Introduction

Relations with the wider Europe in 2008 were marked by a set of contradictory developments. Enlargement of the EU made minimal progress in the last year with Turkey’s accession negotiations operating at slow speed and Croatia’s path to membership running into obstacles. There was an attempt to breathe new life into the relationship with neighbouring states in the European Neighbourhood Policy (ENP) with the French government’s proposals for a Mediterranean Union and a counterbalancing set of proposals from other Member States for an Eastern Partnership. Armed conflict between Russia and Georgia in August, and the Israel military intervention in Gaza in late 2008, saw the Union struggling with the role of conflict manager within its neighbourhood. Further crisis in the form of the global recession also impacted on the wider Europe with Iceland experiencing a financial crisis and the prospect of an unanticipated membership application.

I. Enlargement

General Developments

2008 was hailed as a key year for enlargement. Five years after the launch of the Thessaloniki Agenda, Serbia and Bosnia finally signed their Stabilization and Association Agreement (SAA) with the EU. Croatia, Turkey and Macedonia were also hoping to move further in the integration process, the latter
with its eye on the opening of accession negotiations. In February, the new Regional Co-operation Council took over from the Stability Pact signalling increased ownership of the process of regional co-operation. In March 2008, the European Commission presented a Communication with new initiatives aiming to further people-to-people contacts and to make the prospect of membership more concrete for the citizens in the region. Visa liberalization was put on the table for the first time, with negotiations on the liberalization of the visa regime beginning at the end of May 2008. The Commission’s Communication also proposed an increase in the number of scholarships for students from the Balkan region and new initiatives were announced aimed at supporting civil society development and regional co-operation (Commission, 2008a).

Despite some positive signs, progress has generally been disappointing. This is due to several factors: the slow pace of domestic reforms, the continuing failure to adopt institutional reforms at the EU level and standing bilateral issues (see Vachudova, this volume). First, the Commission’s Enlargement Strategy yet again identified lingering problems in the candidate and potential candidate countries, specifically regarding weak institutional and administrative capacity, the enforcement of rule of law, the fight against corruption and organized crime, high unemployment and inflation, a highly confrontational political climate and ethnic related tensions (Commission, 2008c). Ethnic politics remained one of the main stumbling blocks for progress towards membership. Political, economic and social reforms fell hostage to recalcitrant nationalist politicians in Bosnia and threatened the European perspective of Serbia, Kosovo and Macedonia. European integration imposes high adoption costs for politicians in the candidate countries. In some cases, EU integration not only threatens their power base, but also their private economic interests as many of them profit from weak legal and regulatory frameworks and are involved in organized crime.

Second, uncertainty about the ratification of the Lisbon Treaty continued to haunt enlargement, particularly after the rejection of the Lisbon Treaty in Ireland’s June referendum. At the December European Council, the Irish government agreed to hold a second referendum in the autumn of 2009 after having secured a series of concessions by the other EU Member States. However, failure to ratify the treaty by the 27 Member States could endanger the next round of enlargement. Third, bilateral issues also threatened to hold up enlargement, with some EU Member States using their privileged position inside the EU to put pressure on candidate countries in the hope that they would make concessions. Thus, Turkey’s accession continued to be delayed over the conflict with Cyprus; the name dispute between Macedonia and Greece jeopardized Macedonia’s Nato accession; and a long-standing border
dispute with Slovenia got in the way of Croatia’s path toward membership. Although not related to a bilateral grievance, the Netherlands has also blocked the implementation of the Serbia’s SAA until the country delivers war criminal Ratko Mladic to the International Criminal Tribunal for the former Yugoslavia (ICTY).

By the end of 2008, the financial crisis had yet to bite fully in the Balkans and Turkey. Although its impact could be expected to be more limited in the region than in western Europe given the low levels of foreign investment and credit extension, the financial crisis might still have an impact on the enlargement process more generally. In the current economic climate, EU Member States might be more cautious about taking more members on board especially if that means increasing economic competition and budgetary disbursements. All in all, the prospects for enlargement look rather bleak.

Candidate Countries

Croatia

Croatia made some progress towards membership in 2008. By the end of 2008, 22 out of 35 negotiation chapters had been opened and seven chapters had been provisionally closed. In its enlargement package, the Commission presented a timetable for the technical conclusion of negotiations. Provided that certain conditions were met, Croatia was expected to reach the final phase of negotiations in 2009. Yet, some areas for improvement were identified in the last Commission’s Progress Report (Commission, 2008d). As regards political criteria, some problems remained regarding the reform of the judicial system and public administration and the fight against organized crime and corruption – two Croatian journalists were murdered in connection with corruption cases in 2008. Another challenge related to the implementation of the legislation on minority rights and refugee return. Concerns were also raised regarding Croatia’s co-operation with the ICTY and access by the Court to certain documents.1 Furthermore, public opinion remains a matter of concern. According to a Gallup survey conducted in September and October 2008, only 29 per cent of Croats think that Croatian EU membership would be a good thing.2

A border dispute with Slovenia has become a new hurdle in Croatia’s path towards membership. The 18-year-old grievance concerns a bay in the Adriatic Sea, close to the Slovenian city of Piran, and the rights of access to international waters of Slovenian ships. At the accession conference in

1 EUobserver.com, 6 February 2009.
December, Slovenia blocked the opening of nine new chapters and the closing of two more chapters. The dispute threatened to delay Croatian EU accession, with the Slovenian government mentioning the possibility of holding a referendum on Croatian accession if the dispute is not resolved.

Turkey

Although Turkey’s technical negotiations made some progress in 2008, the process has moved very slowly since the opening of negotiations in 2005. In December 2008, the EU decided to open two more chapters out of the 35-chapter negotiation package, which brings the total of open chapters to ten. However, the opening of new chapters is held up by the conflict over Cyprus and Turkey’s continued refusal to allow Greek Cypriot ships and airplanes entry to its seaports and airports. The re-launch of negotiations on the re-unification of Cyprus in September 2008, following the election of the new Greek-Cypriot President Dimitris Christofias in February, generated some moderate optimism, but an agreement is still far off. Indeed, tensions continued in late 2008, when the Turkish navy challenged two Greek Cypriot oil survey ships in international waters off Cyprus.

As regards domestic politics, in July 2008 the EU sighed with relief when the Turkish Constitutional Court decided not to ban the country’s ruling party, the Justice and Development Party (AKP), which had been accused of undermining the country’s secular system. However, internal tensions between the AKP and the Kemalist secularist establishment continued. In its annual progress report, the European Commission reminded Turkey of the essential reforms that needed to be tackled, including the reform of the constitution, protection for minority rights, civil–military relations and the implementation of reforms on freedom of expression (Commission, 2008e).

In the area of energy policy, the Commission’s Enlargement Strategy stated that ‘Turkey’s geo-strategic position gives the country a vital role in the EU’s energy security, particularly diversification of energy sources’ (Commission, 2008c, p. 5). The report also highlighted the need for closer energy co-operation between the EU and Turkey, as well as other countries in the region. An example of this co-operation lies in the new EU-backed initiative Nabucco, a new gas pipeline which will connect the Caspian region, Middle East and Egypt – via Turkey, Bulgaria, Romania, Hungary – with Austria with the aim of reducing dependence of central and western European gas markets on Russian gas. The Commission’s report also acknowledged the constructive role played by Turkish diplomacy in regional stability. After the war in Georgia, Turkey proposed a regional initiative in the South Caucasus to promote dialogue among the countries of the region; Turkish diplomacy was
also actively involved in the mediations between Syria and Israel, between Israel and Hamas and in negotiations with Iran over its nuclear policy. Moreover, the historic visit of Turkish president Abdullah Gul to Armenia, who attended a World Cup qualifying football match in September, was hailed as a first step in the normalization of relations between the two countries. Turkey and Armenia have had no diplomatic relations since Armenia became an independent country in 1991 and since Turkey has refused to recognize the mass killing of Armenian civilians during World War I as genocide.3

Public support for EU membership has continued to decline in Turkey. The percentage of Turkish citizens that would see EU membership as a good thing decreased from 49 per cent in 2007 to 42 per cent at the end of 2008 (Eurobarometer, 2008b, p. 32). For its part, public opposition to Turkish membership within the EU, in particular in Austria, Germany and France continued to be strong: 55 per cent of EU citizens were against the integration of Turkey (Eurobarometer, 2008a, pp. 29–30). However, some positive political developments have to be noted in France. A constitutional amendment that would have made it compulsory to hold referendums on EU membership of large countries was rejected by the French Senate in June. According to the latest version of this clause, it will be up to the French President to decide how to ratify a country’s EU accession, either by a parliamentary vote or referendum.4

Macedonia

Macedonia saw the possibility of opening accession negotiations slip by once again in 2008. Some progress was recorded on police and judicial reform and the implementation of the Ohrid Agreement. However, according to the Commission’s annual progress report, Macedonia does not yet meet the political criteria (Commission, 2008g). For instance, corruption remains a serious problem, in spite of recent legislation. The opening of negotiations was also severely disrupted by the violent incidents in Albanian-populated areas that were reported during the parliamentary elections held in June. The incumbent Prime Minister Nikola Gruevski’s centre-right party won the election by a strong majority. After the election, Gruevski pledged to accelerate the pace of reforms. It was not enough, however, to secure a recommendation by the Commission to open negotiations at the end of the year.

On another front, the dispute with Greece over the country’s name was again the object of heated exchanges between the two states. Greece refused to support Macedonia’s aspirations to join Nato until the name dispute had

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been resolved. As a result, only Albania and Croatia were invited to join Nato at the Bucharest summit in April 2008, while Macedonian officials walked out of the summit as a protest against the Greek blocking. The quarrel may also have implications for further progress towards EU membership. The June Council Conclusions stressed, at the request of Greece, that ‘maintaining good neighbourly relations, including a negotiated and mutually acceptable solution on the name issue, remains essential’ for Macedonia’s EU integration process (European Council, 2008a, p. 15).

Potential Candidate Countries

Serbia and Kosovo

When Serbia and Kosovo failed to reach an agreement on Kosovo’s final status before the 10 December 2007 deadline, the EU managed to prevent an open division between those Member States that wanted to recognize the imminent independence of Kosovo and those who did not. The deal in December meant that those Member States that so wished could proceed with recognition – as of March 2009, 22 Member States had recognized Kosovo’s independence. In spite of reassurances that ‘resolving the pending status of Kosovo constitutes a sui generis case that does not set any precedent’ (European Council, 2007, p. 20), Romania, Spain, Greece, Slovakia and Cyprus refused to recognize Kosovo on the grounds that it could set an important precedent for other territories seeking independence. In the short term, this deal prevented an internal EU crisis; in the medium and long term, however, the arrangement seems unsustainable.

At the European Council of 14 December 2007, the EU also agreed to launch a rule of law mission, EULEX, to support the police, judiciary and customs services in Kosovo. However, its deployment was delayed for a year due to Russia’s opposition in the Security Council to the transfer of power from the UN to the EU mission. Further delays occurred in November when the Kosovan authorities rejected a preliminary six-point agreement between Serbia and UN negotiators. A final agreement was reached by all parties that EULEX would remain neutral regarding Kosovo’s status and that it would operate under UN Security Council Resolution 1244 as requested by Serbia. EULEX was finally deployed in December 2008.

5 EUobserver.com, 6 March 2008.
6 Kosovo declared its independence on 17 February 2008.
7 In total, 51 countries had recognized Kosovo on 1 March 2009, see: «http://www.president-ksgov.net/?id=5,67,67,67,e,749».
As far as relations with Serbia are concerned, the December European Council also expressed its confidence that progress towards EU membership could be ‘accelerated’ (European Council, 2007, p. 20). However, this move was strongly opposed by Prime Minister Kostunica’s Democratic Party of Serbia, which rejected any deal with the EU, including the signing of the SAA unless the EU committed to support Serbia’s territorial integrity. For its part, the Democratic Party of President Tadic, who won the presidential elections in January, was willing to move closer to the EU in spite of Kosovo’s declaration of independence. These disagreements led to the collapse of the governmental coalition and early parliamentary elections on 11 May. As had been the case in January, the elections became a referendum on Serbia’s European perspective and the Serbian electorate again confirmed their support for the European path. The pro-European government led by Mirko Cvetkovic, that emerged out of the May elections, consisted of a coalition between Tadic’s Democrats and the reformed Socialists (SPS) – the party of late President Milosevic. A few days before the election was due, the EU decided to sign the SAA with Belgrade, a move intended to boost pro-European forces. However, the implementation of the trade agreement proved to be more difficult than expected as the Netherlands refused to move forward until Serbia demonstrated full co-operation with the ICTY.

Only two weeks after the arrival of the new government, Serbian security forces arrested Bosnian Serb war crimes suspect Radovan Karadzic who was living and working in Belgrade under a new identity. The Union hailed this development as a historic step in Serbia’s path towards EU membership. The arrest did not unblock the implementation of the trade agreement, but the EU used this opportunity to call on Serbia to deliver the remaining war criminals, Ratko Mladic and Goran Hadzic. In Serbia, the arrest and transfer to the Hague of Karadzic was received with both indifference and hostility. According to a Gallup survey, more than two-thirds of Serbs sees the ICTY as biased. The verdict that acquitted former prime minister of Kosovo Ramush Haradinaj in April 2008 also contributed to undermining the image of the ICTY among the Serbian population.

Bosnia and Herzegovina, Albania and Montenegro

For the last four years, the political situation in Bosnia and Herzegovina has deteriorated due to increasing tensions between the main ethnic parties, which has led to a stalemate in the process of reform. When the High Representative decided to modify the majority necessary to pass a decision in the federal institutions in 2007 this prompted a major political crisis, but open
conflict was averted following concessions from all parties. While the local political leaders made a last-ditch effort to find a solution to the long, drawn-out negotiation on police reform at a meeting in Mostar in October 2007, the EU agreed to initial the SAA on 4 December 2007 without the conditions having been met in full.

Expectations for 2008 were thus high. Indeed, some progress was made during the first quarter of the year with the passing of legislation regarding the implementation of police reform. The reform package adopted by the House of Peoples in April foresaw the establishment of several state-level co-ordinating bodies, although it did not centralize the competencies on policing issues at the state level. This step, which constitutes one of the main ‘European conditions’, could only take place after a new Bosnian constitution had been agreed, a process which, as of March 2009, had not yet begun.

The new laws on police reform finally paved the way for the signing of the long-awaited SAA on 16 June. However, this has confirmed what many suspected: the signing of the agreement, although a significant milestone on the path towards EU membership as it might be, has not substantially transformed the political dynamics in Bosnia. One year on, the country is still a long way from being a functioning state. Although Kosovo’s independence has not led to serious instability in the country, it has contributed to already inflammatory nationalist rhetoric. The victory of nationalist parties at the October local elections confirmed the underlying ethnic divisions and the fragility of the Bosnian state. As in previous election campaigns the run-up to the election was characterized by increased political turbulence and nationalist demagogy. With some commentators warning of Bosnia being on the brink of collapse (Ashdown and Holbrooke, 2008), the Council expressed concerns about the deterioration of the political situation in the country (Council, 2008b, p. 24). In spite of the political instability, it was believed that the security situation was stable enough to allow for a withdrawal of the military operation in Bosnia. In October, the EU Defence Ministers agreed to phase out EUFOR Althea, although they did not set a specific date for the withdrawal.

According to the Commission’s annual report, Montenegro needed to improve its administrative capacity and the performance of the judiciary, as well as to tackle widespread corruption. Despite these recommendations, Montenegro filed a formal application for EU membership under the French Presidency in December 2008. This move also encouraged preparations in Serbia and Albania to present applications in 2009. However, the Commission

10 Euroactiv.com, 17 April 2008.

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has made clear to the Albanian authorities that it is still too early to move towards candidate status. For the country to achieve this status, it will have to implement several reforms identified in the Commission progress reports, in particular regarding the fight against corruption and organized crime as well as improving its judiciary and its administrative capacity. On the other hand, Albania’s accession to Nato is now a certainty after being invited to become a member of the Alliance at its Bucharest summit in April 2008.

II. European Neighbourhood Policy

General Developments

Union for the Mediterranean

President Nicolas Sarkozy first announced his intention to establish a ‘Mediterranean Union’ during his Presidential election campaign in a speech on 7 February 2007 (Soler i Lecha, 2008, p. 19). According to his original plan, the Mediterranean Union would bring together all the Mediterranean coastal states to revitalize and strengthen co-operation across the Mediterranean basin, but outside the EU framework. The initiative constituted a major attempt to reshape not only French foreign policy, but also European foreign policy. It openly recognized the fact that the Barcelona Process had failed to further economic and democratic reforms in the EU’s southern neighbours, and to close the widening gap between the northern and southern coasts of the Mediterranean. Many also saw in this initiative an attempt to frustrate Turkey’s membership aspirations.

By July 2008, a change of name to the ‘Barcelona Process: Union for the Mediterranean’ signalled a scaling back of ambitions and significant changes to the initial project (Dehousse and Menon, this volume). Sarkozy’s initiative had to overcome severe opposition and criticisms from both its EU partners and southern Mediterranean countries. Fierce opposition to the original Mediterranean Union came from France’s traditional ally, Germany. Chancellor Merkel rejected the idea of a Union restricted to Mediterranean coastal states. It was feared that such a project would lead to the establishment of different spheres of influence in EU foreign policy. Spain and Italy were concerned about the impact of this initiative on the Euro-Mediterranean policy. Other Member States feared an unnecessary duplication of institutional arrangements. Turkey, for its part, rejected any suggestions that the Mediterranean Union would provide an alternative to EU membership. Libya

12 EUobserver.com, 6 May 2008.
was also very critical of the project, while other southern Mediterranean countries did not openly oppose the initiative, but were far from enthusiastic about it.

As a result of this opposition, particularly from Germany, the original French plan was watered down. A new Franco–German proposal in the form of a ‘Barcelona Process plus’ was presented to the European Council on 13 March 2008. The Commission was then entrusted with fleshing out the proposal. The Commission Communication of 20 May spelt out the main elements of this initiative. The ‘Barcelona Process: Union for the Mediterranean’ aims to complement rather than replace existing EU policies (the Barcelona Process and the European Neighbourhood Policy). Unlike Sarkozy’s plan, it has been launched under the EU umbrella and is open to all EU Member States, the members and observers of the Barcelona Process and other Mediterranean states (Croatia, Bosnia and Herzegovina, Montenegro and Monaco). The new initiative is expected to give a new impulse to the Barcelona Process in three ways: (1) by upgrading the political relations between the EU and its Mediterranean partners with a biannual summit of Heads of Government; (2) by increasing co-ownership of the process (a co-Presidency will be established with this end in mind); and (3) by launching regional and sub-regional projects relevant to the citizens of the region (Commission, 2008b). A number of initiatives dealing with energy, environment, civil protection and transport are currently being discussed.

At the Paris Summit for the Mediterranean on 13 July 2008, the Union for the Mediterranean was officially launched. In November 2008, foreign ministers decided that Barcelona would be the Union for the Mediterranean’s Headquarters.14 While this initiative brings more flexibility and a fresh impetus to a stricken Barcelona Process, it has failed to seriously rationalize EU external policies, adding a new framework to an increasingly complex network of regional policies. One might also wonder how this renewed partnership will succeed in promoting political and economic reforms where the Barcelona Process has previously failed.

Eastern Partnership

The proposal for an Eastern Partnership (EaP) was presented jointly by Poland and Sweden at the GAERC on 26 May 2008. The EaP was a well-prepared diplomatic initiative by the Polish government led by Donald Tusk and represented a significant departure in substance and style from the 2005–07 Law and Justice led coalition government (Cianciara, 2008). As

14 EUobserver, 4 November 2008.
with the Union for the Mediterranean the initiative was intended to reinvigorate the relationship between the EU and a sub-group of countries, in this instance eastern Europe and the Southern Caucasus, covered by the ENP. The countries covered by the EaP are Ukraine, Moldova, Armenia, Azerbaijan, Georgia and Belarus. The latter’s participation is conditional upon an improved human rights record and moves towards democracy. Belarus’ formal inclusion was debated at length by the Member States because of long-standing EU opposition to the governing regime and the leadership of its president Alexander Lukashenko. The debate over the inclusion of Belarus illustrates that the EaP is an uneasy compromise between its stated objectives of promoting ‘commitments to the rule of law, good governance, respect for human rights, respect for and protection of minorities, and the principles of the market economy and sustainable development’ and the more naked realities of geopolitics with any exclusion of Belarus viewed as advantageous to Russia’s interests (Commission, 2008f).

That the EaP was counter-balancing and linked eastern initiatives to the southern-focused Mediterranean Union was illustrated by both proposals being debated at the 19–20 June meeting of the European Council. The Commission was invited to prepare a proposal on the EaP for spring 2009 and then, at the 1 September 2008 Extraordinary European Council called in response to the fighting in Georgia, encouraged to accelerate its work and report by the end of the year (European Council, 2008a, b).

The Commission’s proposals to realize the Partnership are to embed the EaP within the wider ENP (Commission, 2008f). They are also to give the EaP a multilateral framework but with the bulk of its implementation pursued bilaterally with the participating states. The multilateral framework is for four ‘policy platforms’ on democracy, good governance and stability; economic integration and convergence with EU policies; energy security; and contacts between people.

Bilaterally each of the participants are offered the prospect of an Association Agreement with the EU but with no commitment to that these agreements hold out any prospect of future full membership of the Union. The Association Agreements would provide for the creation of individual deep and comprehensive free trade areas (DCFTA) with each partnership country and which, in turn, could be joined together to form a Neighbourhood Economic Community. ‘Mobility and Security Pacts’ are also envisioned to ease cross-border movement and as part of a ‘phased approach’ via visa facilitation negotiations with partners and ‘in the longer term’ opening dialogues on visa-free travel with all the partners. No new institutions or secretariat or dedicated funding initiative is proposed for the EaP. Activities envisioned are being covered under the existing European Neighbourhood Policy Instrument.
(ENPI) and the Neighbourhood Investment Facility (EIF). The formal launch of the Partnership took place at an ‘Eastern Partnership Summit’ in May 2009.

The arrangements proposed for the EaP by the Commission have faint echoes of the Stabilization and Accession Process for the Western Balkans and with the same intended benefit for the EU of creating a road map for the development and deepening of relations. However, the significant difference is that the EaP is not intended to hold out the prospect of EU accession as the final destination.

Bilateral Relations – Belarus, Ukraine

The existent bilateral relationships with the EaP states were not subject to significant alteration in 2008. The EU’s most difficult bilateral relationship remained that with Belarus. The EU had promised to consider an easing of visa restrictions and other sanctions if the Parliamentary elections scheduled for September 2008 were more free and fair than their predecessors in 2006. Although the OSCE electoral observer mission declared that the elections were ‘undemocratic’ there was a subsequent mini-thaw in EU–Belarus relations. Following its decision not to recognize the independence of Abkhazia and South Ossetia and the release of three political prisoners, a visa ban, introduced in 2006, following the earlier parliamentary elections that the EU viewed as unfree and unfair, was suspended in October 2008 for a period of six months. The ban had covered over 30 officials and Belarusian president Alexander Lukashenko. Other sanctions including an arms embargo and assets freeze remain in place.

Ukraine’s domestic political disfunctionality and the ongoing internecine war within the governing ‘Orange’ coalition retarded the development of EU–Ukraine relations in 2008. Real substantive progress was not made in the negotiations for a replacement of the Partnership and Co-operation Agreement which has been in force since 1998 and with an intended ten-year duration. As noted in last year’s review, the negotiation of a New Enhanced Agreement (NEA) started in March 2007 and is intended to go beyond the Partnership and Co-operation Agreement and the existing Joint Action Plan which was for a three-year duration from 2005.\(^\text{15}\) The New Enhanced Agreement is intended to be a comprehensive and cross-pillar agreement introducing a contractual basis for integration, convergence and co-operation in various fields such as political reforms, rule of law, human rights, border management, migration and the Common Foreign and Security Policy, and will lead to a deep and comprehensive free trade area between Ukraine and

\(^{15}\) «http://ec.europa.eu/world/enp/pdf/action_plans/ukraine_enp_ap_final_en.pdf».  

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the EU. Further rounds of negotiations on the NEA took place after Ukraine joined the World Trade Organization (WTO) in February 2008, but have moved at a slow pace to date.

The EU–Ukraine summit which was held at the Elysée Palace (rather than the scheduled venue of Evian because of President Sarkozy’s shuttle diplomacy on the Georgia conflict) on 9 September 2008 yielded few tangible results. This was not entirely due to the actions of Ukraine, as Member States still remain divided as to whether an EU membership perspective should be offered to Ukraine. Member States were willing to concede the promise of an opening of a dialogue on a visa-free regime for Ukraine (a key issue for Ukraine) as improvements are being sought in the way that the current Visa Facilitation Agreement is being implemented by some EU Member States. President Sarkozy put the best possible gloss on the meeting by presenting the Union’s offer of an Association Agreement for Ukraine and there was a certain desperation in the wording of the summit communiqué that stated that the EU ‘leaves the door open to progressive further developments’ (Council, 2008a, p. 3).

The year ended with Russia threatening to cut gas supplies to Ukraine on 1 January 2009 if a dispute over a $2 billion gas debt was not resolved. As EU Member States remain heavily reliant on Russian gas transiting through Ukraine, as was the case during a similar dispute in early 2006 which resulted in a curtailment of supply, the bilateral relationship between Russia and Ukraine remains of key importance to the Union.

Georgia–Russia War

The Georgia–Russia war in August 2008 illustrated vividly the potential that the so-called ‘frozen conflicts’ in the post-Soviet periphery have to threaten security and stability in the European Union’s eastern neighbourhood. Although the EU had appointed a Special Representative for the South Caucasus in February 2006 with a mandate to resolve the conflicts over South Ossetia and Abkhazia the EU’s diplomacy did not make significant headway. The EU has found it difficult to seek resolution of the conflict because of the weakness of the Georgian state, the turbulent transition of power during the Rose Revolution, the instability and violence in the wider Caucasus region as a whole, especially in relation to Chechnya, and significant deterioration of Georgian–Russian relations in recent years.

In two rounds of mediation, the French Presidency of the EU achieved first a ceasefire agreement between Tbilisi and Moscow under the six-point settlement plan of 12 August 2008. Then on 8 September 2008 the EU brokered another agreement that detailed the mechanics for how to realize
the settlement of the conflict on the basis of the 12 August ceasefire. As a part of the 8 September Russian–Georgian agreement, talks were chaired by a troika of the EU, UN and OSCE, with support from the US, and with an agreement that these should be held in Geneva. Subsequently, the conflict parties further agreed that two working groups would be established, one focusing on security and stability and another on Internally Displaced Persons (IDPs) and refugees. The first session of these so-called Geneva talks took place on 15 October amidst controversy over the participation of delegates from Abkhazia and South Ossetia, and eventually broke down over procedural issues. Initially envisaged to be held on a fortnightly basis, a second meeting was postponed until 18 November 2008. This second meeting was more constructive, and even though there was no breakthrough on substance, this meeting was significant because it was for the first time since the August war that Georgian and Russian officials met and discussed the situation. Moreover, despite initial resistance from Georgia, discussions in the working groups included delegates from South Ossetia and Abkhazia. A further meeting took place on 17 and 18 December 2008 which reached no concrete agreement, with the consequence that the incoming Czech Presidency inherited a significant foreign policy challenge from its French predecessor.

While the French Presidency can take some considerable credit for its role in brokering a ceasefire it also complicated the arrangements for the EU’s diplomacy in the region. The role of the existing Special Representative for the South Caucasus, Peter Semneby, was undermined by the French EU Presidency when President Sarkozy insisted on, and pushed through, the appointment of a separate EU Special Representative for the crisis in Georgia in the person of Ambassador Pierre Morel (who was also serving as EU Special Representative for Central Asia) on 25 September.16 While this has allowed France to keep some control over the EU’s engagement in Georgia after the end of its EU Presidency, it has created an unnecessary overlap of mandates and competences.

As a further contribution to managing the conflict the GAERC decided, on Monday 15 September, to establish an unarmed civilian ceasefire monitoring mission in Georgia for an initial 12-month period.17 The ESDP EUMM mission of 200 monitors was deployed on 1 October and with the personnel drawn from 26 of the 27 Member States.

16 Council Joint Action 2008/760/CFSP.
17 Council Joint Action 2008/736/CFSP.
South Caucasus: Armenia, Azerbaijan

The EU’s efforts to achieve a settlement of the conflict over Abkhazia and South Ossetia are a reminder that there is another frozen conflict that falls within the South Caucuses: Nagorno-Karabakh. In the case of the ENP Action Plans in the Union’s eastern neighbourhood where they do make specific reference to conflict settlement, they are often vague and lack the kind of specificity necessary to tie them credibly to incentives that are only conditionally available to partner countries. Moreover, Action Plans, as they are based on a consensus between the EU and the partner country, are not automatically indicative of the EU’s own priorities. Thus, for example, in relation to the Nagorno–Karabakh conflict, the Action Plan with Azerbaijan mentions conflict settlement as the number one priority; the Action Plan with Armenia has it listed as seven in a list of eight areas of priority action. Conditionality is problematic in the case of Azerbaijan, a country benefiting from its hydrocarbon wealth and playing on the EU’s declared intention to diversify its energy supplies and decrease its dependency on Russia in terms of both supply and transit.

Middle East

During 2008 the EU held a series of meetings with the Palestinian Authority, including political dialogue at the ministerial level, aimed at deepening bilateral relations. It continued work on the implementation of the Interim Association Agreement and contributed to the strengthening of the Palestinian security forces through the activities of its ESDP mission EUPOL COPPS. The mission continued to support the training of Palestinian police and co-ordinating the provision of equipment in the territory controlled by the Palestinian Authority. The Council also agreed to extend the mission’s supporting activities to the judiciary, the prosecutors and penitentiary services.

Talks with Israel to upgrade its relations with the EU continued throughout 2008. At the EU–Israel Association Council, a decision was made to offer Israel advanced status. This would mean increased diplomatic co-operation with the EU, participation in European agencies and programmes and the establishment of a working group with a view to examining the integration of Israel into the European single market. However, despite having the approval of the Commission, the Council and the European Parliament Foreign Affairs Committee, the plenary of the European Parliament decided to postpone the vote on this proposal in December, to pressure Israel to stop all settlement building activities and end its siege of the Gaza Strip.

The Middle East Peace Process suffered a new reverse in 2008. Throughout the year, the EU had urged the parties to return to the negotiating table.
with a view to concluding a peace agreement before the end of 2008 as agreed at Annapolis in November 2007. However, EU declarations failed to have any impact on the ground. The Israeli blockade of all crossings into and out of the Gaza Strip led to a major humanitarian disaster (Tocci, 2009, p. 7). After a short-lived Egyptian-mediated truce, Hamas militants resumed the firing of rockets against Israel. Israel responded with the launch of a three-week military offensive against Hamas. The level of destruction caused by the Israeli offensive and the number of civilian casualties prompted large mobilizations around the world against the war.

On 27 December, the French Presidency responded to the violence in Gaza with a declaration condemning Israeli bombings and the rocket attacks by Hamas. It also called for an immediate ceasefire (Presidency of the EU, 2008). An EU delegation travelled to the region to participate in the mediation efforts on 4 January (Tocci, 2009, p. 7). At the same time, EU Member States were also active in the negotiations taking place in the UN context. Despite these efforts, the Gaza crisis showed the limitations of the EU’s foreign policy in the Middle East once again. The EU failed to influence either side in the conflict. In keeping with tradition, Israel showed distrust of the EU and only responded to US pressures; as for Hamas, the EU itself had refused to engage with this party in the conflict. Moreover, the system of rotating Presidencies not only constituted a disruption in the mediation efforts started by the French Presidency, but it also showed the problems when a small and inexperienced Presidency is at the helm.

North Africa

Among the countries of the region, Morocco maintains the closest relationship with the EU. This was confirmed at the EU–Morocco Association Council meeting of 13 October, which granted Morocco advanced status. At the meeting, the parties agreed to implement a series of measures designed to strengthen the partnership. Morocco’s advanced status should lead to increasing co-operation in political and security matters and a comprehensive free trade agreement, as well as the integration of Morocco into a number of EU sectoral policies. In sum, the focus of EU–Morocco bilateral relations continues to be trade, investment and security co-operation, primarily in the areas of migration and anti-terrorism, while issues of democratization, human rights or participation of civil society feature little on the agenda.

Other countries in the region such as Tunisia and Egypt also expressed their interest in a stronger partnership with the EU for 2009. An agreement on EU financial assistance to Egypt for the period 2007–10 was signed in March 2008, under the new European Neighbourhood and Partnership Instrument.
that replaced MEDA. The financial package of €558 million aims at supporting the implementation of the ENP Action Plan adopted in 2007. A preliminary agreement was also reached to further liberalize trade in agricultural and fishery products. In December, the EU and Egypt signed a Memorandum of Understanding to enhance energy co-operation. Egypt is not only the sixth largest natural gas supplier to the EU, but also a key transit country between the EU and the Middle East. In the political domain, concerns were expressed by the European Parliament about human rights abuses in Egypt (European Parliament, 2008).

Improvement of EU–Libya relations continued in 2008, following Libya’s recent moves to reintegrate in the wider international community. In July, the Council adopted a decision authorizing the Commission to negotiate a Framework Agreement, opening the way for the establishment of contractual relations between the EU and this Mediterranean country for the first time. The Agreement should also strengthen political dialogue and promote an increase in trade and investments between Libya and the EU. The negotiations, launched in November 2008, have focused on a wide range of issues of common concern for both parties, including migration, the establishment of a free trade area, co-operation on foreign policy and security issues and energy.

III. EEA and Switzerland

Iceland

The global financial crisis which unfolded in 2008 had one of its most dramatic manifestations within the wider Europe. The collapse of the banking system in Iceland and the dramatic depreciation of the Icelandic króna brought crisis to a member of the European Economic Area (EEA) and associate member of the Schengen area. Iceland was required to seek financial assistance from the IMF. The EU was not directly involved in the attempt to resolve Iceland’s financial difficulties. Rather, there was the emergence of a bilateral dispute between the UK and Iceland over the handling of depositors’ money in the British subsidiaries of the Icelandic banks Landsbanki and Kaupthing.

The Icelandic financial and banking crisis generated considerable domestic debate in Iceland on EU and euro area membership and with opinion polling indicating a significant shift in public opinion in favour of membership. Debate within the Independence and Progressive Parties, which had been opposed to EU accession, appeared to be shifting in favour of the position of the Social Democratic Alliance which favours a referendum on whether to seek membership of the EU. Enlargement Commissioner Olli
Rehn stated that the Commission was ‘mentally preparing’ for an application for EU membership following a general election anticipated for spring 2009.\(^\text{18}\)

**Switzerland**

The Member States agreed on 12 December 2008 that Switzerland would be permitted to join the Schengen zone. Participation was approved by the Swiss public in a referendum in 2005. Joining Schengen will also require Switzerland to enhance border controls with Lichtenstein as the latter will remain outside the zone. Switzerland has also scheduled a referendum for 8 February 2009 on the extension of free movement of labour for citizens of Bulgaria and Romania and a further referendum is anticipated when the latter two states accede to Schengen, which is unlikely to occur before 2011.

**Conclusions**

Events in the wider Europe in 2008 demonstrated the extent to which the EU faces a set of ongoing challenges within its near abroad. The EU’s capacity to manage, shape and structure the international relations of the continent through a combination of the enlargement process and the ENP are uncertain.

The current atrophy of the enlargement process raises questions about the extent to which the EU’s strongest foreign policy tool is losing its purchase. A diminishing enthusiasm on the part of the Member States for future enlargements is translating into a reduced perception of the prospects for membership in the applicant states. Furthermore, Member State divisions over Kosovo have diminished the Member States’ previously largely cohesive collective policy in the Western Balkans.

The emergence of both the proposals for the Mediterranean Union and the EaP in 2008 also demonstrate the ongoing problems of the ENP as a policy that is sufficiently calibrated to accommodate all of the EU’s bordering states. Whether the Mediterranean Union and the EaP represent a ‘hollowing out’ of the ENP remains to be seen. Furthermore, the difficulty encountered by the EU in brokering an end to the Israeli intervention in Gaza reinforced the impression that the EU’s ambitions to remodel the wider Mediterranean Union remain hostage to the travails of the Arab–Israeli conflict.

The EU can take some credit for its role in bringing a ceasefire to the war in Georgia, but it has now also taken on a direct responsibility for the resolution of one of the conflicts in Europe which has previously proved to be intractable. Increasingly, the EU’s ambitions for the eastern half of the

\(^{18}\) Reuters, 11 December 2008.

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continent are being complicated by a more assertive Russian foreign policy. Russia appears to be increasingly treating the EU as a direct competitor for the exercise of influence within the wider Europe and this is creating an additional complication for the EU in the pursuit of its policies within the neighbourhood.

**Key Reading**


**References**


