



European Commission

# Working together **The European Neighbourhood Policy**



European Neighbourhood Policy

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Working together  
**The European  
Neighbourhood Policy**



EUROPEAN COMMISSION  
**External Relations**





European Neighbourhood Policy

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# European Neighbourhood Policy

## The story so far

**I**n 2003-2004, the Commission proposed a new foreign policy for the EU – the “European Neighbourhood Policy”, a framework policy to cover its eastern and southern neighbours. The EU's motivation in proposing such a policy is its interest in being surrounded by stable, prosperous neighbours. For the EU, supporting the political and economic development of its neighbours is the best guarantee for peace and security and long-term prosperity. Through the ENP, the EU wants to make a decisive contribution to helping those governments achieve their political and economic reform objectives, by offering to share the benefits of a deeper relationship. The neighbouring countries' interest is in benefiting, to the maximum possible, from what the EU can offer – economic stability and larger markets, reform experience and know-how, cultural and other contacts between populations.

The European Neighbourhood Policy is a special framework applying to the EU's relationship with its immediate neighbours<sup>1</sup> to the east and south, sixteen countries which do not, or do not currently, have a perspective of eventual EU membership: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority, Syria, Tunisia and Ukraine<sup>2</sup>.

### ENP: key developments<sup>3</sup>

**March 2003 - May 2004:** the European Commission proposed the main lines of a Neighbourhood Policy and how it should work

**May 2004:** the European Commission presented Country Reports on seven ENP countries

**June 2004:** the 25 EU Heads of State and Government endorsed the Commission's Strategy Paper

**Remainder of 2004:** the European Commission and those seven ENP countries negotiated ENP Action Plans setting out the countries' short to medium-term reform priorities

**February – July 2005:** these ENP Action Plans – for Israel, Jordan, Moldova, Morocco, the Palestinian Authority, Tunisia and Ukraine – were adopted and implementation of the reforms began

**Late 2004 – late 2006:** after presenting Country Reports on these countries in Spring 2005, negotiations for ENP Action Plans also with Armenia, Azerbaijan, Egypt, Georgia and Lebanon.

<sup>1</sup> The other neighbours of the EU are covered by other policies such as EEA/EFTA (Iceland, Liechtenstein, Norway, Switzerland), enlargement (acceding countries: Bulgaria, Romania; candidate countries: Croatia, Turkey and the former Yugoslav Republic of Macedonia; potential candidate countries: Albania, Bosnia and Herzegovina, Serbia, Montenegro), and a Strategic Partnership with Russia.

<sup>2</sup> In the absence of a contractual relationship, the benefits of the ENP are not activated for Belarus, Libya or Syria.

<sup>3</sup> All key documents relating to the ENP can be found at [http://ec.europa.eu/comm/world/enp/index\\_en.htm](http://ec.europa.eu/comm/world/enp/index_en.htm)



The ENP is a **response** to the interests and wishes of our neighbours, from the Mediterranean to the Caspian Sea, for closer relations – a privileged form of relationship now, irrespective of what the future might bring. It is also a response to citizens' expectations, hopes and fears about the challenges of today's world – globalisation and prosperity gaps, managing migration, safe borders, organised crime, counter-terrorism and extremism, environmental damage and public health concerns etc – deriving from poverty, insecurity, migratory pressures and resource shortages in the shared neighbourhood.

*“Even in an era of globalisation, geography is still important. It is in the European interest that countries on our borders are well-governed. Neighbours who are engaged in violent conflict, weak states where organised crime flourishes, dysfunctional societies or exploding population growth on its borders all pose problems for Europe. The integration of acceding states increases our security but also brings the EU closer to troubled areas. Our task is to promote a ring of well governed countries to the East of the European Union and on the borders of the Mediterranean with whom we can enjoy close and cooperative relations.”*

European Security Strategy, December 2003

The policy aims to create a virtuous circle by promoting good governance, economic and social development, modernisation and reform, through a new intensified relationship based on shared or **common interests and values** such as good governance, prosperity, stability and security; democracy, human rights and rule of law; market economy and sustainable development and reforms in key sectors. By benefiting from economic integration with the EU, neighbouring countries can more successfully implement their reform programmes and economic development policies. Building a prosperous and stable neighbourhood means developing sound political and economic systems, and solid foundations in terms of economic and social development and physical connections. Reforms are interconnected – to promote trade and investment, both sides need to strengthen transport services and infrastructure links, while stronger judicial and regulatory systems will in turn contribute to a better business and investment climate. ENP seeks efficient and secure borders, promoting economic, social and cultural exchange, without building a “fortress Europe” or creating new dividing lines. It also covers issues of strategic interest such as energy (these neighbouring countries and their neighbours are current or future suppliers or transit countries).

The ENP works by **partnership and joint ownership** of the reform process, based on agreed reform priorities, responding to the countries' needs and efforts. Through jointly agreed partnerships for reform – ENP Action Plans – short and medium-term reform priorities are identified across a wide range of subjects including:

- **Political** dialogue and reform
- **Economic** and social cooperation and development
- **Trade** related issues, market and regulatory reform
- Cooperation on **Justice, Liberty and Security**
- **Sectoral issues** such as transport, energy, information society, environment, research and development
- **The human dimension** notably people-to-people contacts, civil society, education, public health.

Although the ENP Action Plans follow the same basic structure, the fact that these are negotiated with partners means that the content of each one is fully **differentiated** i.e. country-specific, tailor-made for the political, economic and social situation and needs of that country and its relationship with the EU.

The list of reform priorities, and their **sequencing**, serves several purposes, both for the EU and partner countries. For partner countries, it is a valuable strategic document – in the case of Moldova, for instance, it has become the centrepiece of its domestic reform strategy and in the case of Jordan is closely linked to its National Programme. For the EU, it provides guidance for assistance in support of those reforms as well as clear indicators by which reform can be measured. For other international actors and donors, it serves as a useful blueprint of reforms to which the country has committed.

What are the incentives for such reforms? As the **partners** make progress towards their reform objectives as regards rule of law, democracy, human rights, market-oriented economic and sectoral reforms and cooperation on key foreign policy objectives, the **EU** offers deeper political and economic integration, going beyond the relationship normally offered to third countries.

**Deeper political integration** means more frequent and higher level dialogue, support for further strengthening of institutions protecting democracy and the rule of law, promoting common foreign policy priorities like regional cooperation, making multilateral institutions more effective, addressing common security threats such as terrorism, extremism, weapons of mass destruction etc.



**Deeper economic integration** means substantial EU financial and technical assistance for agreed reform priorities and cross-border cooperation, reforms which will inter alia help partner countries to take advantage of the generous trade access which is offered to the EU's internal market (as well as supporting their efforts to gain WTO membership).

The importance of our relationships with these countries is not in any sense novel. What is new in the ENP is a comprehensive and forward-looking vision of promoting political and economic reform, development and modernisation, including elements which are not offered to any other "third countries". This includes new forms of support to stimulate economic and social development, the possibility of participating in EU programmes and agencies and, most innovative of all, the possibility of a "stake in the internal market".

How far and how fast a partner progresses in its relationship with the EU depends on its capacity and its political will to implement agreed reforms. Progress is supported by greater incentives and benefits. This means that as and when countries identify the sectors of the EU market which they want to access, and then implement (with EU help) the necessary reforms to be able to benefit from such access, they can gradually participate in EU-wide networks on transport, energy, telecommunications, education etc.

The ENP takes full account of **existing relationships** with these neighbours, whether Partnership and Cooperation Agreements (with eastern neighbours) or Association Agreements and the Euro-Mediterranean Partnership (with southern neighbours). In the Mediterranean, the ENP complements the pre-existing Euro-Mediterranean Partnership, the key multilateral element of EU relations with our southern neighbours, by offering additional country-specific incentives and opportunities as well as new tools and working methods which will help to realise the potential of the Barcelona process.

By autumn 2006, three years after the policy was first proposed, and barely eighteen months after the adoption of the first ENP Action Plans, the policy is already showing early **results**. Usually, at this early stage of implementation of an ambitious new policy, it is difficult to demonstrate concrete progress since institution-building is, by its very nature, difficult to measure, but there is already political momentum and some real results:

■ Implementation of the first seven ENP Action Plans (with Israel, Jordan, Moldova, Morocco, the Palestinian Authority, Tunisia and Ukraine) is underway, with experts from both sides monitoring progress through regular meetings. Several actions under the ENP Action Plan with the Palestinian Authority were put on hold following political developments during 2006.



■ Agreement on draft ENP Action Plans for Armenia, Azerbaijan, Egypt, Georgia and Lebanon.

■ Progress has been made on a number of issues of benefit to partners e.g. on trade facilitation for Ukraine, progress on energy issues with Algeria, Azerbaijan and Ukraine; Morocco's participation in the EU's ALTHEA military operation in Bosnia and Herzegovina; work with Ukraine on making it easier for certain categories of people (e.g. students, businessmen, officials) to get visas; a successful border assistance mission helping Moldova and Ukraine to improve customs operations on their shared border; improvements in food standards in Jordan; enhanced dialogue with some Mediterranean partners including, for the first time, on issues such as democracy, human rights and governance.

The EU is committed to supporting reform and development in its neighbourhood. Through the ENP, it works with its neighbours to promote their reforms, improving life for their citizens as well as our own. Success depends on the partner countries' capacity – with which the EU can help – but even more crucially on their own political will to implement their reform programmes. A first report on progress was issued in December 2006<sup>1</sup>.

*“European Neighbourhood Policy is founded on the premise that by helping our neighbours we help ourselves. It provides us with a new framework and new tools for promoting good government and economic development in the EU's neighbourhood. And it utilises the valuable experience we have already gained of assisting countries in transition... a pragmatic response to the challenges Europe faces today.”*

Benita Ferrero-Waldner, European Commissioner for External Relations and European Neighbourhood Policy, October 2005



<sup>1</sup>“Strengthening the ENP”, COM(2006)726 of 4.12.2006 – [http://ec.europa.eu/world/enp/pdf/com06\\_726\\_en.pdf](http://ec.europa.eu/world/enp/pdf/com06_726_en.pdf)





# Promoting political cooperation and reform

**T**he European Neighbourhood Policy supports internal political reforms within ENP partner countries and looks to strengthen dialogue on political and security issues between the EU and ENP partners. The underlying political foundations for ENP are the fundamental values espoused by the EU, namely liberty, democracy, equality, the rule of law and respect for human rights. The ENP looks to promote commitment to these principles as common values, in accordance with international standards. For example, the EU attaches particular importance to the staging of free and fair democratic elections in partner countries.

Effective implementation of such commitments is an essential element in the EU's relations with ENP partners, and determines the speed and pace at which the EU's relationship with individual countries will progress. The extent to which neighbouring countries implement commitments of this sort varies in practice, with considerable scope for improvement. For example, Belarus cannot be offered the additional incentives that come from the ENP, as long as democratic values are not respected under President Lukashenko's regime.

ENP also seeks commitments from partners on key EU external relations priorities including abiding by international law, preventing and resolving conflicts and supporting effective multilateralism, cooperation in the fight against terrorism and countering the proliferation of weapons of mass destruction. ENP seeks to intensify political dialogue in these and other areas.

## ■ Fostering commitment to shared values

The EU seeks to encourage protection of fundamental human and social rights, including freedom of media and expression, rights of minorities and children, gender equality, trade union rights and other core labour standards, as well as the fight against torture and prevention of ill-treatment. Ways of achieving this include appropriate laws, enforcing international conventions, fighting racial hatred and xenophobia, as well as general human rights training. ENP also supports the development and role of civil society in ENP partner countries.

Respect for human and fundamental rights features prominently in each of the jointly agreed ENP Action Plans. The Action Plans contain a number of priorities intended to foster commitment to shared values, including specific agreed commitments on human rights and political and governance reforms, commitments that will be monitored through joint structures (sub-committees) set up by the EU and the partner country.

The EU provides support and expertise to help countries prepare and implement key reforms to promote democratisation, such as electoral laws, decentralisation and strengthening administrative capacity. ENP also works to enhance partners' rule of law capacity, including reform of civil and criminal codes, reform of judicial and penitentiary systems, as well as tackling corruption and organised crime.



Those parts of the ENP Action Plans dealing with political reform and human rights are based on the principles of international and human rights law to which the EU and partner countries have subscribed under international (notably United Nations) and regional conventions (such as those of the Council of Europe or the Organisation for Security and Cooperation in Europe) or bilateral agreements with the EU. For example, all the EU's neighbours are signatories of UN human rights conventions. Partner countries are also committed to respecting core labour standards and to promoting fundamental social rights under relevant International Labour Organization (ILO) conventions (which is also a requirement for certain trade benefits from the EU). Women's and children's rights

are also covered, either directly through commitments on equal treatment and opportunities and strengthening the political, economic and social role of women, and also through measures to tackle trafficking.

The EU provides financial and technical support to ENP countries to support their reforms. It will also provide additional financial incentives to those countries that are ready to enter into a more ambitious partnership and to push ahead with reforms, in particular in the area of governance, under a new "Governance Facility".

### ■ Intensifying political dialogue and cooperation

#### **Examples of political priorities found in ENP Action Plans include:**

- with Jordan, supporting reforms spelled out in the government's National Agenda;
- with Moldova, reforming electoral legislation, strengthening the independence of the judiciary and fundamental freedoms, fighting corruption and sustained efforts towards a viable solution to the Transnistria conflict;
- with Morocco, pursuing democratisation reforms, implementing international human rights conventions and modernising the justice system;
- with the Palestinian Authority, adopting a coherent strategy for judicial reform and the fight against corruption;
- with Tunisia, supporting democratisation reforms, human rights and modernisation and independence of the judiciary;
- with Ukraine, strengthening the independence of the judiciary, fighting corruption and working towards a viable solution to the Transnistria conflict.

ENP Action Plans also identify areas where the EU and its partners can enhance their dialogue and exchange information on political or foreign policy matters, on a broad range of issues including foreign and security policy, international and regional questions, conflict prevention and crisis management, common security threats such as terrorism, weapons of mass destruction and illegal arms exports, as well as other areas identified as a priority in a particular country's ENP Action Plan.



Such cooperation may also lead to the eventual involvement of partner countries in aspects of the EU's CFSP (Common Foreign and Security Policy) or ESDP (European Security and Defence Policy), joint training and exercises and possible participation in EU-led crisis management operations – e.g. Morocco in the EU's ALTHEA operation in Bosnia. The EU can also advise and help countries on implementing their international counter-terrorism and non-proliferation obligations.

Another very concrete possibility for stepping up political cooperation is that countries may be invited to align with the EU's statements on foreign policy matters, outlining the EU's position on a particular foreign policy issue. Moldova and Ukraine have already been offered the possibility of aligning themselves with such (CFSP) declarations on a case by case basis.

## State of play in contractual relations with EU and action plans as at February 2007

ENP partner countries	Entry into force of contractual relations with EC	ENP Country Report	ENP Action Plan	Adoption by EU	Joint adoption with partner country
<b>Algeria</b>	AA - 2005	Under development	--	--	--
<b>Armenia</b>	PCA – 1999	March 2005	Agreed Sept 2006	13.11.2006	14.11.2006
<b>Azerbaijan</b>	PCA – 1999	March 2005	Agreed Sept 2006	13.11.2006	14.11.2006
<b>Belarus</b>	--	--	--	--	--
<b>Egypt</b>	AA – June 2004	March 2005	Agreed end 2006	--	Expected March 07
<b>Georgia</b>	PCA – 1999	March 2005	Agreed Sept 2006	13.11.2006	14.11.2006
<b>Israel</b>	AA - June 2000	May 2004	Agreed end 2004	21.02.2005	11.04.2005
<b>Jordan</b>	AA - May 2002	May 2004	Agreed end 2004	21.02.2005	11.01.2005
<b>Lebanon</b>	AA - April 2006	March 2005	Agreed May 2006	17.10.2006	19.01.2007
<b>Libya</b>	--	--	--	--	--
<b>Moldova</b>	PCA - July 1998	May 2004	Agreed end 2004	21.02.2005	22.02.2005
<b>Morocco</b>	AA - March 2000	May 2004	Agreed end 2004	21.02.2005	27.07.2005
<b>Palestinian Authority</b>	Interim AA - July 1997	May 2004	Agreed end 2004	21.02.2005	04.05.2005
<b>Syria</b>	--	--	--	--	--
<b>Tunisia</b>	AA – March 1998	May 2004	Agreed end 2004	21.02.2005	04.07.2005
<b>Ukraine</b>	PCA – March 1998	May 2004	Agreed end 2004	21.02.2005	21.02.2005



# Algeria

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## Republic

**Capital:** Algiers

**Currency:** Algerian Dinar (€1 = 89 DZD)

**Population (% under 14):** 32.5m (29%)

**Area:** 2,382,000 sq km

**Exports to EU (% of total):** €13.8bn (56%)

**Imports from EU (% of total):** €10.2m (64%)

**GDP:** €65bn

**GDP per capita:** €2,027

**Inflation:** 3.6%

**Unemployment:** 22.5% (2005 est.)

**Language(s):** Arabic (official), French, Berber dialects

**Internet users (per 1,000 people):** N/A



EU-Algeria relations are based on the EU-Algeria Association Agreement which entered into force in September 2005, foreseeing closer political and economic dialogue, gradual trade and service liberalisation and cooperation on economic, social, cultural, justice and home affairs issues.

Priority has been given to the full implementation of the Association Agreement. Following its entry into force, a meeting of the Association Council has already been held, and work on a technical level has started within thematic working groups.

Examples of how the EU is supporting the reform process in Algeria include:

- A €57 million project to help make small and medium-sized enterprises (SMEs) in Algeria more competitive. Training, expert advice and better access to professional information will help approximately 3,000 small and medium enterprises (SMEs)

to better adapt to market economy conditions and the business environment will also be improved by supporting those institutions and public organisations involved in developing the SME sector.

- A €20m project supporting better economic management, for instance by helping the government to improve the quality of collecting and processing national statistics in order to improve their capacity for national forecasting.

- A €10m programme in support of capacity-building within the Algerian civil service and other institutions, through technical advice, training and twinning arrangements with national administrations within the EU.

- A €10m programme in support of civil society, helping NGOs in the field of development to implement projects and build networks, including meetings with European NGOs.





## Republic

**Capital:** Yerevan

**Currency:** Dram (€1 = 560 AMD)

**Population (% under 14):** 3.21 m (21.6%)

**Area:** 30,000 sq km

**Exports to EU (% of total):** €170m (39%)

**Imports from EU (% of total):** €351m (34%)

**GDP:** €3bn

**GDP per capita:** €879

**Inflation:** 7%

**Unemployment:** 30% (2003 est.)

**Language(s):** Armenian 97.7%, Yezidi 1%, Russian 0.9%, other 0.4% (2001 census)

**Internet users (per 1,000 people):** 37



Relations with the EU are based on the EU-Armenia Partnership and Cooperation Agreement (PCA) which entered into force in 1999 and aims to promote the respect for democratic principles, rule of law and human rights as well as the consolidation of a market economy, trade liberalisation and cooperation in a wide range of areas.

In including Armenia, along with Azerbaijan and Georgia, in the ENP in 2004 at its own request, the EU signalled its readiness to further help the country to tackle such challenges. In its March 2005 ENP Country Report, the European Commission said that an Action Plan should provide inter alia for support for democratic and market economy reforms. The ENP Action Plan was adopted on 14 November 2006.

Examples of how the EU is supporting the reform process in Armenia include supporting institutional, legal and administrative reform while also addressing the social consequences of transition e.g.:

- Support for economic, political and social development within the framework of the ENP and the WTO via the TACIS funded Armenian European Policy and Legal Advice Centre (AEPLAC). The current AEPLAC phase four provides high level policy and legal advice to the Government for PCA implementation.
- Support to an early closure of the ageing Medzamor Nuclear Power Plant and development of alternatives to nuclear energy: rehabilitation of gas storage facilities, of hydro power plants, assessments of renewable energy development potential, preparation of feasibility studies and of a Medzamor decommissioning strategy.
- Support for education and vocational training, which also contributes to reducing poverty.
- A food security programme directed at poverty reduction. It provides budgetary support and technical assistance for key land reform and public finance management including support for social sectors (family allowances and child care).

## Nuclear safety – Medzamor

The closure of the Medzamor nuclear power plant is an issue in EU-Armenian relations. Armenia, being short of natural resources, is heavily reliant on this plant which was re-opened in 1995. It is, however, considered to be dangerous in terms of design and lies in a seismic zone. The European Union has offered €100 million to facilitate its early closure.







## Ensuring justice, freedom and security



One of the initial aims of the European Neighbourhood Policy was to avoid the creation of new dividing lines along the borders of the enlarged EU. ENP activities in the realm of justice, freedom and security are crucial in this respect, with the EU and its partners tackling increasingly important transnational challenges such as managing migration pressures, dealing with asylum and visa issues, tackling organised crime, in particular trafficking in human beings and drugs, terrorism, as well as money-laundering.

The ENP Action Plans drawn up with partners also seek to enhance police and judicial cooperation, including with EU bodies such as the European Police Office (Europol) and the judicial cooperation unit (Eurojust).

Promoting justice, freedom and security across the neighbourhood area also involves dealing with internal systemic challenges. The EU and its partners have a shared interest in improving the way public institutions function and in ensuring effective administration. Helping countries build sound justice institutions is an important task as the rule of law is an essential foundation for good political governance and a healthy business environment. The EU has already supported such activities on the ground, for example by helping Georgia to improve its justice system with a one-year advisory mission in 2004 – 2005.

### **ENP Action Plans typically feature a range of priorities concerning justice, freedom and security:**

- judicial cooperation in civil and criminal matters and judicial reforms;
- improving transparency and cooperation in the fight against corruption;
- fighting against racism and xenophobia;
- strengthening cooperation on preventing and combating terrorism;
- law enforcement cooperation;
- improving cooperation in fighting against organised crime;
- cooperating in fighting against drugs;
- cooperating in fighting money laundering, financial and economic crime;
- developing dialogue on migration-related issues and ensuring effective management of migration flows;
- cooperating to prevent and combat illegal immigration;
- improving partners' capacity for migration management and refugee protection;
- improving partners' border control capacity
- enhancing partners' document security.

## ■ Managing migration

After centuries as a source of migration, Europe is now an attractive destination and migration is a particularly sensitive issue for public opinion in Europe, with citizens worried about the impact on employment and competition for jobs. However, Europe needs migration as its own population is declining and aging. By 2050, the population of Austria would shrink by a quarter without immigration and one in three Italians would be over 65. Jobs would be left vacant and growth rates and living standards would plummet.

Europe therefore needs to attract workers and skills from outside. In short, it needs effective migration management. This means striking the right balance between clamping down on illegal immigration and trafficking on the one hand, and welcoming those migrants Europe needs for its economic and social well-being on the other. Good migration management means promoting legal migration and mobility, especially for certain categories of people such as students or where the EU needs skilled labour, while taking account of the need to mitigate “brain drain” – the loss of educated, talented human resources – from partner countries. But illegal immigration must also be tackled, which means helping the EU's neighbours to improve their border management,

enhance the security of their travel documents and to increase their capacity to efficiently control their own borders.

The European Neighbourhood Policy looks to strike just such a balance and puts migration firmly on the agenda of dialogue with the partner countries. The EU's neighbours were once major sources of migration, but are now more frequently transit countries for people coming from further afield or even destination countries in their own right. To respond to this increasingly important and common challenge, the EU has therefore intensified dialogue with partner countries on migration, particularly with southern neighbours. By the end of 2005, regular bilateral working groups had been set up with Jordan, Moldova, Morocco and Tunisia and these should be extended to other countries in due course.

The EU provides financial assistance and advice to ENP countries in their efforts to address issues of legal and illegal migration. It funds projects throughout its neighbourhood to build up relevant institutions, improve border controls, upgrade reception facilities for asylum applicants and refugees, and fight illegal immigration and human trafficking.



### Helping with migration and asylum: the Aeneas scheme

The EU's Aeneas programme was set up to assist and cooperate with third countries in protecting migrants' rights, fighting against illegal migration, enhancing refugees' protection, facilitating readmission and reintegration of returned migrants, promoting the use of legal channels for legal migration and supporting migration management. €120 million was foreseen for the programme for the period 2004–2006. The programme places particular emphasis on countries having signed readmission agreements with the EU and countries which are the origin of or are transited by migratory flows directed towards the EU. Similar activities will be carried forward from 2007 under a follow-up programme.

### ■ Handling asylum and refugees

The question of managing asylum-seekers and refugees has also risen up the agenda in recent years. Countries neighbouring the EU often lack the institutional and financial capacity to address these challenges so the ENP aims to help partners to develop the necessary capacity and to build effective management systems. The EU believes that solutions to refugee problems should be found first and foremost in the regions where refugees originate, in line with international conventions.

### ■ Managing borders

Border management is also key since only by working together can the EU and its neighbours manage common borders efficiently and facilitate legitimate cross-border movements. The goal is to make it easier for people and goods to cross borders while ensuring a high level of security against illegal movements, as well as to help countries build their own capacity to control their own borders more effectively. EC support for such reforms can take many forms, for instance the technical assistance being given to Moldova and Ukraine on the management of their shared border, through an EU Border Assistance Mission (see p. 47).







### Building institutions

ENP is helping to build institutions that enforce the rule of law and promote respect for human rights, as well as helping countries improve migration management. In Algeria, for example, the EU is training police forces in the management of migratory flows, including the requirements of international conventions on refugee protection. In Morocco, the EU is funding the creation of an international section in the National Agency for Employment.

researchers, business people or even officials attending meetings or training courses about reform. Promoting travel possibilities also brings wider economic benefits and broader advantages of cultural exchange.

While making visa issuance simpler, the EU is also keen to negotiate “readmission agreements”, as it has been doing with Ukraine and Morocco. These set out the procedures for returning illegal immigrants to the territory of the partner country concerned (or that of the EU). Visa facilitation and re-admission are good examples of where it makes sense to take action at EU level rather than a potential incomplete patchwork of bilateral deals between EU Member States and partner countries.

### ■ Easing visa procedures and taking back illegal immigrants

The EU has particular tools to support balanced policies on the movement of people. For example, it launched negotiations in 2005 on a “visa facilitation” agreement with Ukraine. This aims at easing the process of getting a visa for Ukrainian visitors to the EU, for example by waiving or reducing the visa fee or reducing the amount of documents to be presented for certain categories of travellers such as students,

# Azerbaijan

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## Republic

**Capital:** Baku

**Currency:** Azerbaijani New Manat  
(€1 = 1.10 AZM)

**Population (% under 14):** 7.9m (26.4%)

**Area:** 87,000 sq km

**Exports to EU (% of total):** €1.068bn (66%)

**Imports from EU (% of total):** €1.32bn (42%)

**GDP:** €7bn

**GDP per capita:** €823

**Inflation:** 6.2% (end-2005)

**Unemployment:** 1.2% (official rate)

**Language(s):** Azerbaijani (Azeri) 89%,  
Russian 3%, Armenian 2%, other 6%  
(1995 est.)

**Internet users (per 1,000 people):** N/A

The EU's relations with Azerbaijan are based on the Partnership and Cooperation Agreement (PCA) that entered into force in July 1999. The PCA seeks, for example, to free up trade, promote investment and encourage protection of intellectual, industrial and commercial property rights, while setting up regular political dialogue.



The EU signalled that it would help tackle such challenges as Azerbaijan, along with Armenia and Georgia, was included in the ENP in 2004 at its own request. In its March 2005 ENP Country Report, the European Commission said that an Action Plan should provide inter alia for support for market economy, institutional and political reforms, poverty alleviation and several other measures needed to bring the country closer to the European Union. On the political front, the EU stands ready to help Azerbaijan further its democratic development, improve conduct of elections and enhance the protection of human rights and fundamental freedoms. The ENP Action Plan was adopted on 14 November 2006.

Examples of how the EU is supporting the reform process in Azerbaijan include:

- Helping to improve living conditions for instance for 22 villages in the Fizuli district, by improving electricity distribution networks, drinking water supplies and irrigation channels, as well as restoring the region's rail link to the capital city. This not only improved basic living conditions in the area but also enabled approximately 35 000 internally displaced persons to return to their former villages.

- Support for economic and social development e.g. by help with modernising the social protection sector, restructuring the Ministry of Economic Development, supporting small and medium enterprises and promoting Azerbaijani exports – all of which helps to raise living standards and fight poverty, as does EC support, through the Food Security Programme, for agricultural development including irrigation systems and land reform.



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## Supporting reforms

EU assistance – some €30 million for Azerbaijan for 2004-2006 – supports institutional, legal and administrative reforms in the country. For instance, help for reforming the social benefits system, modernising the border guard and measures to counter human trafficking. EC funds also support the private sector and economic development, such as through the development of a national vocational training strategy.

**Presidential Republic**

**Capital:** Cairo

**Currency:** Egyptian pound (€1 = 7 EGP)

**Population (% under 14):** 77.5m (33%)

**Area:** 998,000 sq km

**Exports to EU (% of total):** €3.75bn (43%)

**Imports from EU (% of total):** €7.98bn (39%)

**GDP:** €62bn

**GDP per capita:** €893

**Inflation:** 8.1%

**Unemployment:** 9.5% (2005 est.)

**Language(s):** Arabic (official), English and French

**Internet users (per 1,000 people):** 44



EU-Egypt bilateral relations are based on the Association Agreement that was signed in June 2001 and entered into force in June 2004, replacing an earlier 1977 Cooperation Agreement.

A first meeting of an EU-Egypt Association Council took place in June 2004. The Association Agreement provides a comprehensive framework for the economic, political and social dimensions of the EU-Egypt partnership. The main aim of the Association Agreement is to establish a framework for political partnership and extended co-operation, to create a free trade area between the EU and Egypt and to help to social and economic growth and development.

In March 2005, the European Commission issued an ENP Country Report on Egypt's political and economic situation and discussions on an ENP Action Plan began in 2005, and were finalized in late 2006. The ENP presents an opportune tool for supporting Egypt's own agenda of democratic and economic reforms.

Examples of how the EU is supporting the reform process in Egypt include:

- Co-operation and capacity-building in the area of human rights and democratic reform, and governance, reinforcing national programmes e.g. The Ombudsman



Office, National Council for Human Rights, and National Council for Women.

- Supporting the increase in Egyptian **exports**, a top economic and reform priority in Egypt, in order to generate benefits in terms of employment and growth. Since the entry into force of the EU-Egypt Association Agreement in 2004, EU-Egypt bilateral **trade** has been steadily increasing both as regards Egyptian exports to the EU (20.7% increase in 2005) and EU exports to Egypt (12.3% increase in 2005). The enlarged EU is Egypt's largest trade partner and represents more than 40% of Egypt's total trade with the world.

- Supporting the substantial customs reforms in which Egypt is engaged to facilitate **trade** through simplification and modernisation of customs release procedures. The Commission's Trade Enhancement Programme provides well targeted EU policy support together with technical assistance. The enlarged EU is Egypt's largest trade partner and represents more than 40% of Egypt's total trade with the world.

- €100m in EC support for the Government's **Education Enhancement Programme**, also working with the World Bank. This programme aims at improving the basic education system in Egypt, with a particular focus on educationally underprivileged geographical areas. Implemented in 15 out of 27 Governorates, it has helped to improve access and equality, in particular for girls, through the construction of almost 400 schools, provision of furniture and substantial support to children with learning difficulties. Quality has also been improved, in terms of both teaching and learning, through training 1500 teachers in modern techniques, through the supply of computers and related training to 1000 schools and a consequent reduction in drop-outs from 6.7% to 3.4% in these regions.

- Finally, through its **Health Sector Reform Programme**, the EU has successfully piloted and implemented a new, family-oriented model of primary care. The EU has committed €198 million to funding clinics and upgrading a large number of health facilities as well as the procurement of essential medical training and equipment.





# Promoting economic integration and reform



**T**he European Neighbourhood Policy seeks to build closer economic as well as political links between the EU and partner countries. Properly implemented, ENP should contribute both directly and indirectly to sustainable growth in partner countries and bring substantial economic benefits for all sides.

Promoting economic reforms and open market economies is one way that ENP can provide opportunities for trade and investment. The policy also gives neighbouring countries the prospect of gaining greater access to the EU's internal market, depending on how far the countries are able to bring their *relevant* legislation, regulations and standards into line with those of the EU.

## ■ The economic situation

The economic situation in the neighbourhood area varies from country to country, from Israel which far outstrips other ENP countries in terms of GDP per capita, to the poorest ENP country, Moldova. The EU's neighbourhood also covers very different types of economies, ranging from predominantly agricultural economies, to post-Soviet industrial economies. The common factor is that almost all ENP countries are engaged in economic transition.

Most ENP partners have made progress in stabilising their economies and appear to be pursuing their economic integration with the EU from fairly favourable

macro-economic terms. But there are still macro-economic imbalances in a number of countries and many have low per capita income levels. There are also major social challenges to be faced, including the reduction of still high levels of poverty in some countries. The majority of neighbouring countries have high levels of unemployment, often including the challenge of integrating large numbers of young people in their job-markets. Raising living standards will be a key benchmark of ENP's success and tackling poverty is a central economic priority.

## ■ Gaining access to the EU's internal market

The opportunity of having a "stake" or share in the EU's internal market is the most novel element of ENP, on the economic side. For the first time, ENP opens up the possibility for non-EU third countries, with a lower level of development, to take part in the EU's internal market. The process will be a gradual and progressive one, bringing its real benefits in the medium to long-term as countries achieve convergence with relevant EU standards. It is very much both an opportunity and a challenge.

ENP offers a specific tool to promote the circulation of industrial goods based on the standards required by the EU's internal market. This is the prospect, included in the ENP Action Plans, of signing Agreements on Conformity Assessment and Acceptance of Industrial Products (ACAAs) for certain products which are



already harmonised at EU level. If a country is interested, it must first harmonise its legislation with that of the EU and set up the necessary administrative structures in that particular sector. Once these preconditions have been fulfilled, an agreement can be concluded that would allow the relevant products to enter the EU market without further testing or certification. This would relieve them of potentially cumbersome procedures that can constitute a significant non-tariff barrier to trade and access to the EU's internal market.

## ■ Promoting economic and social reforms

Trade and investment potential cannot be tapped to the full without the existence of open market economies and good economic governance. Transition to fully functioning market economies supported by sound institutions and adequate social policies is crucial if partner countries are to be able to absorb and adjust to the competitive dynamics brought about by closer integration with the EU and to face domestic challenges.

Compared to existing agreements, the ENP Action Plans offer a more specific focus on sound macro-economic policies. Issues such as fiscal consolidation, public debt, public finance management and monetary policy are typically covered in the ENP Action Plans.

ENP promotes best practice in areas such as public sector financial management, tax administration and financial services. For example, modernising and increasing transparency in the tax system, strengthening tax administrations, and establishing a sound regulatory and surveillance framework for financial services all have their part to play in promoting a market economy. The EU will help partners to ensure that public procurement is conducted fairly – transparent and modern procurement systems are important both for sound public finance management and also for companies seeking to invest in that economy. Broadly speaking, ENP promotes an agenda of good public sector governance.

Structural economic reforms fostering economic stability and growth can be encouraged by taking relevant elements of the EU's own standards, or *acquis communautaire*, as a starting point. Greater legislative and regulatory convergence with the EU should lead to higher investment and growth. Already, in recognition of this, some international financial institutions are aligning their own country strategies with the contents of the ENP Action Plans, precisely because they have been jointly agreed with the EU's partners.

Economic progress ultimately depends on the country's own commitment to reforms. But ENP helps those countries to make the changes needed for closer economic integration through increased financial and technical assistance, the prospect of participation in various EU programmes such as research and education and better physical links with the EU in sectors such as energy, transport and telecommunications.

### Examples of economic priorities contained in ENP Action Plans include:

- further developing the tax system and administration and continuing public finance reform in Jordan;
- ensuring macro-economic stability and reducing over-regulation in Moldova;
- reforming the public sector in Morocco;
- strengthening internal audit in the Palestinian Authority;
- finalising WTO entry and ensuring macro-economic stability in Ukraine.



## ■ Tackling poverty and addressing social challenges

All of the EU's neighbours face the challenge of poverty, to a greater or lesser extent. The fight against poverty, economic vulnerability and social exclusion must be a key element in the reform strategies of all our partners.

The ENP can help countries to address these challenges and improve economic and social conditions. It can help to tackle the root causes of poverty by contributing to efforts to spread the benefits of increased economic growth to all sectors of society, including positive action to promote social inclusion. This involves economic, employment and social policies covering a wide range of issues, and including for example education

and training, health and welfare, employment, housing, urban and regional development, and the environment.

The ENP involves increased dialogue and cooperation with partners on social issues such as socio-economic development, employment, social policy and structural reforms. The EU encourages partner governments' efforts to reduce poverty, create employment, promote core labour standards, as well as to reduce

### **“Market economy status” for Ukraine**

One of the first concrete steps achieved under European Neighbourhood Policy was the EU's award, in December 2005, to Ukraine of “market-economy status” for the purposes of EU trade defence procedures. This means that in EU “anti-dumping” procedures, which guard against third countries dumping products onto the EU market at unfairly low prices, Ukrainian companies' own costs and prices are used to calculate dumping margins and any extra duties that have to be imposed (rather than third country and proxy costs). While technical in nature, this is an important step for developing trade.



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regional disparities. It can also advise them on improvements to working conditions, how to make social assistance more effective and on reform of national welfare systems.

EU support in these areas, drawing also on a close cooperation with international financial institutions such as the World Bank, is and will remain a core component of ENP.

## Key macro-economic indicators of ENP countries

ENP partner countries	Area, 1000 km <sup>2</sup>	Population	Life expectancy at birth, years	GNI per capita (USD)	Adult literacy %, 15 years and above	Unemployment %, 15 years and above
<b>Algeria</b>	2,382	32,531,853	71.0	2,270	69.8	22.5
<b>Armenia</b>	30	2,982,904	71.4	1,060	99.4	30
<b>Azerbaijan</b>	87	7,911,974	66.9	950	98.8	1.2
<b>Belarus</b>	208	10,300,483	68.1	2,140	99.6	2
<b>Egypt</b>	998	77,505,756	69.6	1,250	55.6	10
<b>Georgia</b>	70	4,677,401	70.5	1,060	N/A	17
<b>Israel</b>	22	6,276,883	79.7	17,380	96.9	8.9
<b>Jordan</b>	89	5,759,732	71.2	2,190	89.9	15
<b>Lebanon</b>	10	3,826,018	71.9	6,010	N/A	18
<b>Libya</b>	1,776	5,765,563	73.4	4,400	81.7	30
<b>Moldova</b>	34	4,445,421	67.5	710*	96.2	8
<b>Morocco</b>	459	32,725,847	69.5	1,570	50.7	10.5
<b>Palestinian Authority</b>	6	3,800,000	72.4	N/A	91.9	25.6
<b>Syria</b>	185	18,448,752	73.2	1,230	82.9	20
<b>Tunisia</b>	164	10,074,951	73.1	2,650	74.3	13.5
<b>Ukraine</b>	604	47,425,336	66.1	1,270	99.4	3.8
<b>Neighbour average</b>	445	17,154,305	71.0	2 839	74.2	14.75
<b>EU-25 average</b>	156	18,250,000	78.15	22,444	97.0**	8.5

\* Excludes data from Transnistria

\*\* Does not cover all EU countries

### Sources

Area	DG Trade (Neighbour countries), Eurostat 2004 (EU-25)
Population	CIA World Factbook (Neighbour countries), Eurostat 2004 (EU-25)
Life expectancy	UNDP Human Development Report 2005 (Neighbour countries), Eurostat 2003 (EU-25)
GNI per capita	World Bank 2004, using Atlas method
Adult literacy	UNDP Human Development Report 2005
Unemployment	CIA World Factbook (Neighbour countries), Eurostat 2006 (EU-25)



## Republic

**Capital:** Tbilisi

**Currency:** Lari (€1 = 2.16 GEL)

**Population (% under 14):** 4.7m (18%)

**Area:** 70,000 sq km

**Exports to EU (% of total):** €204m (26%)

**Imports from EU (% of total):** €430m (33%)

**GDP:** €5.1bn

**GDP per capita:** €696

**Inflation:** 5.7%

**Unemployment:** 17%

**Language(s):** Georgian (official) 71%, Russian 9%, Armenian 7%, Azeri 6%, other 7%

**Internet users (per 1,000 people):** 24



■ The EC is the largest international donor in both the **South Ossetia and Abkhazia** conflict zones. In Abkhazia, EC assistance worth €10 million is directed at rehabilitation of the Enguri hydro-power complex and €4 million at an infrastructure rehabilitation programme and smaller confidence building measures with NGOs. In South Ossetia, a €2.5 million programme (part of a €7.5m package) of infrastructure and shelter projects is being implemented, with possibilities of further assistance for rehabilitation and economic development depending on the results of an OSCE Needs Assessment Study.

■ Under the Food Security Programme (€20 m in 2005) support has been targeted at completion of the **agriculture** census, implementation of the Government Action Plan on childcare, preparation of a medium term development plan for agriculture and adoption by the Government of mechanisms (tax concessions, grants, etc) to support specific product and service sub-sectors (tea, wheat, wine, mechanisation services, etc) all of which will promote economic development.

EU-Georgia relations are based on the July 1999 Partnership and Cooperation Agreement (PCA), which provides for trade liberalisation and cooperation in a wide range of areas.

Along with Armenia and Azerbaijan, Georgia was included in the ENP in 2004 at its own request. In its March 2005 ENP Country Report, the European Commission said that an ENP Action Plan should provide, inter alia, for consolidating Georgia's democratic institutions, strengthening the rule of law and supporting market economy and regulatory reforms. The ENP Action Plan was adopted on 14 November 2006.

Examples of how the EU is supporting the reform process in Georgia include:

■ Full establishment of **rule of law** is crucial for consolidating democracy and fostering a favourable investment and business climate. A one-year EU advisory mission in 2004-5 (EUJUST THEMIS, the first such "rule of law" mission launched by the EU under its European Security and Defence Policy) helped Georgia to improve its justice system. A number of EU experts were posted at various strategic points in the Georgian system, such as the Interior Ministry, the General Prosecutor's Office and the Supreme Court. They helped the Georgian authorities to draw up a comprehensive blueprint for reforming the country's criminal justice system. A new EC-funded project launched in early 2006 is assisting the government in implementing this strategy. Further support will be given to reorganising the prison system as well as reform of the prosecutors' service, helping the Justice Ministry to establish a civil register (for voters' lists and also to tackle corruption) and a free legal aid system.



## Republic

**Capital:** Jerusalem (not recognised by the international community)

**Currency:** New Israeli shekel (€1 = 5.6 NIS)

**Population (% under 15):** 6.98m<sup>4</sup> (26.5%)

**Exports to EU (% of total):** €8.63bn (28%)

**Imports from EU (% of total):**

€13.56bn (42%)

**GDP:** €94bn

**GDP per capita:** €14,226

**Inflation:** 2.4% (2005)

**Unemployment:** 8.9%

**Language(s):** Hebrew and Arabic (official), English and Russian widely spoken

**Internet users (per 1,000 people):**

40.7 (2004)

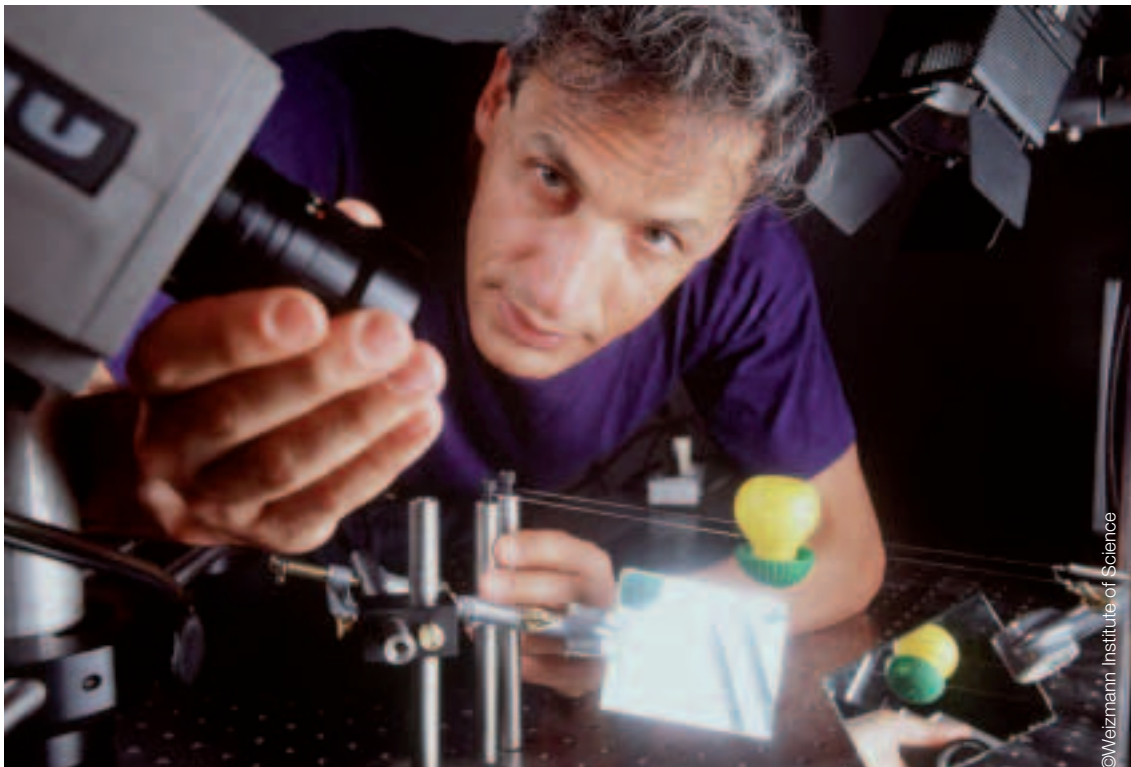


cooperation. Promoting peace in the Middle East is one particular aim, while other priorities include tackling anti-Semitism, racism and xenophobia, stepping up cooperation in the fight against terrorism and proliferation of weapons of mass destruction and tackling human trafficking, organised crime and migration issues. The ENP Action Plan looks to upgrade political cooperation, encourage the approximation of Israeli legislation to that of the EU as a means of opening the EU internal market to Israel, and to pursue greater liberalisation of trade, services and agriculture.

In terms of a "stake in the Internal Market", Israel was the first non-European country to be associated to the EU's research framework programme and in July 2004 it signed an agreement with the European Commission allowing for its participation in the EU's Galileo satellite navigation project.

The EU-Israel Association Agreement is the legal basis for relations. It was signed in November 1995 and entered into force in June 2000, replacing an earlier 1975 cooperation Agreement. The Association Agreement features free trade arrangements for industrial goods and concessions for trade in agricultural products – on which a new agreement entered into force in 2004.

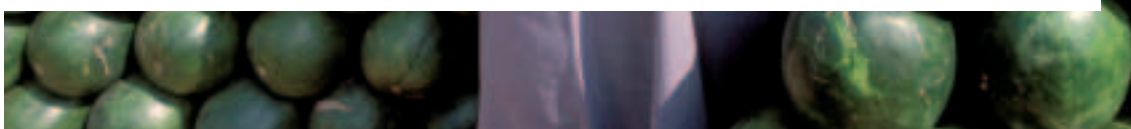
In December 2004, Israel was among the first wave of countries to agree an ENP Action Plan with the EU, opening new possibilities for developing EU-Israel relations by setting out a wide range of areas for greater



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## Boosting trade and investment



**P**romoting freer trade and greater investment between the EU and its partners is part of the policy of boosting and supporting economic development in partner countries and thus a central aim of European Neighbourhood Policy. Building closer economic links within and with the neighbourhood will help support reforms within partner countries, improving life for their citizens and also making them more attractive for investors. But trade is not just about opening EU markets to these countries – it also involves supporting the reforms, implemented by the

partner countries themselves, that will help them to take advantage of these trade opportunities.

The EU's contractual agreements with partner countries already contain substantial trade provisions, including envisaging the gradual establishment of free trade with Mediterranean partners and the mutual granting of “most-favoured-nation” treatment as well as the elimination of quantitative restrictions to trade with Eastern countries, including the perspective of a free trade agreement with Ukraine and autonomous

### Neighbourhood trade flows (2004)

	Rank among EU trade partners	EU rank among trade partners
Algeria	19	1
Armenia	114	1
Azerbaijan	63	1
Belarus	45	2
Egypt	33	1
Georgia	102	1
Israel	23	1
Jordan	65	1
Lebanon	54	1
Libya	27	1
Moldova	83	1
Morocco	28	1
Palestinian Authority	168	N/A
Syria	47	1
Tunisia	30	1
Ukraine	26	1

Source: European Commission DG Trade



trade preferences for Moldova. The EU's southern neighbours already enjoy duty-free and quota-free access to EU markets for industrial products. In almost all cases, the EU is already the number one trade partner for neighbourhood countries. For their part, ENP partners represent an important source of energy for the EU: in 2004 eight of the countries together accounted for 17% of EU energy imports.

But more can still be done to tap the potential of this trade relationship and to promote investment. Most countries have low investment levels, both domestically and in relation to foreign direct investment (FDI). ENP seeks to improve the investment climate in the countries concerned, including by supporting reforms ensuring the transparency, predictability and simplification of the countries' regulatory frameworks.

### ■ Promoting trade in goods

ENP builds on existing agreements, such as the Partnership and cooperation and Association Agreements, to ensure that partners reap the full benefits of more open trade and achieve greater opening of markets.

For Mediterranean partners, this involves the gradual building of a free trade area. In 2005, the EU also proposed to begin negotiations on further liberalisation of agricultural trade with Mediterranean countries, aiming at complete liberalisation of trade in agricultural goods, processed farm products and fisheries

products, except for a limited number of specific products. Agriculture is an important sector for many ENP countries, both in terms of GDP and the share of the rural population involved, so this would have an important and wide-ranging impact.

To the East, there is also a promise of more open trade linked to meeting the necessary standards and progress on economic reform. For example, at a December 2005 summit in Kiev, the EU confirmed that it would be ready to start talks on a free trade agreement with Ukraine once the country had joined the World Trade Organisation (a process for which the EU has provided considerable technical and political support). Progress in Moldova towards strengthening administration – for example the system by which they control and certify the origin of their goods – could pave the way for the EU to grant additional trade preferences to that country.

The European Neighbourhood Policy also looks to open up markets by easing the movement of countries' industrial products. The basis for doing so is the countries' convergence with the European Union's laws and regulations. Countries can harmonise their relevant legislation with that of the EU, set up necessary administrative structures in that sector and negotiate so-called "conformity assessment agreements" for certain products which then allow for less onerous testing and certification requirements for such goods entering the common EU market.





## Neighbourhood trade flows

### ENP countries' lead export products to the EU 2004

Source: European Commission DG Trade

		value in millions of euro	% of EU imports for that product
Algeria	Energy	10,958	6.05%
	Transport equipment	309	0.32%
Armenia	Transport equipment	37	0.04%
	Textiles and clothing	13	0.02%
Azerbaijan	Energy	1,102	0.61%
	Agricultural produce/machinery	15/15	0.01%/0.02%
Belarus	Energy	1,272	0.70%
	Agricultural produce	247	0.31%
Egypt	Energy	1,640	0.91%
	Textiles and clothing	611	0.88%
Georgia	Energy	141	0.08%
	Agricultural produce	37	0.05%
Israel	Machinery	1,889	0.74%
	Chemicals	1,789	2.07%
Jordan	Transport equipment	70	0.07%
	Chemicals	54	0.06%
Lebanon	Transport equipment	55	0.06%
	Agricultural produce	44	0.06%
Libya	Energy	13,099	7.23%
	Chemicals	149	0.17%
Moldova	Textiles and clothing	116	0.17%
	Transport equipment	61	0.06%
Morocco	Textiles and clothing	2,567	3.68%
	Agricultural produce	1,466	1.85%
W Bank & Gaza	Agricultural produce	5	0.01%
	Manufactured products	1	0.00%
Syria	Energy	2,058	1.14%
	Textiles and clothing	179	0.26%
Tunisia	Textiles and clothing	2,847	4.08%
	Machinery	1,132	0.45%
Ukraine	Energy	1,001	0.55%
	Agricultural produce	852	1.07%

### ■ Promoting trade in services

In addition to facilitating trade in goods, the EU has also proposed (in 2005) bilateral negotiations with Mediterranean partners on further liberalisation of trade in services and the right to establish businesses. This would be of economic interest both to EU and partner country businesses.

Opening up services markets is a good way of boosting foreign investment in partner countries. Greater access to European financial markets should also bring greater stability to countries' own markets and boost their economic performance.

The goal of free trade in services with and among partner countries can only be realised if countries successfully harmonise their relevant legislation with that of the EU. Countries should also ensure a level playing field for companies, with efficient and independent supervisory bodies. This is particularly important for financial services.

### ■ Tackling barriers to trade – Customs and food safety

There is more to promoting freer trade than reducing tariffs or customs duties. Less obvious, “non-tariff” barriers also have to be tackled. This is why ENP works to harmonise customs rules and strengthen and modernise customs systems and the ENP Action Plans also foresee steps to combat fraud and ensure the safety and security of goods. The EU's Border Assistance Mission to Moldova and Ukraine, launched in December 2005, is a concrete example of how the EU is helping countries to build up their customs services, though the EU model of a modern customs administration is relevant for all ENP countries.

It is particularly important for the smooth movement of agricultural products that countries meet the necessary plant and animal health and hygiene – or SPS (sanitary and phyto-sanitary) – standards. The EU has a world-class food safety system “from farm to fork”, aimed at good agricultural health and

protection of consumers' interests. Most ENP countries need to build stronger administrations to ensure the high levels of food safety required to sell food products into the EU market. Converging with EU standards will greatly enhance trade and strengthen capacities to respond to cross-border animal diseases such as foot and mouth or avian influenza. But it takes a great deal of effort and investment to harmonise regulations, upgrade slaughterhouses and food plants and establish the necessary infrastructure such as surveillance and control systems and laboratories – which is where the EU also helps.

ENP works through targeted dialogue with partner countries, backed up with significant financial and technical assistance. Exchanging views and experience – as in seminars on public procurement with Israel, on bankruptcy law with Ukraine and on competition policy with Mediterranean partners – is an important foundation for more open trade and investment ties.

#### **Jordan chooses to meet EU food standards**

The EU cooperated with ENP partners to promote agricultural exports *inter alia* by enhancing food safety systems. At the same time, improvements in the overall food safety situation benefit the countries' own consumers. Jordan has already announced that it would aim to comply fully with the EU's sanitary and phytosanitary (SPS) standards in the medium-term.

#### **Improving the investment climate**

Stimulating private investment is key to stimulating growth, creating jobs and reducing poverty. In addition to broad economic reforms, ENP encourages countries to harmonise their relevant regulations and legislation with that of the EU, on the basis of commonly agreed priorities and focusing only on the most relevant elements of the EU's *acquis communautaire*, or body of law, in order to stimulate trade and economic integration.

Regulatory convergence also drives reforms and enhances the investment climate. By using relevant EU standards, in fields such as company law, accounting and auditing, and corporate governance, the EU can encourage partners' structural reforms and the best practice needed to encourage investment and boost economic growth. Countries are also encouraged to ensure a level playing field for all companies. This involves protecting intellectual and industrial property rights, tackling counterfeiting and applying fair competition policies through independent competition authorities.

Guaranteeing the right of establishment for foreign companies provides investors with greater security and thus stimulates investment, including in new sectors of the economy. New opportunities for investment in ENP countries would be provided by the gradual liberalisation of capital movements, also foreseen under the ENP Action Plans. However, this liberalisation of capital movements requires many prior conditions and will only be achieved gradually.



# Map of the European Neighbourhood countries

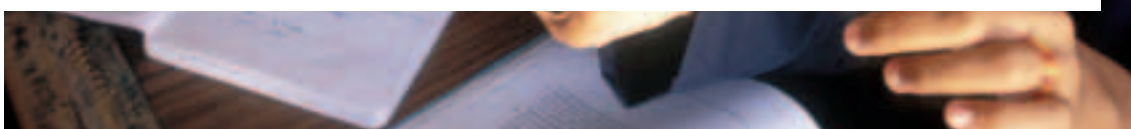








## Building contacts between people



**P**romoting contacts between the peoples of the EU and its neighbours is one of the best ways of achieving the objectives of European Neighbourhood Policy. Enhancing mutual understanding of each others' cultures, history, attitudes and values is an important foundation for productive political and economic ties. As the furore in early 2006 over the caricatures of the prophet Mohammed showed, today more than ever it is essential to enhance understanding between our cultures.

can also be promoted by easing visa procedures for people wishing to visit the EU, as through the "visa facilitation" negotiations launched with Ukraine in 2005.

### Promoting cultural understanding

The Anna Lindh Foundation, named after the late Swedish Foreign Minister, was created by the 25 EU member states and their Mediterranean partners with a view to developing partnership in social, cultural and human affairs and promoting understanding between cultures and exchanges between civil societies. Alexandria was chosen to be the foundation's headquarters by EuroMed Foreign Ministers in May 2004.

Making it easier to do business and conduct trade has a part to play in bringing people together. But ENP goes further than that, not just by promoting contacts between public bodies and businesses but by building cultural, educational and social links between the EU and its neighbours in Eastern Europe and around the Mediterranean. ENP also promotes internal social cohesion within partner countries through building human resources – essential for boosting economic competitiveness – improved social inclusion, living standards and health.

To achieve these aims, certain EU programmes will be gradually opened up to ENP partners, including those supporting education, training and youth, research, culture and audio-visual activities. Travel and tourism

### Improving education and helping young people

Education is a key sector in which the EU works with partners to promote reform. The deficit in the "knowledge society" in the EU's neighbourhood needs to be tackled urgently, especially in the Mediterranean area. Reform and modernisation of education systems are crucial pre-conditions for economic competitiveness and social and political stability.

Under the ENP, the EU will step up its assistance for building stronger education systems in partner countries. The aim is both to increase access to education and also to ensure that the education sector contributes to a democratic society. Education and

training must also better match the needs of labour markets and employers. This is an issue in many Mediterranean countries where unemployment is in fact higher for graduates than for school-leavers. ENP also seeks to improve vocational training, promote student exchange and mobility and lifelong learning schemes.

The EU runs a number of programmes that are relevant for European Neighbourhood Policy countries, promoting opportunities for young people, students and the development of higher education – these are called Tempus, Youth and Erasmus Mundus. A scholarship scheme covering all ENP partner countries is being developed.

**Youth:** The EU's Youth programme offers possibilities to young people aged between 15 and 25, including group exchanges, individual voluntary work and other support activities. The Euro-Med Youth programme, involving 35 Euro-Mediterranean partner countries, is one of the Youth programme's main activities. National agencies based in the Mediterranean countries help implement the scheme. The Youth programme also supports international cooperation activities with other partner countries in Southeast Europe, Eastern Europe, the Southern Caucasus and Latin America.

**Tempus:** Established in 1990 following the fall of the Berlin Wall, the €40 million-a-year Tempus scheme enables universities from EU Member States to co-operate with those in Eastern European and Mediterranean partner countries (and in the Western Balkans and Central Asia) in higher education modernisation projects as well as teacher exchanges. A particular emphasis is now placed on ENP countries.

**Erasmus Mundus:** The Erasmus Mundus programme is a global cooperation and mobility programme in the field of higher education. It aims to enhance quality in European higher education and to promote intercultural understanding through cooperation with third countries. It provides EU-funded scholarships for third country nationals taking part in Masters courses in Europe as well as scholarships for EU nationals studying in third countries.



## ■ Working for public health

There is much still to be done to improve people's health in the EU's neighbourhood.

The ENP Action Plans include actions such as increased health sector dialogue (e.g. through specific subcommittees under the Partnership and Cooperation or Association Agreements with partner countries), progressive involvement of ENP partners in various health networks (e.g. meetings of the Network of Competent authorities and participation in dedicated networks on communicable diseases etc.).

The EU also helps to support reform of partner countries' health systems, as well as cooperation on health strategies, on HIV/AIDS and Tuberculosis (TB) or on preparedness for global diseases such as avian influenza – all compelling priorities for cross-border and regional cooperation. Moreover, the ENP offers partner countries the opportunity to participate in selected EU health activities such as networks on communicable diseases.

### Stepping up scientific cooperation

Scientific and Technical cooperation Agreements have been signed with a number of ENP partner countries to make it easier for their universities, companies and research centres to participate in the EU's research framework programme. It also opens up partner countries' projects to participation by EU researchers.



	Life expectancy, years (2000-2005)	Education spending, % of GDP (2000-2002)	Adult literacy, % 15yrs & above (2003)
<b>Algeria</b>	71.0	N/A	69.8
<b>Armenia</b>	71.4	3.2	99.4
<b>Azerbaijan</b>	66.9	3.2	98.8
<b>Belarus</b>	68.1	6.0	99.6
<b>Egypt</b>	69.6	N/A	55.6
<b>Georgia</b>	70.5	2.2	N/A
<b>Israel</b>	79.7	7.5	96.9
<b>Jordan</b>	71.2	N/A	89.9
<b>Lebanon</b>	71.9	2.7	N/A
<b>Libya</b>	73.4	N/A	81.7
<b>Moldova</b>	67.5	4.9	96.2
<b>Morocco</b>	69.5	6.5	50.7
<b>Palestinian Authority</b>	72.4	N/A	91.9
<b>Syria</b>	73.2	N/A	82.9
<b>Tunisia</b>	73.1	6.4	74.3
<b>Ukraine</b>	66.1	5.4	99.4
<b>EU-25 average</b>	78.15*	5.22**	97.0***

Source: UNDP Human Development Report 2005 except \*Eurostat (2003) \*\* Eurostat (2002) \*\*\* does not cover all EU countries





## ■ Easing local cross-border movements

One way in which the EU can make it easier to develop contacts between people is by easing the procedures or lowering the cost of obtaining visas for people wanting to visit the EU, in particular for certain categories of visitor such as students, researchers or business people. For example, the EU launched negotiations in 2005 on a so-called “visa facilitation” agreement with Ukraine to this end. While making visa issuance simpler, the EU is also keen to negotiate “re-admission agreements” dealing with the return of illegal immigrants, as it has been doing with Ukraine and Morocco.

In keeping with the aim of avoiding new dividing lines in Europe, the European Commission proposed, in 2005, measures to ensure smooth flows of local cross-border traffic at the EU's borders e.g. for third country nationals living in border areas who regularly travel to an EU Member State. The proposal, yet to be decided by EU Member States and the European Parliament, envisages the possibility of a special visa limited to the border area of the issuing Member State that would allow the holder to make multiple visits amounting to less than three months in total in every half-year.

## ■ Promoting cross-border cooperation

It is important to foster closer cooperation both across the EU's external borders and among the EU's neighbours themselves – especially among those that are geographically close to each other. Experience has shown the benefits of cross-border and regional cooperation e.g. to promote sustainable economic and social development in border areas, addressing common challenges in fields such as environment, public health, and the prevention of and fight against organised crime and trafficking, as well as ensuring efficient and secure borders. Other areas of cooperation include promoting local, “people-to-people” type activities such as youth exchanges, visit schemes, cooperation on cultural issues. In this context, concrete cooperation between regional and local authorities on both sides of the border is of the greatest importance, and can in time lead to substantial and effective links across the borders, promoting common interests and strengthening civil society and local democracy as well as having beneficial effects on the local economy. Given these benefits, the financing of joint programmes bringing together regions of Member States and partner countries sharing a common border will be a goal of the European Neighbourhood and Partnership Instrument – until it comes into force (in 2007), funding of “Neighbourhood Programmes” is through existing instruments.

## Constitutional monarchy

**Capital:** Amman

**Currency:** Jordanian Dinar (€1 = 850 JOD)

**Population (% under 14):** 5.76m (34.5%)

**Area:** 89,000 sq km

**Exports to EU (% of total):** €99m (3.12%)

**Imports from EU (% of total):** €1.54 bn (24%)

**GDP:** €9bn

**GDP per capita:** €1,565

**Inflation:** 3.4%

**Unemployment:** 15%

**Language(s):** Arabic (official), English

**Internet users (per 1,000 people):** 81



The ENP provides a timely framework for supporting Jordanian reforms – notably through their ambitious ten year National Agenda which gives a high priority to political development and the more recent *We are all Jordan* initiative – a process that could also set a positive example for reforms in the wider region.

The EU and Jordan signed an Association Agreement in November 1997 which entered into force in May 2002. The main aim of this Agreement is to create a free trade area between the EU and Jordan over twelve years, and to help increase economic growth for the business community.

When the European Neighbourhood Policy came into being, Jordan expressed a strong interest in further developing relations with the EU and was quick to engage in negotiations with the EU on an ENP Action Plan. This was adopted in 2005, covering a new and ambitious agenda for political, social and economic cooperation e.g. on good governance and rule of law, including reform of political parties and the election law, enhancing the independence and impartiality of the judiciary, equal treatment of women, fiscal consolidation and economic reforms, trade and investment development, public sector reform, education and employment policy.

Examples of how the EU is supporting the reform process in Jordan include:

- With large programmes, such as the Industrial Modernisation Programme, of €45 million, which helped to develop the private sector in the country through support and services for small and medium-sized enterprises (SMEs). Some 250 businesses have benefited from technical assistance for upgrading, while the creation of marketing groups has boosted exports and a Jordanian institution has also been set up which will continue in the future to provide these services to Jordanian SMEs.

- With demand driven programmes, like the support to the implementation of the Association Agreement, which can contribute to facilitate regulatory reform and convergence with the EU and provide capacity building to Jordanian administrations. This programme has notably helped to:

- facilitate convergence with relevant EU standards for industrial goods (thus improving their access to the EU market) as well as consumer protection;
- improve good governance through technical assistance for the Jordanian anti-corruption strategy, and “twinning” on external audit capacity to upgrade the legal framework in line with international and EU standards;
- help the Ministry of the Environment to set up the conditions for good environmental governance by improving the institutional and legislative framework.



**Republic****Capital:** Beirut**Currency:** Lebanese pound (€1 = 1,805 LBP)**Population (% under 14):** 3.8m (26.7%)**Area:** 10,000 sq km**Exports to EU (% of total):** €224m (19%)**Imports from EU (% of total):** €3.53bn (52%)**GDP:** €16bn**GDP per capita:** €4,201**Inflation:** 3%**Unemployment:** 18%**Language(s):** Arabic (official), French, English, Armenian**Internet users (per 1,000 people):** 143

■ A 1m programme in support of Lebanese civil society, working with the Government and NGOs on governance issues such as promotion of good citizenship, intercommunity dialogue and providing legal support to vulnerable persons such as migrant workers and refugees.

■ There are over 400,000 Palestinian refugees in Lebanon, mostly in UN-run refugee camps. The EC makes significant contributions each year to projects benefiting these refugees. EC-funded projects are implemented by European NGOs and the UN Relief and Works Agency for Palestinian Refugees in the Near East (UNRWA). Schemes focus on shelter, socio-economic development, vocational training and temporary employment, health and food aid.

In the light of the damages resulting from the conflict in summer 2006, the immediate focus of EU support will be on rehabilitation and reconstruction. The ENP Action Plan continues to provide a useful tool, as an agreed framework in which to situate these efforts, as part of the Lebanese Government's reform process.

The EU and Lebanon signed an Association Agreement in June 2002 which entered into force in April 2006. This Agreement sets a framework for political dialogue, economic policy cooperation, the gradual establishment of a free trade area and cooperation on social issues.

ENP presents an opportune tool for supporting Lebanon's own programme of democratic and economic reform. Through ENP, EU-Lebanon relations will enter a new and more intense phase, covering a much broader spectrum of cooperation. Consultations on an ENP Action Plan began in April 2006 and it was adopted in January 2007.

Examples of how the EU is supporting the reform process in Lebanon include:

■ Through a 25m Economic and Social Fund for development, the EU is helping to improve the economic and social conditions of low-income groups through support for local development and job creation for disadvantaged groups and regions including through micro-credit programmes.

■ Through a 12m assistance programme for the civil service and other public institutions that will be involved in implementing the Association Agreement, including provision of European experts through the "twinning" programme, in fields such as competition law reform, enhancing consumer protection, monitoring of the insurance sector, improving the customs service.





## Connecting the neighbourhood



**D**eveloping closer political and economic links between the EU and its neighbours requires a sound underpinning through good physical inter-connections across the neighbourhood. ENP looks to link the EU and its neighbours by improving transport connections and ensuring the smooth flow e.g. of energy products. ENP helps lay the groundwork for more dynamic economies in our partner countries by supporting the opening up of research activities to these partners and by helping them to develop their own national research systems. It also helps the EU and its partners to work together to tackle other challenges that do not respect borders, in particular environmental ones.

### ■ Boosting energy links

The EU is more and more dependent on foreign sources to provide energy for people's homes and to fuel businesses, industry and transport. The EU is the world's largest oil and gas importer and the second largest consumer. It is also surrounded by the world's most important reserves of oil and natural gas in Russia, the Caspian basin, the Middle East and North Africa and is likely to be increasingly dependent on such energy imports in the future. The share of imports in the EU's overall energy needs is projected to rise from 50% to 70% by 2030.

The "gas crisis" at the beginning of 2006 – where several EU Member States were affected by a dispute between Ukrainian and Russian gas companies

about the price and terms of transit of Russian gas – once again confirmed the EU's interest in ensuring the security of energy supply. This is all the more important as global competition for energy is increasingly keen with the rise of emerging, energy-hungry economic powers like China and India.

The neighbouring countries (and their neighbours) are vital for the EU's energy security, either as current or future suppliers. Enhancing the EU's energy partnership with these neighbouring countries is therefore a strategic element of the ENP and contributes to its objectives of peace, prosperity, security and stability in the neighbourhood, with predictability of energy supplies being an important part of stability. Ukraine and Belarus are key transit countries for EU energy imports, and the Southern Caucasus states have a geo-strategically significant role in bringing new energy supplies to the EU from the Caspian region and Central Asia. Mediterranean ENP countries include transit countries (such as Morocco and Tunisia) or producers and current or future suppliers to the EU (including Egypt, Algeria and Libya).

But strategic energy cooperation is a wider issue than merely imports. ENP therefore offers enhanced co-operation on issues such as energy dialogue, convergence of energy policies, legislation and regulation with a view to integrating energy markets, possibilities for partners' participation in relevant EU programmes and events, improving energy networks including their safety and security and boosting – also



for the benefit of the environment – energy efficiency and the use of renewable energy sources. Cooperation on nuclear safety, in particular with Ukraine and Armenia is also an important topic. Given the need to tackle many of these issues in a broader setting, ENP also supports enhanced regional energy cooperation.

Since 2004, various initiatives have been launched. For instance, the signature in December 2005 of a Memorandum of Understanding on energy policy between Ukraine and the EU, envisaging more intense dialogue and the eventual integration of energy markets – particularly important since the Ukrainian gas transit network carries 40% of the EU's gas supplies. In the framework of a Ministerial Conference in Baku in November 2004, the EU also launched a new cooperation initiative aimed at the progressive integration of the Black Sea and Caspian Sea region energy markets with the EU energy market. ENP partners such as Azerbaijan, Armenia, Georgia, Moldova and the Ukraine cooperate alongside other countries from the region.

In the Mediterranean area, the EU is, in the longer-term, envisaging the creation of an inter-connected electricity and gas network. Concrete projects are ongoing with a view to creating a Euro-Maghreb electricity market, to boost energy cooperation between Israel and the Palestinian Authority and to enhance gas cooperation in the Mashreq.



More broadly, increased cooperation on energy matters brings business opportunities and promotes socio-economic development. Investing in pipelines and other energy schemes is an expensive and long-term business, and by working together to promote democratic and open economies in partner countries, ENP can help foster the stability and conditions needed for investor confidence.

## ■ Developing transport

Generating more trade and tourism between the EU and its neighbours requires efficient and sustainable transport systems and improved use of transport links – the road, rail, air and sea arteries needed to carry goods and people within the entire region.

To take full advantage of closer relations with the EU and the prospect of improved access to the EU market, partner countries' transport systems must be able to handle today's complex transport flows. ENP emphasises both transport safety – improving maritime safety and preventing oil spills, for example – and security – such as appropriate controls in ports.

### Promoting air travel – aviation agreements

The ENP looks to step up relations with partner countries in the aviation sector by opening up markets and cooperating on safety and security issues. Comprehensive air transport agreements are being signed with certain partner countries, replacing the bilateral treaties with EU Member States, covering issues such as market opening and cooperation on safety, security and air traffic management. The Commission also proposes the creation by 2010 of a Common Aviation Area comprising the EC and all its partners located along its southern and eastern borders, with a view to achieving a high degree of economic and regulatory integration of aviation markets in this area.

A central task of ENP is to improve the physical transport networks connecting the Union with neighbouring countries. Transport projects can be hugely expensive but such projects can receive financial support from the European Investment Bank. ENP can also help countries to prepare for major transport investments by, for example, supporting the preparation of feasibility studies for such projects.

Sometimes structural policy changes may be required to make transport more efficient, such as introducing competition in air transport, developing modern regulatory frameworks, and promoting inter-operability of transport systems. ENP can also help with all of these issues, encouraging partner countries to promote best regulatory practice for operations such as ports and airports, railways and freight. The EU has,

for example, provided technical assistance to several ENP partner countries in order to help implement joint aviation rules.

## ■ Protecting the environment

Pollution of the environment does not respect borders, making international as well as regional and national action essential. ENP presents a useful tool for tackling environment issues. More broadly, addressing problems of scarce resources such as water can help alleviate poverty, reduce social tensions, and promote wider stability. Both citizens and businesses in the EU and partner countries stand to benefit from better protection of the environment.

There are environmental concerns in all ENP partner countries. Many of these problems are common in their nature, even if the geographies differ. These range from questions of water resources and sanitation to air pollution, loss of biodiversity and waste management as well as to effects of climate change and pollution of the marine environment.

ENP Action Plans work to promote good environmental governance in partner countries to prevent environment degradation and pollution, protect human health, and achieve more rational use of natural resources, as well as enhance regional and international cooperation on environment issues. ENP partner countries are encouraged to increase their cooperation with the EU and among themselves on various environment issues, and to ratify and implement international environmental agreements, such as the Kyoto Protocol on climate change.

The EU is a leading global player in promoting environment protection and will therefore help ENP partner countries by sharing the vast experience and expertise it has gained over the last decades, helping partner countries to avoid making the same mistakes as the EU made in the past, as well as assisting them to find effective solutions to their most burning problems, taking into account the state of their financial and human resources. The EU can do this through technical assistance, such as sending its experts to the countries to work with them on clearly defined problem areas, as well as through dissemination of information about its experiences.

### **Co-operating on satellite navigation – the Galileo scheme**

A number of the EU's neighbourhood partners are involved in the European satellite navigation project Galileo – cooperation agreements have been reached with Ukraine, Israel and Morocco. The growing interest of third countries in Galileo is a big boost for the Global Navigation Satellite System market, which is potentially considerable: three billion receivers and revenues of some €275 billion per year by 2020 worldwide, and the creation of more than 150,000 highly qualified jobs in Europe alone.



## ■ Developing the Information Society

Developing information and communications technologies is a priority for many ENP countries and is crucial for the development of strong modern economies. ENP helps partners to avoid a technology gap and promotes the use of new technologies.

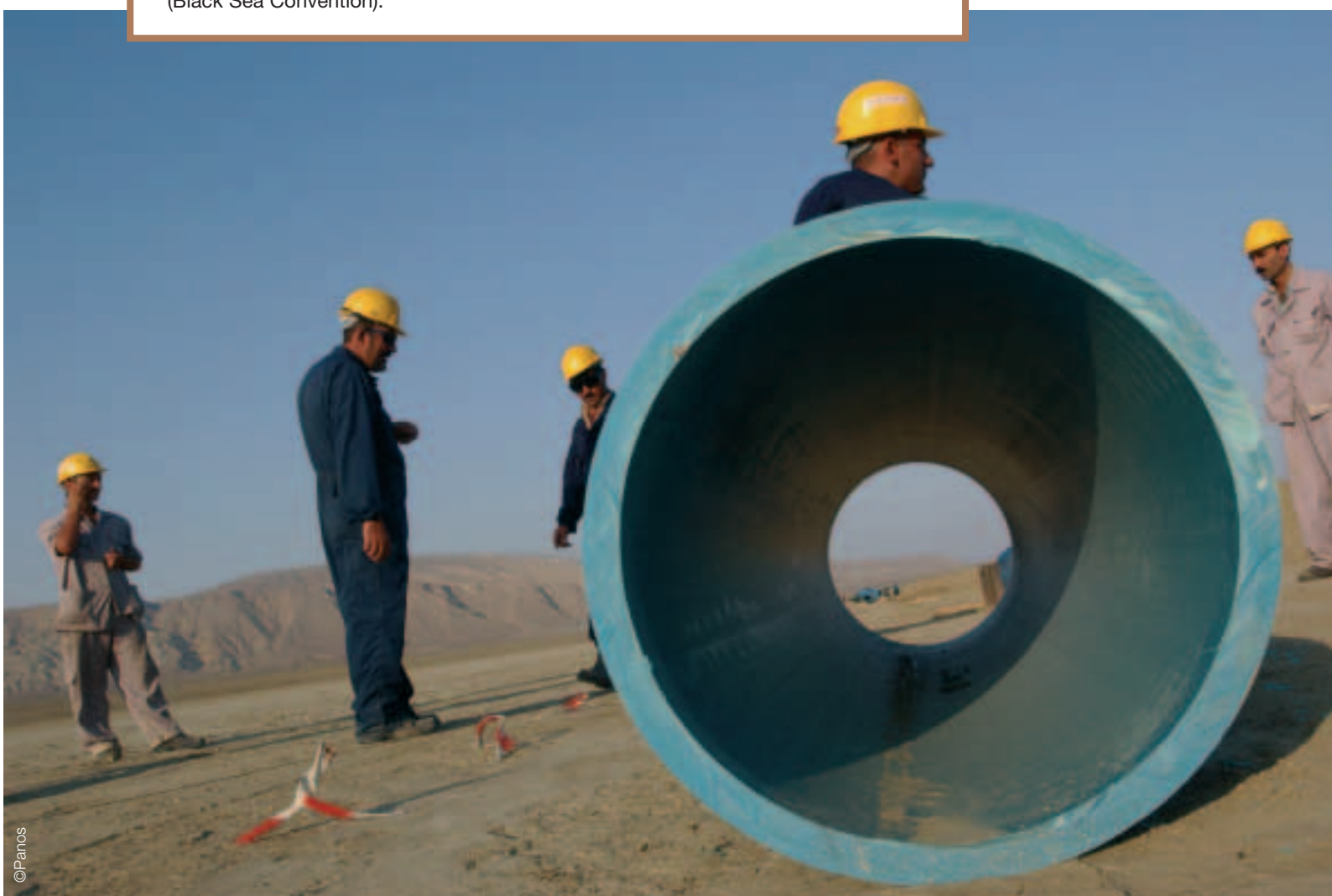
It also encourages partners to establish independent regulatory authorities and backs steps such as opening up telephone and internet markets. The ENP encourages and assists partners in the adoption and implementation of appropriate policies for the emerging digital economy and for the development of the audio-visual sector.

### **ENP – the main environmental objectives**

**Improving environmental governance:** Limited resources and environmental pressures mean strategic planning is essential, also involving stakeholders such as non-governmental organisations and the private sector. Environmental reporting is needed to get a clear picture of the state of the environment, along with sound procedures for environmental impact assessment.

**Taking action to improve the environment:** Getting the legislative framework in place and preparing sector-specific plans is needed to deal, for example, with issues related to water quality and waste management.

**Building on regional and multi-lateral environmental agreements:** such as the Kyoto Protocol on greenhouse gas emissions; United Nations Economic Commission for Europe (UNECE) environmental conventions; the Barcelona Convention on the Protection of the Mediterranean Sea; the Danube River Protection Convention (DRPC); and the Convention on the Protection of the Black Sea against Pollution (Black Sea Convention).





## Republic

**Capital:** Chisinau

**Currency:** Moldovan leu (€1 = 15.7 MDL)

**Population (% under 14):** 3.5m (20.2%)

**Area:** 34,000 sq km

**Exports to EU (% of total):** €372m (39%)

**Imports from EU (% of total):** €727m (46%)

**GDP:** €2bn

**GDP per capita:** €766

**Inflation:** 12.3%

**Unemployment:** 8%

**Language(s):** Moldovan (official), Russian, Gagauz

**Internet users (per 1,000 people):** 80



The EU-Moldova Partnership and Cooperation Agreement entered into force in July 1998, providing for trade liberalisation, legislative harmonisation, cooperation in a range of sectors and political dialogue. Building on this, an EU-Moldova ENP Action Plan was adopted in February 2005, providing a new tool to deepen relations. A key priority in the ENP Action Plan is to support efforts to achieve a lasting resolution of the Transnistria problem. Other priorities for relations with Moldova include strengthening of institutions, improving the business climate, ensuring respect for freedom of expression and media, and cooperating on issues such as border management, migration and the fight against trafficking, organised crime and money laundering.

Moldova and the EU cooperate closely in implementing the ENP Action Plan and indeed the Moldovan government formed after the March 2005 elections put it at the centre of Moldova's own domestic reform programme.



Examples of how the EU is supporting the reform process in Moldova include:

■ **By opening a Commission Delegation in Chisinau:** the opening of a Delegation of the European Commission in Chisinau is an important and visible support for Moldova's efforts to implement its Action Plan.

■ **By increasing EC assistance:** direct EC assistance to Moldova increased to €42 million in 2005-2006, in addition to assistance from Neighbourhood Programmes and other EC assistance programmes such as regional programmes and the Food Security Programme.

■ **By improving trade and customs:** Moldova benefits from the new significantly more generous trade preference scheme known as GSP+ (Generalised System of Preferences Plus), which offers the country better access to the EU market. The Commission is also helping to improve relevant Moldovan institutions and procedures for control and certification of the origin of products – this will allow the EU to consider granting even more preferential treatment in future. The Commission is also helping to review Moldovan health and phyto-sanitary systems which would allow Moldovan food products access to the EU market.

■ **Through the EU Border Assistance Mission** (see page 47) which is helping to ensure transparent management of the Moldova-Ukraine border.

■ **Through joint programmes with the Council of Europe** in support of improving the rule of law, the independence of the judiciary and respect for human rights in Moldova.

### Increasing the EU presence

The months following the adoption of the EU-Moldova ENP Action Plan saw the EU take a number of concrete steps to increase its presence in the country, signalling a deepening of relations. The European Commission opened a new Delegation in early October 2005 in Chisinau. The EU appointed a Special Representative for Moldova, Adriaan Jacobovits de Szeged. The EU joined multi-party negotiations on the Transnistria question as an observer and also launched a Border Assistance Mission to ensure transparent management of the Moldova-Ukraine border.



## Constitutional monarchy

**Capital:** Rabat

**Currency:** Moroccan dirham (€1 = 11 MAD)

**Population (% under 14):** 32.7m (32.1%)

**Area:** 459,000 sq km

**Exports to EU (% of total):** €6 bn euro (70%)

**Imports from EU (% of total):** €9.6 bn (65%)

**GDP:** €40bn

**GDP per capita:** €1,309

**Inflation:** 2%

**Unemployment:** 10.5% (2005 est.)

**Language(s):** Arabic (official), Berber dialects, French

**Internet users (per 1,000 people):** 33



sub-committee on human rights, democratisation and governance is set to be held in 2006. Morocco is also the only country with which political matters are discussed in a strictly bilateral framework of political dialogue, which has already met twice in 2004 and 2005.

Relations with the EU are on the basis of an EU-Morocco Association Agreement that entered into force in 2000, replacing an earlier 1976 Cooperation Agreement.

An ENP Action Plan was finalised with Morocco in July 2005, including mutually agreed priorities for political, economic, commercial, justice, security and cultural cooperation. The European Neighbourhood Policy is the first concrete reply to the King of Morocco's call in 2001 for his country to be given an "advanced status" in its relations with the EU. Morocco has also stated its ambition to harmonise its legislation with that of the EU by 2008 supported, inter alia, by an EC €100 million programme for reform of public administration.

Implementation of the ENP Action Plan began through a series of technical "sub-committees" which cover internal market issues, industry, trade and services, transport, environment and energy, research and innovation, agriculture and fisheries, customs, justice and security. The first meeting of a new

Examples of how the EU is supporting the reform process in Morocco include:

- Negotiation of an agreement on liberalising **trade in services** would help to promote foreign investment in Morocco, economic growth and sustainable development – negotiations have opened on liberalising trade in services and agricultural products.

- Reforms in **education and training**, scientific research and information society will contribute to economic development – the EU has a 40m project supporting basic education, tackling illiteracy, with further support to come through budgetary support.

- Deeper political dialogue on **foreign policy** issues – Morocco already takes part in the EU's military peace-keeping operation (Althea) in Bosnia and Herzegovina and the EU's satellite navigation project Galileo.

- Deeper political cooperation in the **fight against terrorism** – as a priority country, Morocco will receive twinning support to develop its anti-money laundering system, including the creation of a Financial Intelligence Unit.





## Fostering regional cooperation



**R**egional cooperation lies at the heart of the European Union itself which is therefore eager to share this experience with others.

A key principle of the ENP is to deal with different partner countries on their individual merits. But at the same time the EU keeps a regional perspective in mind, fostering not only closer cooperation across the EU's external borders but also *among* the EU's neighbours, especially those that are geographically close. Regional cooperation is also important to tackle the many issues that do not respect borders – like environmental problems – or issues that need a multi-country approach – like trade, transport and infrastructure networks, justice, liberty and security – as well as promoting people-to-people contacts.

Priority sectors for regional cooperation with and between eastern neighbours include:

■ **Economy, business, employment and social policy, trade, energy and transport:** including the adoption of European and international standards; effective implementation of WTO norms and rules; and support to small and medium-sized businesses; more cooperation on energy and transport policies and networks should be pursued. In this context, the 2004 Baku Ministerial Conference and its follow-up has already boosted regional energy and transport cooperation among Black Sea and Caspian Sea states.

■ **Environment protection:** including, for example, the water and forestry sectors, biodiversity conservation, nature protection and soil conservation, as well as cooperation regarding regional seas. Other priority areas include compliance with international environment agreements such as on climate change, as well as waste management and industrial pollution. Information dissemination and monitoring activities, as well as promotion of civil society cooperation can also be covered.

■ **Justice, freedom and security:** including regional cooperation on border management, migration and asylum; the fight against organised crime, trafficking of human beings, illegal immigration, terrorism, money-laundering and drugs; as well as police and judicial cooperation.

■ **People-to-people issues:** including the development of civil society; media and journalist, professional, academic and youth exchanges; promotion of good governance and respect for human rights; cooperation in education, training, science and culture; twinning between local and regional administrations and civil society organisations; public health and communicable diseases.

■ **Cross-border cooperation:** the EU promotes cooperation between regional and local authorities on both sides of the EU's borders.

ENP does not seek to establish new bodies or organisations but, rather, foster a sense of local ownership. It seeks to support and tap into the experience of

existing regional organizations and bodies such as the Council of Europe, the Baltic Sea Council, the Black Sea Economic cooperation (BSEC), the Central European Initiative (CEI) as well as “Euro-regions” that foster cross-border cooperation between regional and local authorities.

The strategic priorities for regional and sub-regional cooperation in the Mediterranean region include:

■ **Energy and transport markets and networks:** including assistance for harmonizing policies, legislation and regulation and planning networks to facilitate trade and access to the EU market. Work is well-advanced with Morocco, Algeria and Tunisia, to create an interconnected Maghreb electricity market with a view to integration into the EU market. With Egypt, Jordan, Lebanon, Syria and Turkey, Mashrek gas policy and network cooperation is underway. Developing rail, road and maritime transport links is another priority. Regional cooperation on safety and security is particular important in the maritime and aviation area, including air traffic management.

■ **Environment protection:** could include, for example, marine pollution, water management, nature protection, industrial pollution and waste management,

in line with the Horizon 2020 initiative on reduction of pollution in the Mediterranean Sea. Other priority areas include compliance with international environment agreements such as on climate change, as well as information dissemination and monitoring activities, and promoting civil society cooperation.

■ **Justice and home affairs:** including improving border management; cooperation between enforcement bodies and agencies; the fight against organised and cross-border crime and judicial and police cooperation; the fight against illegal immigration, and management of legal migration; the fight against drug trafficking, reduction of drug supply and implementation of national strategies against drugs.

■ **Trade, regulatory convergence and socio-economic development:** including promoting regional economic integration between countries willing to cooperate more closely on economic issues in view of the completion of the Euro-Mediterranean free trade area and the progressive participation of the more advanced countries in the EU internal market. Regional trade and investment should be encouraged through common rules of origin, liberalisation of services, regulatory approximation and trade facilitation. Dialogue on employment and social policy should be enhanced.



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■ **People-to-people projects:** promoting civil society initiatives in support of human rights and democratisation; supporting youth organisations; and fostering intercultural dialogue through education and youth exchanges.

The ENP Action Plans with Israel, Jordan and the Palestinian Authority include various commitments on regional co-operation which had already borne fruit prior to the formation of the new Palestinian Government in January 2006 and EU-backed joint Israeli-Palestinian offices had been created for coordinating energy and transport planning and on trade. Following the escalation of the Israeli-Palestinian conflict in 2006, many of these efforts were put on hold. A trade agreement between Jordan and Israel allows jointly produced exports to enter EU markets tariff-free.

## ■ Regional conflicts in focus

The neighbourhood contains a number of “frozen” conflicts whose solution will require an effective dialogue and cooperation between the countries involved. The stability and security of the both the EU and its neighbourhood are threatened by the continued presence of such disputes near the EU's borders, most notably in the Middle East, in Transnistria, in Nagorno-Karabakh, in Abkhazia and South Ossetia, and in the Western Sahara.

Finding solutions to regional conflicts is an important aspect of the European Neighbourhood Policy. The EU, including through the ENP Action Plans, supports ongoing efforts to resolve regional conflicts and encourages the parties involved to continue dialogue to this end. Solving these problems is essential if a zone of stability and security is to be formed around the EU. The most headline-grabbing is the conflict in the Middle East, but there are other so-called “frozen” conflicts throughout the region that also demand attention.

■ **Middle East:** the achievement of lasting peace in the Middle East is a central aim of the EU, whose main objective is a two-State solution leading to a final and comprehensive settlement of the Israeli-Palestinian conflict based on implementation of the Road Map, with Israel and a democratic, viable, peaceful and sovereign Palestinian State living side-by-side within secure and recognised borders enjoying normal relations with their neighbours. This includes a fair solution to the complex issue of Jerusalem and

a just, viable, realistic and agreed solution to the problem of Palestinian refugees and a solution in the Israeli-Syrian and Israeli-Lebanese tracks.

The EU actively contributes to the search for peace in the Middle East via:

- active participation in the Quartet;
- bilateral relations with Israel and the Palestinian Authority, underpinned by Association or Interim Agreements and by ENP Action Plans adopted in 2005;
- facilitation of regional dialogue through the Euro-Mediterranean Partnership;
- confidence-building measures, including electoral observation activities and EU monitoring of the proper implementation of the Israeli/Palestinian agreement on operation of the Rafah border crossing point between the Gaza Strip and Egypt;
- organisation of trilateral policy dialogues with participation of the European Commission and the Parties on transport, energy and trade;
- assistance aimed at creating the conditions for peace, stability and prosperity in the region, to promote Palestinian economic, social, political and security sector reforms, including tackling governance issues; humanitarian assistance for refugees; bringing together civil society actors from Israel, the occupied territories and neighbouring countries via the EU Partnership for Peace programme. Some of these initiatives were affected by political developments in the region in 2006.

■ **Transnistria:** after the fall of the Soviet Union and the independence of Moldova, the region of Transnistria declared its independence in 1991, followed by a brief civil war. Since 1992, the status of the internationally unrecognized breakaway region, remains unresolved. The withdrawal of Russian troops and ammunition, originally set for the end of 2002 according to the OSCE Istanbul Summit agreement, came to a halt after the removal of only an estimated 35% of ammunition stores by 2003. Talks on a political settlement are ongoing in a five-sided format including the OSCE, Russia and Ukraine as mediators, along with representatives of Chisinau (capital of Moldova) and Tiraspol (capital of the self-declared Transnistrian republic). The EU and the US joined the talks as observers in 2005. The EU is particularly concerned about the high levels of organised crime and trafficking in Transnistria, which will come even closer to the EU's borders once Romania joins the EU.



### Supporting border management in Moldova and Ukraine

In November 2005, the EU launched a Border Assistance Mission to Moldova and Ukraine, with some 100 border police and customs officials from EU Member States advising and training the two countries' border and customs services. The scheme seeks to strengthen cross-border cooperation and to help prevent smuggling, trafficking and customs fraud. More broadly, it aims to improve security and stability in the region by helping to create the conditions needed for a settlement of the conflict over Moldova's breakaway Transnistria region. It also brings economic benefits by helping to ensure that the governments in Kiev and Chisinau receive all customs duties owed. Headquartered in Odessa, Ukraine, the €20 million mission will last for at least two years. On the occasion of the signature of the Memorandum of Understanding for the EU's Border Assistance Mission, Commissioner for External Relations and European Neighbourhood Policy Benita Ferrero-Waldner said "The mission is an important signal of the EU's support for Moldova and Ukraine, and for prosperity, stability and security in this region." The Commissioner also praised "... the political courage and farsightedness of Presidents Voronin and Yuschenko in creating the political climate which has allowed us to plan and implement this project."

■ **Nagorno-Karabakh:** the territory of Nagorno-Karabakh, which has a predominantly ethnic Armenian population, is situated within Azerbaijan. Conflict over the territory began in 1988 with Azerbaijan, erupting into full-scale war as the Soviet Union collapsed, resulting in over 20,000 deaths and a million refugees. The region declared itself an inde-

pendent Republic in 1991, but without international recognition. A cease-fire was agreed in 1994, with Armenian forces occupying the region. A solution to the conflict has not yet been found, though France, Russia and the US co-chair the OSCE "Minsk Group" that is trying to facilitate a solution.



# Palestinian Authority

i

## Interim self-government authority following the Israeli-Palestinian peace agreement

**Currency:** Jordanian Dinar and New Israeli shekel

**Population (% under 14):** 3.89m (46%)

**Exports to EU\* (% of total):** €11m (3%)

**Imports from EU (% of total):** €55m (3%)

**GDP:** \$4,456m

**GDP per capita\*:** \$1,260

**Inflation\*:** 3.4%

**Unemployment:** 25.3%

**Language(s):** Arabic

\* Trade statistics are distorted because some products are exported under Israeli certificates of origin



The EU – Palestinian Authority ENP Action Plan was endorsed in May 2005. The Action Plan reflects long-standing priorities in the EU's relations with the Palestinians. It is driven by the pursuit of reforms, namely building democracy and institutions, governance, transparency and respect for human rights, as well as improving the humanitarian and economic situation of the Palestinians. The plan gives new impetus to a 1997 Interim Association Agreement on trade and cooperation.

The Palestinian Authority (PA) was set up in 1994, following the Oslo accords, providing the Palestinians with interim self-governing arrangements in Gaza and the West Bank. The Palestinian Authority is a partner in the Euro-Mediterranean Partnership and has been one of the first partners to have concluded an Action Plan with the EU. Including the Palestinian Authority in the ENP from the outset has been part of the EU's policy to contribute to the creation of a future, democratic Palestinian state.

Following the victory of Hamas in the January 2006 legislative elections, EU policy towards the new Palestinian Government is under review. As a result of political developments, many actions in the context of the ENP Action Plan were put on hold. The EU called on the Palestinian Authority government to meet the three Quartet principles of non-violence, recognition of Israel and the acceptance of existing agreements including the Roadmap.

The January 2005 election of Mahmoud Abbas as the new Palestinian President following the November 2004 death of long-time leader Yasser Arafat, and Israel's 2005 pull-out from the Gaza Strip, appeared to create a window of opportunity for a renewed peace effort although progress remained slow. The political landscape, however, changed considerably with the victory of Hamas in the January 2006 legislative elections, which affected EU policy towards the Palestinian Authority.

The EU supports development and reform in the Palestinian territories with significant financial assistance. Taking the contributions of the European Communities and EU Member States together, the EU provides around €500 million each year to Palestinians to promote stability, economic regeneration and reform, including support for staging elections. The EC made available some €280 million in 2005. The strict conditions attached to EU aid and specific technical assistance have contributed to improving the Palestinian Authority's public finance management.

In 2006, EC assistance has focused mainly on emergency and humanitarian needs, due to the deterioration of the political and economic situation.

## Strengthening rule of law, democracy and good governance

The Commission was the first donor to mobilise significant help to establish an independent Palestinian **Election** Commission and is the largest donor in this field (€18.5 million provided since 2003). EC support helped to ensure that the recent presidential and legislative elections were held in a free and fair manner. Whilst a number of shortcomings were noted by the EU observation mission, it was reported that, despite this, the election represented “an achievement and an opportunity” in entrenching the practice of seeking legitimacy through the ballot box.

Much of the EU's work with the Palestinian Authority looks to strengthen rule of law institutions and build the institutions necessary for sustainable government, from sustainable revenue collection to sound financial management. This includes a one-year Border Assistance Mission at the **Rafah crossing point** on the border between Gaza and Egypt, and a three-year advisory “**EU Police Mission** for the Palestinian Territories” (EUPOL-COPPS), to help the Palestinian Authority establish sustainable and effective policing arrangements. Some of these initiatives were affected by political developments including the escalation of the Israeli-Palestinian conflict.



**Presidential republic****Capital:** Tunis**Currency:** Tunisian Dinar (€1 = 1.63 TND)**Population (% under 14):** 10.07m (25.3%)**Area:** 164,000 sq km**Exports to EU (% of total):** €6.19bn (79%)**Imports from EU (% of total):** €8.3bn (76%)**GDP:** €23bn**GDP per capita:** €2,295**Inflation:** 3.6%**Unemployment:** 13.5%**Language(s):** Arabic (official), French**Internet users (per 1,000 people):** 64

# Tunisia

Tunisia is the most advanced of the EU's Mediterranean partners as regards the gradual introduction of a free trade area with the EU, having started dismantling tariffs in 1996, two years before the entry into force of the EU-Tunisia Association Agreement. Under this Agreement, the EU and Tunisia commit themselves to co-operating in a wide range of areas, including strengthened political dialogue, trade, economic, social and cultural issues and the establishment of an EU-Tunisia free trade area by 2010.

Tunisia is a full participant in ENP, with an ENP Action Plan in force since July 2005 that widens the scope of relations. The Action Plan includes mutually agreed objectives for political, economic, commercial, justice, security and cultural cooperation. One of the EU's priorities under the ENP is to encourage Tunisia to make progress on democratisation and human rights to match its socio-economic credentials – there are still significant human rights restrictions particularly regarding freedom of expression and association – and to develop dialogue on political matters and issues like migration, justice and security.

Examples of how the EU is supporting the reform process in Tunisia include:

■ Through support to improving **social progress**. The EC is heavily involved in improving the **education system**, from kindergarten to university. In these areas, the EC supports the introduction of new teaching methods, the training of teachers, the development of universities and vocational training centers, allowing Tunisian students to study in the EU, etc... Another important area is that of support to the reform of the **sickness insurance** system in order to expand its coverage of the population, especially the least well-off, as well as improvements in the quality of public and private **health care** provision.

■ Through various programmes supporting the **restructuring and modernisation of Tunisian economy**, the EC helps Tunisia to give job opportunities for its citizens and take advantages of trade possibilities with Europe. Both EU and local expertise was provided to over 10% of Tunisian companies to help them to align with European practices and standards e.g. in terms of innovation, competitiveness and quality standards, and also to improve the capacity of Chambers of Commerce and employers' organisations. Programmes are helping existing businesses to develop as well as to create new ones. This resulted in better products for Tunisian citizens, higher exports and jobs, etc.

■ The EC has also been involved in modernization of the ports sector, supporting measures to improve the functioning of the Tunis port, and create new freight and passenger terminals, notably for cruise ships touring the western Mediterranean. This will improve the quality of terminals for the increasing number of visitors discovering the cultural heritage of Tunisia.

■ Through support for **rural development**, tackling rural poverty and protection of natural resources, for instance by helping the development of local co-operatives and associations managing water supplies, including the improvement or construction of rural dams. This gives poor local population the opportunity to develop a stable source of income, improve the environment through a better utilisation of water and limits migration to towns.



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## Encouraging and supporting partner's reforms



**S**ince the 1970s in the Mediterranean, and since the 1990s in Eastern Europe, the EU has provided substantial support to the partner countries covered now by the ENP. This has included support for transition and reform in Eastern Europe through the Tacis programme (some €3.1 billion 2000-2006) and, in Mediterranean countries, through the MEDA programme (€5.3 billion 2000-2006). Macro-financial assistance has also been given to countries with balance of payments problems – for example €33.5 million to Georgia in January 2006 – as well as humanitarian and food aid. The EU has also provided funds for promoting liberty, democracy, human rights and the rule of law under a European Initiative for Democracy and Human Rights (EIDHR). The EU's lending arm, the European Investment Bank (EIB) has also provided substantial loans to some countries, particularly in the Mediterranean.

Cross-border cooperation is also supported. For 2004-2006, pending the entry into force of a new dedicated funding instrument that will replace those mentioned above, this funding has been through cross-border “Neighbourhood Programmes” using resources from existing financial instruments.

From 2007, both Tacis and MEDA will be replaced by a single instrument, the European Neighbourhood and Partnership Instrument (ENPI), offering greater flexibility and increased resources. Other grant programmes, including those on human rights and on migration, will also be continued under the ENPI. In addition, the Commission is proposing a substantial increase in EIB lending possibilities for the region as a whole.

### ■ EC assistance (up to and including 2006)

#### The Tacis programme

Launched in 1991, the Tacis programme has provided grant-financed technical assistance to twelve countries of Eastern Europe and Central Asia (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan) including various ENP partners. Its main aim has been to support the transition process in these countries.

#### Supporting reforms – Tacis priorities:

- institutional, legal and administrative reform;
- supporting the private sector and assistance for economic development;
- addressing the social consequences of transition;
- developing infrastructure networks;
- environmental protection and management of natural resources;
- developing the rural economy;
- supporting nuclear safety.



Tacis has also featured a regional component to back cooperation between countries in areas such as the environment, trade and transport, justice, liberty and security. A Tacis cross-border programme has promoted cooperation and the development of links between neighbouring communities in different countries.

### **The MEDA programme**

The MEDA programme, launched in 1996, has been the EU's main financial instrument for assisting its Mediterranean partners. The programme offers technical and financial support to accompany economic and social reforms, as well as to regional projects, including those established in the context of the Barcelona Process.

MEDA has funded projects such as structural adjustment programmes in Morocco, Tunisia and Jordan, a Syrian-Europe Business Centre, a social fund for employment creation in Egypt, rehabilitation of the public administration in Lebanon and rural development in Morocco. Examples of regional projects financed under MEDA include the EuroMeSCo network of foreign policy institutes, the Femise network of economic research institutes, and programmes on the environment, heritage and youth.

#### **Supporting reforms – MEDA priorities:**

- supporting economic transition: preparing for free trade with the EU by increasing competitiveness and achieving sustainable economic growth, in particular through development of the private sector;
- strengthening the socio-economic balance: alleviating the short-term costs of economic transition through appropriate social policy measures.

### **The European Investment Bank**

Along with Tacis and MEDA grants, the European Investment Bank (EIB), the EU's chief lending arm, has provided substantial loans to support projects in Mediterranean countries. Around €6.5 billion in EIB lending was available for MEDA beneficiaries in the EU's 2000-2006 budgetary period. A modest lending mandate for Eastern European partner countries (including Russia) was adopted in 2001 and extended in 2004, providing for some €600m in EIB lending for these countries over the years to 2006.

Examples of loans signed by the EIB include projects to improve waste water treatment and management of water resources in Egypt, Lebanon, Jordan, the West Bank and Gaza Strip and Morocco, measures to reduce pollution and modernisation of traffic

control systems at airports in Algeria, support for modernising Morocco's health system and the renovation of a train line in Tunisia. A major road project in Ukraine is currently being finalised.

### **Future EC assistance and cooperation programmes (2007-2013)**

For the EU's next budgetary cycle (2007-2013), the European Commission has proposed to both increase and streamline financial assistance to ENP partner countries. This would be achieved through a single, dedicated budget instrument, the European Neighbourhood and Partnership Instrument (ENPI), which will replace both Tacis and MEDA. The funding available for neighbouring countries, taking also into account funding coming from the thematic programmes, for the period 2007-2013, will be nearly €12 billion. If compared with the period 2000-2006, this represents an increase of almost 45% compared with funding provided under MEDA, Tacis and other relevant Regulations (estimated at €8.3 billion over the period 2000-2006).

The ENPI is a policy driven instrument conceived to support the European Neighbourhood Policy and the Strategic Partnership with Russia, and in particular the implementation of the ENP Action Plans and the

Common Spaces Road Maps. It is, however, a broader and more flexible instrument than MEDA and Tacis covering a much wider range of possible actions in support of the reform policies and priorities agreed with partners through the bilateral ENP Action Plans. Allocations will depend on countries' needs, their readiness to set and implement objectives agreed with the

Union (in particular on governance and reform) and their capacity to absorb funds and implementation of agreed reforms. There will also be an increased emphasis on cross-border co-operation, with a component supporting projects involving EU Member States and partner countries sharing a common land or maritime border.

**The European Neighbourhood and Partnership Instrument – Cooperation priorities:**

- good governance, reform, and the respect of human rights and fundamental freedoms;
- legislative approximation with EU and institution building;
- equitable social and economic development and poverty reduction;
- sectoral Co-operation with particular focus on the areas covered in the ENP Action Plans (e.g. Telecommunications, transport, environment, research and innovation, higher education, people to people);
- cross-border co-operation across the EU external borders.

**Sharing experience – technical assistance and “twinning”**

The European Neighbourhood Policy also borrows two practical and innovative tools from the EU's previous experience in guiding Central and Eastern and South Eastern European countries in their processes of political and economic transition. These should help partners to align *relevant* laws and regulations with those of the EU as well as helping to build their institutions.

One is the EU's Technical Assistance Information Exchange or TAIEX programme. TAIEX provides for services including expert advice, documentation and information, workshops and seminars and study visits to the EU. In January 2006, the EU decided that countries covered by the European Neighbourhood Policy (and Russia) should henceforth be able benefit from TAIEX. This should help the countries to better understand and draft legislation required by the ENP Action Plans as well as helping them with its implementation and enforcement.

The EU also foresees extending to ENP partners so-called administrative “twinning” schemes, whereby officials from EU Member States are sent to help and advise partner countries' civil servants, at national, regional or local level. After several years of preparation, twinning has already begun in several Mediterranean partner countries, such as in Morocco in the field of maritime safety and security and is about to begin in Ukraine.

**European Investment Bank lending**

In parallel with the proposed increase and reshaping of EC grant funding for the region, through the ENPI, the Commission will also propose a substantial increase in EIB loan funding in support of the ENP.

For the period 2007-13, subject to agreement by the budget authorities, this would involve an increased lending ceiling of some €10 billion for Mediterranean countries, and €5 billion for Eastern European countries (including Russia), including an extension of the EIB's operations to include the countries of the Southern Caucasus.

## Republic

**Capital:** Kiev

**Currency:** Hryvnya (€1 = 6.04 UAH)

**Population (% under 15):** 47.4m (15.6%)

**Area:** 604,000 sq km

**Exports to EU (% of total):** €7.7bn euro (28%)

**Imports from EU (% of total):** €13bn (37%)

**GDP:** €52bn

**GDP per capita:** €1,098

**Inflation:** 9%

**Unemployment:** 3.8%

**Language(s):** Ukrainian (official) 67%,  
Russian 24%, small Romanian/Polish/  
Hungarian minorities

**Internet users (per 1,000 people):** N/A

Note: 2005 figures



Ukraine's "Orange Revolution" of late 2004 saw the election of a new pro-Western, reform-minded President Viktor Yushchenko intent on pursuing EU integration. The March 2006 Parliamentary elections, which were largely free and fair, confirmed the pro-Western course following the "Orange Revolution".

EU relations with Ukraine are based on the 1998 Partnership and Cooperation Agreement (PCA). While cooperation had already been developing, with the enlarged EU becoming Ukraine's largest trading partner, the "Orange Revolution" gave a new dynamic to EU-Ukraine relations. The ENP Action Plan which was jointly adopted in February 2005, as well as an extra ten-point list by the EU to maximise its potential, provides a comprehensive and ambitious framework for work with Ukraine and reflects the wide range of agreed policy priorities. Its implementation is ensured through an annual so-called "Implementation Tool".

Since implementation began in 2005, good progress has been made on this reform agenda, with several concrete achievements e.g. the award of "market economy status" for EU trade defence procedures, the signature of a Memorandum of Understanding on energy, foreseeing increased cooperation and the potential future integration of EU and Ukraine energy markets, the conclusion of a horizontal aviation agreement and a cooperation agreement on satellite navigation, the launch of a Border Assistance Mission to help with management of the Moldova/Ukraine border, discussions on visa facilitation/readmission, negotiations of an Agreement on Conformity Assessment and Acceptance of Industrial and readiness to negotiate a new Enhanced Agreement with Ukraine, including a free trade area as a key element once Ukraine has joined the WTO. Very practical examples of how the EU will further support the government's reform efforts include not only increases in EC assistance but also by making the twinning instrument available to Ukraine with the first projects expected to begin in early 2007, working together to bring Ukraine closer to EU standards in the areas of e.g. energy market regulation and competition policy.





# European Neighbourhood Policy

## The way ahead



**T**he European Neighbourhood Policy will remain a key EU external relations priority in the years to come, aimed at strengthened prosperity, security and stability around the EU's borders. The many common challenges that ENP is intended to tackle will not disappear overnight and both the EU and our partner countries have much to gain from stepping up cooperation. 2005 saw the beginning of delivery of ENP and the first concrete results, but given the nature of the transition processes, much work still lies ahead.

One particular priority will be to pursue implementation of the seven ENP Action Plans already negotiated and adopted with Israel, Jordan, Moldova, Morocco, the Palestinian Authority, Tunisia and Ukraine. These will require three to five years for implementation of the priority reforms they contain. Another key task for 2006-2007, following agreement on the texts, will be to begin implementation of the five Action Plans with Armenia, Azerbaijan, Egypt, Georgia and Lebanon.

Progress with three other countries which can not yet fully participate in the ENP dynamic – Syria, Libya and Belarus – will depend on the attitude and efforts of the countries themselves and progress in establishing contractual ties. For Syria, the already-negotiated Association Agreement must first be ratified. For Libya, that country must first subscribe fully to the Euro-Mediterranean partnership, and an Association Agreement should then be prepared and ratified. Deeper economic and political ties with Belarus will

only be possible when the authorities in Minsk make sufficient progress towards democracy.

On the substance of ENP, the implementation of the policy will bring wide-ranging developments in the relations between the EU and its neighbours, with substantial mutual benefits. Political dialogue will be further intensified. The EU will also continue to help to build confidence and security on the ground, by carrying out border and police missions in the Palestinian territories and a border mission in Moldova and Ukraine.

Certain EU programmes and agencies will be opened up to partner countries. A wide range of issues will be on the reform and cooperation agenda, including liberalisation of trade in agriculture and fisheries products, sound macro-economic management and socio-economic reform, modernisation of the judiciary, cooperation on migration issues and security threats, work on environment protection, education, transport, energy, information society and research as well as regulatory reforms in all of the above sectors.

Meanwhile, the EU will back up the policy aims of the ENP with a new, improved financing instrument – the European Neighbourhood and Partnership Instrument – and increased funding. This should include a new "Governance Facility", an extra incentive offering additional resources to partner countries that show particular commitment to carrying out essential reforms. ENP Action Plans and the general aims of



ENP will guide the EU's future financial and technical assistance to partner countries, and will be supported also by increased EIB lending.

The European Commission will continue to monitor, jointly with partners, implementation of ENP commitments. Where significant progress has been made in attaining agreed objectives, incentives can be reviewed, Action Plans adapted or where appropriate, proposals for future relations considered.

Ultimately, deepening ties between the EU and ENP partner countries will depend on progress in meeting Action Plan priorities and the shared values underlying the common commitment to establish a thriving Neighbourhood. Implementing agreed goals will depend on the countries' capacity to do so – which the EU can help with – and, importantly, their political will.

*"We must build on our historic links to the South and the East, extending the reach of the European family by building new, deeper relations with our neighbours. The European Neighbourhood Policy is the ideal tool to achieve that."*

Benita Ferrero-Waldner,  
European Commissioner for External Relations  
and European Neighbourhood Policy,  
October 2005

**Republic**

**Capital:** Minsk

**Currency:** Belarusian rouble (€1 = 2,740 BYB)

**Population (% under 14):** 9.8m (16%)

**Area:** 208,000 sq km

**Exports to EU (% of total):** €6.24bn (44%)

**Imports from EU (% of total):** €2.95bn (21%)

**GDP:** €18bn

**GDP per capita:** €2,123

**Inflation:** 8%

**Unemployment:** 3% (official)

**Language(s):** Belarusian, Russian, other

**Internet users (per 1,000 people):** 42



The EC and Belarus negotiated a Partnership and cooperation Agreement (PCA) in 1995 – envisaging cooperation in a broad range of policy fields. In view of setbacks to democracy in Belarus, EU member states decided in September 1997 to freeze the conclusion of the PCA and of a related interim trade agreement and to limit future EC assistance to “humanitarian or regional projects or those which

directly support the democratisation process”. In September 2004, the EU also imposed a visa ban on a number of senior Belarusian officials on account of their inaction in the cases of missing opposition politicians and journalists or their role in fraudulent elections, later widened to a visa ban and asset freeze on those responsible for the “fundamentally flawed” March 2006 elections. The EU has repeatedly said that it stands ready to develop relations with Belarus, including access to the full range of ENP-related instruments, once the country demonstrates its commitment to democracy, human rights and the rule of law.

**Backing free media**

The EU continues to help to strengthen democracy and civil society in Belarus. Responding to concerns about freedom of expression and a deteriorating human rights situation, and the need to provide access to independent information about events and enhance Belarusian knowledge of democracy and freedoms, the European Commission awarded a contract in August 2005 to a European broadcaster to broadcast via radio and Internet into Belarus for a year, with a view to increasing “the awareness of the Belarusian population about democracy, pluralism, the rule of law, freedom of press and human rights”. A larger €2 million project was launched in February 2006. In October 2006, the EC provided support worth €4.5 M to finance scholarships for Belarusian students expelled from university on political grounds. Thanks to these scholarships, and an earlier support granted to the EHU an approximate 500 Belarusian students are able to study at the European Humanity University in exile in Vilnius and in Ukrainian universities with EC scholarships.

**Libyan Arab Jamahiriya (popular democracy based on people's committees)**

**Capital:** Tripoli

**Currency:** Libyan Dinar (€1 = 1.61 LYD)

**Population (% under 14):** 5.76m (33.9%)

**Area:** 1,776,000 sq km

**Exports to EU (% of total):** €11.9bn (80%)

**Imports from EU (% of total):** €3.83bn (64%)

**GDP:** €23bn

**GDP per capita:** €4,117

**Inflation:** -1%

**Unemployment:** 30%

**Language(s):** Arabic, Italian, English

**Internet users (per 1,000 people):** 29



# Libya

Following the lifting of UN sanctions against Libya in September 2003, political contacts with the EU were renewed and in October 2004, the EU lifted its sanctions and identified subjects of possible cooperation with Libya. Consultations have been launched on migration issues, with some cooperation projects under the Aeneas programme, as well as potential for cooperation also on other important international questions such as development in Africa. The EU is also assisting Libya in tackling the consequences of a major AIDS infection which occurred in 1999 at the Benghazi Children's Hospital.

Although Libya has observer status in the Euro-Mediterranean partnership, for the time being it does not envisage becoming a full member. Nonetheless, the EU and Libya are willing to strengthen their relations by identifying common objectives for cooperation and, once contractual relations are in place, Libya would be eligible for the added benefits of the European Neighbourhood Policy.

### Tackling migration together

The EU and Libya launched technical discussions in 2005 on migration, with a view to agreeing on cooperation actions. These will likely include capacity-building, exchange of information, desert rescues and dialogue with countries from which migrants originate.

## Republic

**Capital:** Damascus

**Currency:** Syrian pound (€1 = 60 SYP)

**Population (% under 14):** 18.45m (37.4%)

**Area:** 185,000 sq km

**Exports to EU (% of total):** €2.54bn (50%)

**Imports from EU (% of total):** €2.52bn (33%)

**GDP:** €21bn (2005 IMF figures)

**GDP per capita:** €1,140

**Inflation:** 7%

**Unemployment:** 16%

**Language(s):** Arabic (official), Kurdish, Armenian, Aramaic, Circassian, French, English

**Internet users (per 1,000 people):** 35



Syria is a signatory of the Euro-Mediterranean Barcelona Declaration. It is covered geographically and politically by the ENP, but the necessary contractual relations are not in place to negotiate an ENP Action Plan and give the policy practical effect. EU-Syria relations are governed by a 1977 Cooperation Agreement, mainly focused on trade. The EU and Syria have negotiated a draft Association Agreement, similar in scope to other EU agreements with Mediterranean partners, but with more far-reaching provisions in areas such as the fight against terrorism and weapons proliferation, agricultural tariffs, technical barriers to trade, trade in services, government procurement, intellectual property rights and trade

dispute settlement. Initiated in October 2004, final approval and signature remains pending. The EU's current support for reforms in Syria includes support for institution-building in order to lay the ground for political, social and economic reforms; support for initiatives that can help create a more open society and promotion of infrastructure related projects in cooperation with the EIB. The EU's strategic objectives for relations with Syria will continue to include promoting political opening and liberalisation of the economy. In the spirit of the ENP, the EU's future engagement with Syria will depend on commitments to reform.

### Boosting business: Syrian-European Business Centre

The Syrian-European Business Centre is an EU-funded programme set up in 1996 to foster the development of the Syrian economy and help small and medium-sized enterprises (SMEs). The Centre has supported over 3,500 companies and provided training for some 2,500 managers. After celebrating 10 years of success, the EU-funded programme handed over ownership to a new national institution for SME promotion, the Syrian Enterprise and Business Centre.







European Commission

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