anyway due). In case of EFTA countries that are EEA members, adaptation is practically immediate, but the procedure is somewhat cumbersome and does not seem likely that it could be easily repeated with other neighbours. From the point of view of national politics the need of almost automatically adapting to a legislation with no share in its production, and with no prospect of entering the Union and of eventually sharing decision-making powers (such as it would certainly be the case with the countries defined as non-European) could be seen as hard to swallow. Finally, of the four liberties, the one concerning the movement of people would be particularly problematic. In the recent enlargement it has been limited, but only temporarily. But even such an arrangement would hardly be conceivable with respect to the poorer, and demographically much more important, neighbours. An arrangement allowing free movement, even delayed in time, would be hardly possible because of its destabilizing effect on the EU, owing to the massive movements of population it would entail, and would be politically unfeasible. In the end, what seems a more likely approach with neighbours is, rather than the EEA model, a more symmetric one, based on a free trade area, possibly with the extension to all neighbourhood countries of the Pan European Cumulation System.³¹ As we have already seen in the case of the Ukraine, an additional advantage besides symmetry is pluralism: the possibility for neighbours of entering an additional free trade areas besides the EU. In the end the access to the internal market depends on the meeting of two wills: the will of the EU of going against internal organized sectoral interests opposing free trade, and the will of neighbours to adapt. Both are probably harder to come by, unless the prospect of membership is in sight.

4. The European Neighbourhood Policy as soft imperialism

What is particularly striking of the ENP is its asymmetric aspect. It is for the neighbours to adapt to the values and relevant legal production of the EU, not vice-versa. Even if the relative size of EU and neighbours, and the fact that EU rules must already have been agreed through a complex procedure involving its 27 members, make as a matter of fact unilateral adaptation to its rules by neighbours a foregone conclusion, this asymmetric approach could not be well received everywhere, especially where nationalist pride is particularly strong. This is basically the reason why Russia, a proud country of imperial past,³² has not agreed to this approach, even if in practice in the economic relations with the EU it is for Russia to adapt to EU standards and regulations, rather than the other way round.³³ But even if the asymmetry in the relation between the EU and its neighbours is a fact of life, to stress the asymmetric character of

³¹ For the latter, as presently applied to EEA and Mediterranean neighbours, see European Commission (2007).

³² And, one must add, with geopolitical ambitions out of tune with its economic size and institutional strength: even if in the present moment of high energy prices Russia tends to translate its market power as an energy supplier into political power, the overall PPP size of the Russian economy is estimated at about the same as Italy's, and a sixth of China
at: www.cia.gov/cia/publications/factbook/rankorder/2001rank.html

³³ However "Russia is unhappy about the EU demanding that Russia adopt its norms and rules, even though Russia does not intend to join the EU, no one is waiting for it there and its problems cannot be solved within this structure" (Kulikova, 2004). Instead of the Neighbourhood Policy there is the notion of a Common European Economic Space, which is a rather hazy and undetermined concept. For a concise but sharp discussion see Pursiainen (2004a). See also, Pursiainen (2004b).

it in the explicit formulation of a comprehensive policy instrument may seem rather impolitical. Candidate countries must adapt too, but the overall perspective is completely different: adaptation is the price to be admitted to the Club, where in principle all members have equal dignity and partake of decision-making powers, according to statutory rules. With neighbourhood policy no co-decision-making powers are envisaged.³⁴ As to the EEA setup, on which the ENP was modelled, a basic political difference lies in the fact that admission to the EU for EFTA countries was, and still is, available, but was voluntarily declined.

In a sense the ENP approach can be seen as part of the drive of the West towards the Rest for exporting as superior its own institutional and cultural model, democracy, human rights, the rule of law, the market, which is reflected, among others, in the creation of the post-war international institutions (starting with the United Nations). Aside from the conviction of having the "right model" that should be spread in the interest of everybody concerned, this kind of soft imperialism may be seen as partly dictated by the selfish interest to survive and continue to prosper. Eventually, the Rest (in particular the East) will be inevitably ahead of the West economically and militarily, not only demographically. Only the absorption by the Rest of the values and institutions of the West can allow for the West a destiny of quietly merging with a kind of multiplication of itself. To some such a kind of soft imperialism with a bend for natural law may appear abstract and antihistorical, insofar as it does not take into consideration the specificity of actual situations, differences in historical background, particularities and possibilities, and does not respect alternative views and systems of organization. In particular, western liberalism is basically intolerant of intolerance, while the latter is unfortunately widespread in many quarters of the world, as always in history has been the case.

In practice, in the actual behaviour of EU relations with its neighbours the theoretical principles are forcibly bent and adapted to concrete situations, as much so as to lead to a lack of coherence between practice and theory. As an example let us consider two parallel cases of the economic relations of the EU towards two neighbours that have some interesting aspects in common, Tunisia and Belarus. Both countries, of analogous size, are ruled by autocratic presidents. President Zine El Abidine Ben Ali of Tunisia appears no less autocratic than President Lukashenko of Belarus, and possibly more, if as a rough index of autocracy we take the percentage of votes attributed in presidential elections (Ben Ali 94.48% in October 2004; Lukashenko 85% in 2001).³⁵ Both presidents enjoyed constitutional referenda allowing them to continue their office after reaching the maximum number of mandates allowed by the Constitution (Ben Ali in 2002, Lukashenko in 2004). The reaction of the EU has been quite different: the freezing since 1996 of the Partnership and Cooperation Agreement with Belarus may be contrasted with Tunisia's continuous enjoyment of an Association Agreement. The different reaction of the EU could be explained by the fact that what may seem normal for an African country, albeit relatively better educated (literacy rate 74.2%), such as Tunisia, may seem less natural in a well educated (literacy rate 99.6%) European country

³⁴ One must note however that unilateral approximation is already required in the framework of Association Agreements for countries that have no perspective to join the EU. See for instance art. 40 and 52 of the 1998 EU-Tunisia Association Agreement.

³⁵ Data taken from Wikipedia, and BBC country profiles (http://news.bbc.co.uk/1/hi/world/europe/country_profiles).

such as Belarus.³⁶ Moreover there is the issue of the outside option. As far as Belarus is concerned, one could hardly expect any other alternative set-up but some kind of liberal democracy. For Arab countries such as Tunisia, the dreaded alternative could be an Islamic regime. On the other hand the regime of Belarus too seems to be conservative rather than expansionistic³⁷ (such as instead one may perceive the present trend of Putin's Russia to be), and as such does not seem to put the interests of the EU at risk. Albeit authoritarian and repressive, Belarus is still a neighbour with whom the EU shares a border and relevant security interests. To aid and help it (such as the EU has done with the Tunisian regime) would be excessive, but to deal with it without specific and emphasized sanctions could be more appropriate,³⁸ and perhaps even more conducive to a change of regime if it were to bring about a softening of its propensities for retrenchment.³⁹

5. Some institutional issues

In order to overcome the difficulties of getting more neighbours as members into the EU a more limited form of membership has been proposed.⁴⁰ One could also envisage a kind of enhanced neighbourhood *à la carte*. For instance, Turkey, whose prospective full membership raises so many perplexities for political and demographic reasons, could be admitted to take part, of the three pillars, only in the single market, with full decisional status in relation to economic issues only. Of the four freedoms the one relating to free movement of people could be denied, and not only, as in the case of the recent enlargement, as a temporary measure. A progressively more extended membership could follow Turkey's progress, if any, in the relevant areas. But this may be seen as politically unpalatable. As a more far-reaching and plausible solution an alternative membership with more limited powers should be envisaged for *all* the members, as the extent of the present rights of any individual member could be incompatible not only with further enlargement, but with the progress, and indeed with the continuous smooth functioning of the European Union.⁴¹ This applies in particular

³⁶ For some more articulated data on the levels of educational attainment, see the ILO database (ILO, 2003, in particular table A2).

³⁷ Authoritarian regimes that are conservative rather than expansionistic (say, Egypt, Tunisia or even Belarus) do not pose as such a threat to peaceful coexistence, while authoritarian regimes that are expansionistic (such as Saddam Hussein's Iraq or present day Iran) do, as do regimes that because of their repressive behaviour or ineffective governance push their citizens into mass emigration. One may add however that there have also been plenty of examples of expansionistic democracies, putting the stability and integrity of neighbours, and even of distant nations, at risk. Democracy, unfortunately, is no absolute guarantee of peaceful restraint.

³⁸ As an example of collaboration between Belarus and its western neighbours one may refer to the Söderköping process, the objective of which is "To address the cross-border co-operation issues arising with the EU enlargement eastwards and to promote dialogue on asylum and irregular migration issues among the countries situated along the EU eastern border" (cf. <http://soderkoping.org.ua/>).

³⁹ Castro's Cuba is a blatant case of an authoritarian long surviving regime, notwithstanding harsh political and economic sanctions by the US, including a trade embargo, leading to retrenchment rather than collapse.

⁴⁰ Cf. *Economist*, (2005).

⁴¹ As an instance of the obnoxious enactment of unanimity and implied veto powers, one may mention in the past enlargement the stubborn requirement by Greece of admission to the EU of the divided (and geographically Asian) island of Cyprus. In order not to rock the whole enlargement procedure Cyprus was admitted, hoping that in the process it would re-unite, avoiding at the same time making of reunification a requirement for admission. The result has been the internalization into the EU of the

to voting and blocking rights, and to the practical right of not being sanctioned for non-compliance to membership obligations (even the theoretical sanctions for violating the Maastricht conditions have been practically ineffective, as experience has proved; at any rate the sanctioning system is weakened by the condition that the prescribed fines must indeed be paid by the offending parties, and it is unclear what would happen in case of non-compliance).⁴² As to the suspension of a EU member, the condition of unanimity at some point in the procedure (maintained in the failed Constitutional Treaty) seems to render any such comprehensive sanction highly improbable.⁴³ A more subtle and flexible system of sanctions is needed, such as for instance it would be an almost automatic exclusion from the relevant European decisional bodies in case of important violation of some aspects of the Treaty. For instance, the countries violating the Maastricht conditions, so long as the violation lasts, could be excluded from the meeting of the Council of Economics and Finance Ministers, and from the decision-making processes relating to economic matters, or their voting powers could be taken away or reduced, unless, say, a qualified majority of the European Council decides to the contrary. Countries not abiding by community regulations concerning, say, agricultural matters, such as in the case of Italy's handling of the milk quotas, could be excluded from the meetings of the agricultural ministers and from decisions concerning agriculture. Some reduction or suspension of payments from the EU budget could be also envisaged. Analogous measures could be applied in regard to other important violations in other areas. Whenever possible the violation should be declared by a non-political body such as the European Court of Justice, or, perhaps, by a qualified majority of the European Parliament. Moreover the stage prescribed by art. 7(2) in the suspension procedure should require a qualified majority rather than unanimity. If the sanctioning and excluding system is more effective, new members can be admitted more wholeheartedly, with less danger that a change in their internal setup may eventually rock the Union through stubborn and reckless use of veto powers. Moreover, if the power of any single member is accordingly reduced, membership itself could become something less of an issue. But will the egotism of the old nation states ever be able to suffer such a sizable reduction in their cherished prerogatives?⁴⁴

unresolved issue of the status of Cyprus, complicating the already complicated relation with Turkey (in a sense Cyprus admission functions as a kind poison pill in EU-Turkey negotiations).

⁴² See art. 104 of the *Treaty Establishing the European Community*. (The text of the founding EU treaties and other fundamental EU documents, including the proposed Constitution, can be accessed at <<http://europa.eu.int/eur-lex/lex/en/treaties/index.htm>>).

⁴³ Cf. art. 7 of The Treaty on European Union, concerning suspension of "certain of the rights deriving from the application of this Treaty to the Member State in question, including the voting rights of the representative of the government of that Member State in the Council."

⁴⁴ Even if the project of the new European Constitution has been, at least momentarily shelved, obviously the reform process of EU institutions will not stop here, owing to the need of reform induced, in particular, by the enlarged membership. It may be maintained that even if the European Constitution were ratified, the reforms in the decisional process would have been insufficient for guaranteeing a satisfactory functioning of the EU with the new membership, and moreover that the sanctions foreseen for lack of compliance to the rules by member states would have continued to be utterly inadequate. (For a theoretical analysis of the much greater difficulty of reaching decisions with the new membership, and of the issue of the voting rules, see Baldwin, Wyplosz, 2004, pp. 84-86.) One may also add that decision making could be rendered more difficult by the greater heterogeneity of the Union after the enlargement, as indicated by the much greater disparity in per capita incomes than under previous enlargements, with possible greater heterogeneity of preferences between the member states. But the issue of deepening vs. widening, where the latter is considered to be better compatible with maintaining

In the meantime, in the enlightened interest of the EU itself, neighbours (and in particular Turkey that already has an incomplete customs union with the EU, as well as long-standing and frustrated membership aspirations) should be granted the maximum access to the EU market, up to possible complete integration. The latter implies in turn the willingness of neighbours to open up completely their markets and to adapt their relevant legislation to that of the EU, as well as by the EU countries to renounce the defence of their non-competitive sectors, first of all agriculture. While the first conditions may be willingly accepted by some neighbours, given the internal dynamics of the EU and the power of concentrated interests it could be difficult to bring about the second, notwithstanding Prodi's promise, and the fact that increased trade and the phasing out the protection and subsidisation, in particular, of EU agriculture, would be in the best overall interest of EU members themselves. But EU's effective developments may eventually dispel the seemingly most realistic pessimism, and prove it as unrealistic, as has been the case many times in the past. The European Community has always survived its direst critical moments and most dramatic crises, and the movement towards European integration, as well as its enlargement, has up to now continuously progressed, even through stop and go movements. Obviously the most recent stop have been the French and Dutch referenda. But if we extrapolate what has happened in the past, eventually the movement towards EU integration, and perhaps even enlargement, should resume. Thus there is matter for hope, at least for those, as the present writer, who see the process of European integration in a positive light.

the sovereign powers of the component nation states, is an old, even if perhaps somewhat misleading one, since the wider the membership the greater the supranational powers required to keep the Union together and to ensure the fulfilment of its functions, however limited they be, and the lesser the power of any single state to influence EU decisions.

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