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Subject : Strengthening the European Neighbourhood Policy
– Presidency Progress Report

1. In line with the Council Conclusions on the European Neighbourhood Policy (ENP) of 11 December 2006 (doc. 16355/06), the Presidency has prepared a report to the Council on progress made in strengthening the ENP.
2. The Council is invited to submit the Presidency Progress Report to the attention of the European Council on 21/22 June 2007 with a view to its endorsement.

General Affairs and External Relations Council (GAERC)

18/19 June 2007

**STRENGTHENING THE EUROPEAN NEIGHBOURHOOD POLICY
PRESIDENCY PROGRESS REPORT**

As mandated by the Council on 11 December 2006, this report takes stock of the political consensus achieved and the progress made in this field over the last months and identifies further practical measures necessary to intensify the ENP with success.

1. Strategic Aims and Principles

The European Neighbourhood Policy (ENP) remains a core priority of the EU's foreign policy. There is a clear geopolitical imperative to foster stability, the rule of law and human rights, better governance and economic modernization in our neighbourhood. This is critical to address our strategic objectives, to tackle the challenges we face and to reap the substantial benefits of closer political and economic ties.

In the first two years of its implementation, the ENP has already achieved significant results, in particular by helping partners to forge a detailed reform agenda and by providing higher and more effective EU assistance. Still, given the magnitude of the challenges ahead, we must channel Europe's great modernizing power even more efficiently. Political instability and weak governance in our neighbourhood could impact on the EU. At the same time, risks to Europe's energy security, environmental threats and rising flows of illegal migration, to name but a few, also have a growing influence on our security and prosperity. The EU, together with ENP partners, must tackle these issues with greater resolve and consolidate a ring of friends around its rims.

The ENP already offers our partners a privileged reform relationship. Now is the time to make this offer even more attractive, effective and credible. Helping our neighbours advance on their paths of modernization and creating a space of stability and shared values beyond the EU's borders is in our mutual interest. The strengthened ENP is thus a security and prosperity policy for Europe's citizens. There is, firstly, agreement among Member States that the ENP is a core priority within the EU's external action and that the Union's political and practical commitments towards our partners should therefore be enhanced. Secondly, there is consensus that the intensified Neighbourhood Policy is a single, inclusive and coherent policy framework. The offer of intensified relations and the ENP's improved toolbox apply to all partner countries, while maintaining an overall balance between the East and the South. This continued coherence is to the advantage of all EU Member States.

The ENP's policy framework, however, needs to remain sufficiently flexible to allow individual partners to self-differentiate according to their capacity, needs and performance. Clearly, the level of ambition of our bilateral relationships and the level of EU support will continue to depend on partners' achievements and the extent to which they effectively and visibly make progress on the reform-track, notably along the lines of their ENP Action Plans which remain pivotal tools. In the same vein, EU support should be even more tailor-made to the needs of partners and their priorities as set out in the Action Plans.

A third key principle of the ENP which shall be retained is that it remains distinct from the process and policy of EU enlargement. Participation in the ENP is crucial in its own right to bolster domestic transformation processes in the interest of our partners' citizens, independently of an EU accession perspective. Notwithstanding the relevant provisions of the EU Treaty, ENP remains distinct from the question of EU membership; it does not prejudge any possible future developments of partner countries' relationship with the EU.

2. Progress to date

Over the last six months, the EU has already succeeded to implement a number of substantial and politically visible measures, with the proposals by the Commission presented in its December Communication serving as a good and firm basis. Several rounds of negotiations on an Enhanced Agreement with Ukraine have been held. This Agreement should be considered as a flagship project for the enhanced ENP. Certain aspects of it can serve as a model for other partners and a signal of the credibility and sustainability of the Union's commitment, as the opening of talks demonstrates that the implementation of Action Plan priorities brings rewards.

Furthermore, work to substantiate an "advanced status" for Morocco has begun. Detailed ENP Action Plans with Lebanon and Egypt as well as Armenia, Azerbaijan and Georgia are now being implemented and serve as important building blocks of these partners' domestic reform agendas. To the same end, the Commission has prepared a non-paper on Belarus, which would serve as a useful basis once democratic changes in the country allow to start work towards fully-fledged participation in the ENP. Also, twinning and TAIEX activities with ENP-countries are being strengthened, through the widening of the operational area, thus helping to develop modern administrations capable of implementing relevant parts of the EU acquis. Generally, reform progress shall be monitored and evaluated on a regular basis and partners encouraged to enhance their own internal monitoring systems.

In the critical field of energy, we have also started to deepen relations with partners, inter alia through the Energy Action Plan agreed at the March European Council. A Ministerial Conference in April in Berlin rallied partners around the agenda of energy efficiency and renewable energy. The implementation of the Energy Memoranda of Understanding with Ukraine and Azerbaijan has progressed, and Algeria has been offered a strategic energy partnership.

Discussions have continued on the full extension of the Energy Community of South-Eastern Europe to Ukraine and Moldova, who currently have observer status. These partners need to make headway to accomplish that objective, which shall be assessed by an EU mission. In the field of infrastructure, the Council on 7 June welcomed the intention to extend the Trans-European Transport Networks to our neighbours in the South and East, a measure of significant economic and infrastructural importance. In the same vein, the new integrated approach to the Union's maritime policy is of particular significance for our Mediterranean and Black Sea partners.

In view of better managing migration and tackling illegal immigration, the Commission presented a Communication on Applying the Global Approach to Migration to the Eastern and South-Eastern Regions Neighbouring the European Union, which contains proposals for intensifying dialogue and cooperation in this crucial field. The first results of the Global Approach's implementation regarding Africa and the Mediterranean are encouraging for its application to our Eastern and South-Eastern neighbours on the basis of these proposals. In particular, the EU will improve coordination with partners in combating illegal migration and step up its capacity-building efforts. As a tangible sign of the Union's openness to its neighbours and in line with its common approach on visa facilitation, we concluded negotiations on visa facilitation/readmission agreements with Ukraine and Moldova, which now need to be implemented rapidly. Also, we will discuss visa facilitation for certain groups of people from our Eastern partners, in particular for participation in ENP-related events, building on equivalent measures that have been applied for groups of citizens from the EuroMed countries since 2003. All these measures are part of broader progress with the ENP countries in the field of justice and home affairs, including on anti-terrorism-policy with our Southern partners.

In order to further encourage and support regulatory and administrative reform and institution-building, the EU has paved the way for opening Community agencies and programmes to ENP countries following a gradual approach. Targeted participation in these bodies and programmes will be a catalyst for reforms and convergence towards EU policies and legislation. The Council expressed its support to this approach on 5 March. The Commission shall now on the basis of Council directives negotiate the relevant additional protocols. After the approval by the Council, the Commission shall on a case-by-case basis pursue contacts regarding the participation of partners in Community agencies with a view to establishing international agreements to this end. Israel, Morocco and Ukraine are likely to be the first partner countries to benefit from these measures. A number of events have taken place during the last six months to help take forward the 2005 Barcelona Summit commitments. The Conference of Ministers of Higher Education and Research, to be held in Cairo on June 18 with our Mediterranean Partners, as well as the first Euro-Med Youth Parliament held in Berlin in May and June are important milestones in this regard. Furthermore, a conference on Employment and Social Dialogue in the Euro-Med Region in March was held to strengthen the civil society dimension, while working groups on migration, counter-terrorism and energy also deepened cooperation in crucial policy areas.

To provide specific leverage for our partners' reforms in the fields of democratisation and institution-building, the ENP's parliamentary dimension should equally be strengthened. To this end, the Presidency has been holding exploratory talks with MEPs on the European Parliament's possible contribution, e.g. an increased focus of interparliamentary delegations on ENP-issues and "parliamentary twinning" to transfer democratic know-how.

An immediate political improvement is the decision to invite the Southern Caucasus countries on a case-by-case basis to align with EU declarations, demarches and positions on CFSP issues. A similar possibility should be pursued for the EU's Mediterranean partners.

It is critical, both for the impact and visibility of our policy, that this positive momentum is kept and that the measures begun in the course of the last six months continue to be specified and implemented.

3. Strengthening the ENP for the Future

In the light of the aforementioned principles and the progress to date, the EU will build on what has been achieved so far and take forward the following key elements of the strengthened European Neighbourhood Policy:

The principal aim of an enhanced Neighbourhood Policy is to provide better incentives for partners to advance on the path of reforms, thus recognizing the efforts required on their part. Improved access to our internal market, taking into account its impact on internal European policies, is such a key incentive and must therefore stand at the heart of the intensified ENP. It would not only result in greater commercial exchanges but equally improve the business climate in partner countries and thus be a major catalyst for overall reforms, which would in turn contribute to political stability.

Deeper economic integration is thus in the Union's own interest.

Improved market access for our partners is therefore now being examined. It should in particular focus on partners' comparative advantages and thus feature elements of asymmetry in their favour as appropriate. In return, partners must continue opening their economic systems and selectively adopt relevant parts of the EU acquis. This regulatory convergence, which could be given priority in ENP Action Plans where appropriate, will both strengthen their legislative frameworks and improve their trading opportunities with the EU.

The central platform for this increased economic integration is the adoption of bilateral deep free trade agreements. The opening of negotiations on such agreements will be preceded by the accession of partner countries to the WTO. The Enhanced Agreement with Ukraine, including a deep and comprehensive FTA, could serve as a model in this regard, though further agreements will of course depend on the ambition and individual state of development of each country, thus reflecting the performance-oriented, differentiated nature of the enhanced ENP. As Moldova is not yet in the position to establish a free trade area with the EU according to a recent feasibility study, work to grant the country Autonomous Trade Preferences should be finalized. Also, the feasibility studies for FTAs with Armenia and Georgia will be presented quickly for discussion among Member States. The ongoing negotiations on trade in services, the right to establishment, agricultural, processed agricultural and fisheries products with our Mediterranean ENP partners will be pursued with dynamism. Finally, intra-regional deep and comprehensive free trade among ENP-countries, efforts for which are already progressing among our Southern partners, will be encouraged more strongly as an important tool of integration and stabilization between them. A second key point for the enhanced ENP is to make best use of the Union's financial weight. The increase in funding for partners under the new European Neighbourhood and Partnership Instrument (ENPI) is already a sign of the Union's enhanced commitment. To encourage reforms even more strongly, the Commission has launched the establishment of a substantial Governance Facility with objective and transparent allocation criteria. Furthermore, work has progressed on the establishment of a Neighbourhood Investment Fund, which is supposed to improve the impact of the EU's budgetary levers and help pool resources of major donors, while being fully compatible with existing financial instruments, in particular FEMIP.

In addition to improving our reform incentives through substantially deeper economic integration and more effective financial inducements, the strengthened ENP shall, thirdly, also place a stronger focus on cross-cutting sectoral themes, thus providing a multilateral complement to its main bilateral tracks with individual countries. This thematic dimension shall largely build on and reenergize existing cooperation in a variety of fields, ranging from governance and the rule of law to justice and security issues, and from economic cooperation to transport, energy and environment matters. Intensified regional cooperation on border and migration management as well as on energy issues are of special importance, hence the extension of the EU transport and energy networks to neighbouring countries shall be continued. The intensified use of the TAIEX and twinning tools, e.g. through the networking of twinning-projects within partners, and the opening of Community agencies and programmes to ENP countries will be particularly instrumental to this thematic dimension and to economic integration, helping partners to learn from best practices and share expertise more effectively. Finally, this deepened sectoral cooperation is not just important in its own right, but an important element of mutual political confidence-building.

A strengthened ENP shall generally provide an impetus to stronger political cooperation with and between ENP partners. In particular, it shall make a clearer contribution to conflict resolution in our neighbourhood, by creating a climate conducive to dialogue and by playing a more active role in regional or multilateral conflict-resolution efforts, to be decided on a case-by-case basis. The EU's ongoing border-management operations - the EUBAMs in Ukraine/Moldova and Rafah, the EUSR Border Support Team in Georgia and the EU Police Mission in the Palestinian Territories (EUPOL COPPS) - will continue to play an important role in this regard.

Finally, a strengthened ENP could not work properly without better involving the citizens of the EU and of partner countries. Ownership by governments is essential but not in itself sufficient to successfully support better governance. Therefore, strengthening its civil society dimension is vital for the ENP's overall success. This will take the form of an intensified dialogue with civil society in partner countries, including on inter-cultural and inter-faith issues, better information on ENP matters by EU and Member States' institutions, also on the ground, and in particular through enhanced EU support to the civil society dimension.

The latter shall include increased capacity-building through EU aid programmes and reinforced education and training activities with ENP partners, notably through increased scholarships for students from ENP countries in the Erasmus Mundus framework as of 2007/2008. In the Mediterranean region, the Barcelona Process has already been instrumental in bringing forward co-operation with and among civil society actors. Last but not least, the EU should further facilitate legitimate travel for our partners' citizens, building on actions taken the last months, in accordance with the requirements of the 2005 common approach on visa facilitation. Addressing the issue of mobility is an important element to enhance the ENP 's effectiveness.

4. The Way Ahead

There is agreement that the EU must substantially deepen the ENP in order to support development and reform in its neighbourhood and deepen relations with our partners. We must in particular translate our shared political commitment into more attractive and palpable incentives for our partners, notably in the area of democracy, governance and the rule of law and the economic and financial field. Fleshing out this positive conditionality and applying the arsenal of measures set out above is therefore essential, especially when considering the potentially high long-term costs of failing to support our neighbours.

On this basis, the EU and especially the incoming Presidencies and the European Commission will take this work forward in the relevant bodies. The Commission is invited to table the relevant proposals and required negotiating directives as appropriate. Generally, the coherence between Member States' and EC action in our neighbourhood should be improved, through better coordination and information-sharing in headquarters and on the ground.

At the same time, it is clear that the ENP is an offer based on partnership. It is neither an abstract concept nor an imposed framework, but a policy of encouragement and support. Our partner countries should therefore continue to demonstrate political determination and make headway along their reform agendas, which they need to embrace as their own. We must strengthen this local ownership in partner countries and ensure that partner countries truly embrace the reinforced European Neighbourhood Policy. This is a key to the ENP's success. The European Union shall thus intensify its dialogue with partners to discuss the details of the strengthened ENP and better support local reform momentum. Experience gained from the Barcelona Process should be fully utilised in this regard, and the Barcelona Process and the strengthened ENP should continue to complement each other.

The ENP remains a critical instrument of the EU's foreign policy. Sharpening its tools is crucial to realize its full potential. Only an open and committed EU can help in the creation of open societies in its neighbourhood that fully respect democracy, the rule of law and human rights. Continuing this political commitment is vital for delivering to our partners and the EU's citizens alike.

5. The Black Sea Synergy Initiative

The Black Sea area is a neighbouring region of great strategic importance to the EU, developments in which have direct repercussions on the Union. After the accession of the two Black Sea littoral states Bulgaria and Romania, the EU interest in furthering stability and prosperity in the Black Sea area has become even greater. Therefore, the moment has come for developing a strengthened, coherent and complementary EU engagement towards the Black Sea region, particularly in the framework of a strengthened ENP. A stronger EU-engagement in the region is all the more pertinent as all states in the Black Sea area have expressed a specific interest in more cooperation with the Union. Additionally, it establishes a natural link to the EU Strategy for Central Asia.

The EU Black Sea Synergy Initiative shall strengthen cooperation among the countries of the region and deepen the EU's relations with it at all levels. It will focus on practical, result-oriented cooperation in sectors of cross-border relevance, where improved cooperation can create synergies and increase the efficiency of our resources. Key sectors of this regional approach are inter alia energy, the environment, transport, telecommunications, science and technology, freedom, justice and security, as well as democracy, human rights promotion, respect for international law and civil society cooperation. Improved regional cooperation will not only generate economic benefits, but may also help to build political confidence in the area. This could in turn lead to a gradual reduction of tensions and to an environment more conducive to the resolution of the so-called frozen conflicts. In developing this enhanced cooperation in and with the Black Sea area, the EU can build on the experience gained in the context of the Barcelona Process and also consider the lessons learnt in the Northern Dimension and other regional cooperation processes such as the Council of the Baltic Sea States.

In order to be effective, an enhanced EU Black Sea cooperation should be fully inclusive and involve all countries of the region, the littoral states Bulgaria, Romania, Georgia, Ukraine, Russia and Turkey, as well as the Eastern ENP partners Armenia, Azerbaijan and the Republic of Moldova. In the same vein, the EU shall be open to cooperation with all regional bodies and initiatives in order to book tangible results through concrete projects. One potential partner is the Organisation of the Black Sea Economic Cooperation (BSEC) as an inclusive and institutionalized forum in the area. At the same time, flexible geometry will be an essential principle, for progress in regional cooperation does not always necessitate the participation of all Black Sea states or, vice versa, might benefit from close coordination with initiatives in neighbouring regions such as the Danube region. The implementation of concrete measures will also require the participation of international financial institutions.

With a view to strengthening regional cooperation in the different sectors, the Presidency and the Commission in its Black Sea Synergy Communication of 11 April 2007 have suggested a number of short- and medium-term measures. The Commission Communication of 16 May 2007 on Applying the Global Approach to Migration to the Eastern and South-Eastern Regions Neighbouring the European Union recommended exploring the possibility of setting up a regional cooperation platform for migration, bringing together all relevant actors from the EU side and in the region. Under the incoming Presidencies, these elements shall be further concretised and implemented in close cooperation with the Commission, partner countries as well as regional bodies and initiatives. As recommended in the Council Conclusions of 14 Mai 2007, an evaluation should be made in the first half of 2008 on progress achieved in further shaping and implementing the EU's Black Sea Synergy Initiative, as a basis for further consideration by the Council of its engagement towards the region as a whole.
