



# EUROPEAN POLICY REVIEW

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# EUROPEAN POLICY REVIEW

## Volume 2, Number 1

In 2014, the European Student Think Tank established the *European Policy Review*, a peer-reviewed journal. The journal aims to publish academic papers by undergraduate and postgraduate students on topics related to policy-making in the European Union. All papers are submitted to an anonymous peer-review process conducted by graduate and doctoral students. This year marks the beginning of the second volume of the *European Policy Review*. The journal is to be published annually.

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# EDITOR'S NOTE

By **CINDY LANGER**

Lacking cybersecurity, rising right-wing populism, record levels in human displacement and climate change: in an interconnected world, the European Union of today is undoubtedly facing many complex challenges. At the same time, the increase in misinformation and 'fake news' has not made things any easier either. In this context, the European Student Think Tank has only heightened its role as a vital platform for students to openly engage with one another and share different views on these and other issues. Our most tangible product is what lies in front of you: the *European Policy Review*, volume 2, number 1.

The *European Policy Review* is a peer-reviewed journal that publishes academic, student-written papers on a wide range of topics related to European Union policy and European affairs. It has an international and multi-disciplinary character. The contributors to, and makers of, this journal are students from various countries, with different backgrounds and perspectives. The journal consciously chooses to cover a broad spectrum of topics and to incorporate multiple disciplines, thereby reflecting the numerous angles from which EU policy and European affairs can be studied and discussed. A team of qualified editors and peer reviewers has examined all submitted papers and has made a careful selection on the basis of academic quality and potential contribution to the journal. The editors and peer reviewers have provided the authors of the selected papers with extensive feedback. On the basis of those comments, the authors have been able to revise their paper and produce an improved result.

This second volume of the *European Policy Review* does not only reflect the issues the EU is facing internally but also focuses on its relations with other, non-Western countries and their implications for Europe. This year's authors will provide you with critical analyses, stirring insights, and relevant policy recommendations. To start off, Arthur Corazzo and Severin Rapp question the current narrative, which portrays the issue of posted worker and wage dynamics in Europe as an East-West phenomenon. The authors highlight that although an upward convergence process is taking place, more work needs to be done and postings need to be differentiated. András Stefanovszky takes a look at the paradox between the need for a pan-European public sphere on the one hand and the de facto lack thereof on the other hand. Using a multidisciplinary approach, he finds that the reason for this discrepancy does not only lie in the linguistic, cognitive and cultural heterogeneity of Europe, but it is also linked to the liberalisation and commercialisation of the European media system and its content. Alberto Guidi analyses the internal factors that led to the 2008 financial crisis in Europe, which he argues to still be present today. His findings indicate that the different models of capitalism in the EU are a main factor for the inability of overcoming root issues.

With regards to foreign policy, this year's edition is characterised by a particularly diverse range of topics and countries that are covered. Valerie Sanders uses German crisis management in the Afghanistan and Iraq wars as a case study for European foreign and security policy in the region. Building on "existing literature on the paradigm of Germany as a civilian power and other taken for granted ideas German elites apply in times of crisis", she investigates why Germany did not hesitate to follow the US in getting militarily involved in Afghanistan after 9/11 but openly opposed the United State's call for action in Iraq two years later. Valerie concludes that the main reason for this changing stance was that the necessary criteria were not fulfilled and that Germany emphasised the need to comply with the international rule of law. Erik Immonen creatively takes us to EU-Russia relations from the perspective of the role of religion in identity politics between the two actors. He examines how Eastern Orthodoxy in Russia and Catholic/

Protestant European roots account for different world views, which in turn do not only lead to different identity politics but also have more fundamental repercussions for EU-Russia relations that are often overlooked. Finally, this edition features a series of articles concerned with the developments and challenges of the European Neighbourhood Policy. Linked together with an introduction and conclusion by Joren Selleslachs, this chapter critically discusses five case studies (Algeria, Armenia, Azerbaijan, Morocco, and Palestine) to comparatively assess the effectiveness of the European Neighbourhood Policy (ENP) and point out challenges in its attempt to create a 'ring of friends'. The authors provide a critical overview of the respective country's history with the EU drawing on variables such as foreign policy making, the actors involved, and interests at stake. Emma Hesselink finds that in the case of Algeria, Europe's attempt to be a political role model through the ENP is particularly hypocritical due to the country's colonial history with France, which continued even after the independence of Algeria. With regards to Armenia, Ramesh Ganohariti points to the historic closeness between the country and Russia, which makes it difficult for Armenia to engage fully with the EU. Alexander Borum argues that Azerbaijan, a strategically important country for the EU, is in need for a tailored approach that bridges the different interests between Azerbaijan and the EU in order to establish more successful negotiations for both sides. Siepke van Keulen and Carl Tobias Reichert take a look at Morocco, which receives the largest share of funds through the ENP, and find that while this investment has resulted in vast developments of the Moroccan economy, little progress has been made regarding political and civil liberty while no attempts have been made to solve the Western Sahara Conflict. Lastly, Janita Jaya and Jeanette van Ooij explain how Palestine is not only a unique case – being the only party to the ENP that is not officially recognised by the EU as a state – but that it also serves as a lesson for the ENP as a whole. Overall, based on these five case studies Joren Selleslachs concludes that the ENP's one-size-fits-all approach needs to be revised in order to reach the EU's goal of creating a 'ring of stability' or 'ring of friends'.

In the name of the European Student Think Tank, I can say that we are more than happy with the increasing number of students who actively get involved in European politics. With the start of this second volume of the *European Policy Review*, we hope to continue with an inclusive and multidisciplinary collection of students' perspectives that also positions Europe in the bigger picture of the world it is surrounded by. It has truly been an honour to work with such enthusiastic, bright young minds on this publication and it makes us extremely optimistic for the future of the European Student Think Tank and for Europe at large. We hope you will enjoy reading this journal, and we warmly welcome your comments and suggestions for future editions.

#### Acknowledgements

On behalf of the Editorial Board, I would like to thank all peer reviewers (Caitlin Biddolph, Edmund-Graham Balogun, Lorik Qunaj, Luca Bertuzzi, and Rodrigo Vaz) for their valuable contribution to the publication of this journal. Special thanks also to the previous Editor-in-Chief, Tanith Lee, for her preparatory work regarding this edition.



Cindy Langer,  
Editor-in-Chief

# QUESTIONING THE NARRATIVE: Posted Workers and Wage Dynamics in the EU Single Market

By ARTHUR CORAZZA and SEVERIN RAPP

Arthur Corazza is a student of European Studies Research at the London School of Economics and Political Science (LSE). He has previously worked in economic research at WU Vienna, international relations, and journalism. His fields of study comprise political economy, economic policy, employment and mobility.

Severin Rapp is a graduate student in Comparative Social Policy at the University of Oxford. Prior to that, he researched on economic policy at WU Vienna and worked as a policy maker. His areas of expertise include social and economic inequality, education and European policy.

The posting of workers in the European internal market has a long history of public controversy, legal disputes and political instrumentalisation. As economic integration in the European Union has progressed, the steady rise of cross-border labour mobility towards old member states induced crucial reforms of market governance. Still remaining a fundamental source of posting activities, persistent labour cost discrepancies and institutional heterogeneity are themselves adapting to mobile labour and competition. As investigated in this paper, the impact of intra-European posting on its own sources should not be examined as an East-West phenomenon only, but rather be considered as a dense network of bilateral relationships that induce relative wage dynamics. The empirical findings encourage questioning the narrative and hint at a broad upward convergence process, though adverse redistributive effects cannot be precluded. In addition, our results shed light on the often-neglected form of postings to lower-wage member states, which appears to support wage performance in these host economies. As for policy, we conclude that promoting temporary mobility of higher-skilled labour to Europe's catching-up region, while cushioning the drawbacks of competition, may constitute an effective instrument to strengthen trust in the upside of economic integration.

#### INTRODUCTION

One of the finest Italian-style opera voices, Barry Banks' lyric tenor resonated well beyond the auditorium of the opera house in the late 1990s: to the arena of European affairs. Having rehearsed and performed at the Théâtre Royal de la Monnaie in Brussels for a few weeks, a legal dispute erupted on whether Mr Banks and his fellow artists ought to be making social security contributions to the Belgian scheme. Aware of the EU's regulatory labyrinth, the British singer claimed to be categorised as self-employed in his home country and to have posted himself to the

continent to carry out a temporary service. This would allow him to remain affiliated to the social security system of the United Kingdom only. In 2000, the European Court of Justice (ECJ) ruled in favour of Mr Banks, acquitting him from an obligation to pay and, at the same time, revealing a legal lacuna of the European Union's internal market (EJC, 2000).

Still today, it is a matter of concern. After the Eastern enlargement of the European Union, the challenges of market integration – increased competition and the need for regulatory alignments – have nourished animosities towards migrant workers and Euroscepticism. The posting of workers as one particular form of labour mobility has come to the forefront of public discourse. As sentiment turned against foreign workers, reaching a polemic peak with the “Polish plumber” image in the mid-2000s, negative rhetoric has since rigidified group-thinking in the European Council and the ominous East-West divide in public space. Keeping European politics occupied today, the outcome of the UK's referendum to leave the Union was partly driven by fear of cheap labour in a borderless market too. The future path of the single market, however, neither concerns the beneficiaries nor the disadvantaged in isolation – today's national perspective – but light should rather be shed on the contribution of mobility to relative progress of welfare.

The posting of workers is a phenomenon closely associated to the fundamental freedoms of the European single market. National debates yet often fail to distinguish between the posting of workers and the broader case of migrant and foreign workers (Eurofound, 2016). In fact, the posting of workers constitutes a cross-border provision of services (Maslauskaitė, 2014). One company involved is the worker's usual employer based in the country where he or she habitually carries out the job and pays taxes and social security contributions. This company may post the worker abroad for a temporary period of time to provide a service to a foreign company. This could be, say, a Cracovian construction worker employed by a Polish company sent to a railway construction site in Vienna, Austria, for a few months. For the period of the posting, the worker is entitled to labour regulations of minimum pay, working times and conditions of the host country, but continues to be affiliated to the social security system of the sending country (Barslund & Busse, 2016).

The most adequate measure of the number of postings in the European Union is available through the Portable Document A1 (PD A1), an official form providing allowance for a posting. In 2015, a total of 1.49 Million PDs A1 subject to Article 12 of Regulation (EC) No 883/2004 for postings to only one country were issued by member states of the European Single Market, comprising the EU-28 and the four EFTA-members (Pacolet & De Wispelaere, 2016). Adding those posted to several member states at once, the number of posted workers corresponds to about 0.9% of the employed population. A considerable geographic and sectoral concentration exists. In absolute terms, the three main sending countries in 2015 were Poland (251,107), Germany (218,006) and France (130,468). The top three host countries were Germany (418,908), France (177,674) and Belgium (156,556). Postings occur primarily in the sectors of construction (41.5%), services (32.7%) and other industries (24.6%) mainly consisting of manufacturing, mining and energy. Since 2010, the total number of postings has increased considerably by 41.3% (Ibid.).

The political controversy on the posting of workers in the European Union revolves around two separate aspects. On the one hand, accusations of unfair practices to circumvent social standards have been raised (see e.g. Bengtsson, 2016). The ambiguous and non-transparent net of legal accountabilities of the EU's current regulatory framework has induced abusive forms of cost-cutting measures, such as letterbox companies, bogus self-employment, subcontracting and undeclared work (Darvas, 2017a). Those aberrations are, however, rather a symptom of the regulatory deficiencies of the institutionally fragmented single market. On the other hand, there is the macroeconomic impact on domestic labour markets of countries and sectors where foreign workers are sent to. As general levels of prices and wages differ between member states with varying levels of productivity, workers from “low-wage” countries often benefit from a competitive advantage relative to those in advanced economies. Posted workers might act as direct competitors to the local workforce of the host country since lower labour costs undercut domestic workers.

Accused as one of the main reasons for income stagnation and tight labour markets, especially for low-skilled labour, worries about competitive pressures are a concern not confined to internal EU-affairs, stirring phenomena of political resentment to open markets in the wider Western hemisphere. What makes the case of Europe special, however, is the high heterogeneity within a single market that enables companies to utilise endemic labour cost discrepancies. This matter is at the core of the EU's dilemma to reconcile the principle of fostered cross-border mobility with cushioning the disruptive impact on domestic labour markets. However, as we argue, viewing intra-European movements of workers not only as result of the existing differences, but at the same time as a driver for change aids understanding of the virtue and vice of the phenomenon.

The following section explains the background to posting in Europe and explores the reasons for this course of events to define the research framework. In the next stage, we summarise the data and the methodological setup for analysis, the results of which are presented thereafter. To conclude, a discussion aims to identify different functions of postings to help refine the debate on the internal market.

## BACKGROUND & RESEARCH DESIGN

### The Story Unfolded: A Not-So-Secret Backdoor

It was not until 1996 that the European Union adopted common legislation to regulate the posting of workers. Prior to that, the “Convention on the Law Applicable to Contractual Obligations 1980” stipulated that firms may employ their own workers when performing services on foreign territory, though the conditions of employment were subject to their home country's law. However, national provisions of the host country would take precedence over the foreign law under certain circumstances. Countries characterised by advanced industries and high levels of income such as Denmark, Belgium and France began to modify their national legislation in the early 1990s to bind guest workers to their labour standards, including regulations of pay. This has to be seen in the context of a failure to regulate the posting of workers on a European level, since the negotiations were blocked by prominent emitters of postings, namely the UK and Portugal,

but also Greece, Italy, Spain and Ireland. By the mid-1990s, most high-wage countries had introduced national legislation to curtail an influx of cheap labour through posting (Eichhorst, 1999).

Given the patchwork of national legislation, the reform process on the European level was reinforced and finally, in 1996, the Directive 96/71/EC commonly known as Posted Workers Directive (PWD) was adopted (Ibid.). A decisive role in overcoming the “gridlock” of the legislative process was played by Austria, Finland and Sweden, who joined the EU in 1995 and tipped the balance in favour of the directive (Schmid-Drüner, 2017). While avoiding restrictions of the free provision of services, the PWD defined a set of minimum social rights for posted workers to prevent practices of social dumping (Maslauskaitė, 2014), which had previously been denounced by advocacy groups such as trade unions of the construction sector (Eichhorst, 1999). In their ambition to reconcile the transnational provision of services with the rights of workers, ECJ interpretations of the directive caused a stir as several cases showcased the regulatory shortcomings in the following years (Zahn, 2017). Often aimed at delimiting the provisions applicable to posted workers, the rulings were heavily criticised by the European Trade Union Confederation (ETUC), since in their opinion “the ECJ rulings affirmed that in the EU legal order, market freedom should be regarded as more important than the fundamental social rights to collective bargaining and action” (Pedersini & Pallini, 2010).

Public concern over social dumping and competitive pressures on social systems gathered pace in the wake of the Eastern Enlargement in 2004 and 2007, galvanising opposition to service liberalisation in the EU (Lindstrom, 2010). The initial proposal of then EU-Commissioner for Internal Market and Services, the Dutch Frits Bolkestein, was to expand the home-country principle of intra-EU trade in goods to services. This would have implied that all labour regulations of the sending country, crucially Eastern European ones with considerably lower minimum standards, apply to posted workers when providing a service abroad (Wagner & Wedl, 2005). Debate intensified in spring 2005 as a leading right-wing MEP, the French Philippe de Villiers, popularised the pejorative personification of voters’ fears as the notorious Polish Plumber and nearly 100,000 protesters marched against the Bolkestein-Directive in Brussels as in other member states (Sciolino, 2005). This climate of anti-immigration sentiment, anti-Polish in particular, is considered to have been a critical factor in the French European Constitution referendum in May 2005, the outcome of which rejected the proposed constitutional reform by 55% and thereby blocked the ratification process (Jovanović, 2013). Having subsequently repudiated the contentious home-country principle and focused on lifting non-tariff barriers to the provision of services, the Council and the European Parliament finally approved the Services in the Internal Market Directive 2006/123/EC in December 2006 - a pyrrhic victory (Nicolaidis & Schmidt, 2007). At the same time, conventional labour mobility from Eastern Europe was only gradually rendered possible. Many old members had opted for a transitional clause to block the free movement of workers from the East for periods of up to 7 years after their country’s accession to the European Union. As late as 2014, Bulgarian and Romanian workers were first allowed to freely take up employment in France, Germany, Austria, Belgium and the Netherlands. By mid-2018, Croatian workers are still not granted access to the labour market of Austria, which remains the only EU-country with an extended restriction until 2020 after the Dutch and Slovenian governments have lifted their provisions.

These opposing trends - service liberalisation and constraints to labour mobility - have created an environment in which remaining barriers to conventional migration can be circumvented by the cross-border posting of workers. This has emerged as the so-called “front-door back-door problem” (De Wispelaere & Pacolet, 2017). From 2010 to 2015, total postings in the European Single Market rose by 41%, not for the first time stirring discontent amongst voters. Competitive pressures from Eastern economies with lower tax burden, labour standards and social protection, as the argument goes, could trigger a “race to the bottom” in old member states as governments would be forced to adjust their tax systems and social regimes (Lindstrom, 2010). Some recent measures indicate that the strategy of social dumping is indeed pursued. In Belgium, for instance, employers’ social security contributions are set to gradually decline from 32.4% to 25.0% for high incomes and from 17.3% to 10.9% for the lowest income bracket between 2016 and 2019 (Pacolet & De Wispelaere, 2016).

Policy reactions on the EU-level to deal with the imminent drawbacks of the growing market for postings have followed too. In 2014, an Enforcement Directive aimed at raising both workers’ and companies’ awareness for the terms and conditions of employment came into force in order to enhance the exchange of information between member states and to refine the definition of posting (Zahn, 2017). Still, concerns about under-payment and abuse did not subside, for instance due to the lack of an adequate definition of pay. Overall, the Enforcement Directive has “left untouched more fundamental questions relating to the framework of posting” (Schmid-Drüner, 2017). Thus, the European Commission proposed to revise the Posted Workers Directive in spring 2016 to consolidate the principle of equal pay for equal work at the same place (European Commission, 2016). However, in May that year, nine Eastern European countries and Denmark, supported by the employers federation BusinessEurope, triggered a “yellow-card-procedure” to block the Commission’s proposal, revealing opposing national interests in the single market (Eurofound, 2016). Only in October 2017, the Council was able to strike an agreement on a revised proposal which was proclaimed by the media as French president Emmanuel Macron’s first victory on the European stage (Khan, 2017). The revised Directive 96/71/EC, finally adopted by the Council in June 2018, primarily aims to expand the applicability of host countries’ labour legislation to all types of remuneration, such as bonuses and allowances, and limits the maximum posting duration to 12 months with a possible extension of additional 6 months (Kiss, 2017). However, as the average posting period amounts to only 98 days, the revision does not imply significant changes to the status quo (Darvas, 2017a). Despite these measures, posted workers and their working conditions remain a contested field as the debate on transport sector postings in the European Parliament’s plenary sitting following the Council meeting soon revealed.

### Behind the Scenes of Europe’s Wage Dynamics

Pivotal to this analysis, competitive advantages for catching-up economies in Europe remain despite the prolonged reform process since the 1990s. As shown in Table 1, average labour costs per hour of work, including wage and non-wage payments like social security contributions, amount to 38.30 euro in Denmark and 37.90 euro in Belgium, but

an employer would only pay 4.50 euro in Bulgaria and 4.40 euro in Romania as of 2015 (Eurostat, 2018). From this, incentives arise: companies in higher-wage countries seek to minimise their labour costs by employing cheaper labour from abroad, whereas workers from lower-wage countries hope to avail themselves of the evident economic opportunities.

Table 1

Country	Wage	Country	Wage	Country	Wage
Luxembourg	43.00	Austria	28.70	Estonia	9.30
Denmark	38.30	Ireland	28.20	Slovakia	9.30
Belgium	37.90	Italy	22.60	Czech Republic	8.80
Netherlands	33.40	Spain	19.30	Latvia	7.40
France	32.20	Slovenia	15.20	Lithuania	7.20
Germany	30.50	Cyprus	14.20	Hungary	6.70
Finland	29.70	Malta	12.30	Poland	6.30
United Kingdom	29.20	Greece	11.30	Bulgaria	4.50
Sweden	28.90	Portugal	10.80	Romania	4.40

Wage refers to aggregated data on compensation of employees (wages, salaries and employers' social contributions) from the national accounts divided by the total number of hours worked. All measured in euro.  
Source: Eurostat

Although, under the current legal framework, the remuneration of posted workers is subject to minimum pay regulations of the host country, there are still ways to undercut the local workforce. On the one hand, some countries exhibiting a high collective agreement coverage may not have a national minimum wage, but set remuneration rules through industrial relations. According to OECD data, in Austria for example, approximately 98% of all contracts excluding the public sector are subject to collective bargaining (OECD.Stat, 2018). Although, as agreed upon in March 2018, the revised PWD expands pay regulations for posted workers to provisions set by law or "certain" collective agreements, they still retain a competitive advantage due to lower social security requirements in their country of origin (European Parliament, 2018). As a result of differing social security rates, a net salary of 1600 euro earned in the Netherlands would, for instance, imply labour costs of a Portuguese posted worker to be lower by 20% as compared to a Dutch worker (Berntsen & Lillie, 2015). An important factor of cost competitiveness, this wedge derives from the heterogeneous landscape of social infrastructure within the internal market. On the other hand, most countries determine income floors via national minimum wages that lie below average income levels. If collective bargaining coverage is not comprehensive in such labour markets, like in Germany or the Netherlands where 56.0% and respectively 78.6% of the workforce is subject to collective bargaining (OECD.Stat, 2018), legal minima only constitute a downward constrain to wages negotiated individually on the market. In 2016, the minimum wage in Germany amounted to 46.7% of the median wage, whereas it reached 45.3% in the Netherlands

(Ibid.). Since the revised PWD binds foreign workers' pay only to rules on minimum remuneration set by law or certain collective agreements, this wedge in countries with more market-oriented wage-setting mechanisms creates space for direct undercutting of domestic workers due to foreign workers' potentially lower wages, which adds to their competitive advantage of lower non-wage costs. Despite the "equal pay"-principle of the revised directive, labour cost differentials will thus remain a central economic incentive for both employers and posted workers to engage in the cross-border service provision (ISMERI Europa, 2012).

In turn, if posting was to have a significant impact on labour markets as dominant political narratives suggest, posting itself would influence relative wage levels. This effect matters for two reasons. A principle of the integration process, the freedom of factor movement derives its legitimacy from its role as both political objective and policy-instrument to foster long-term convergence of living standards. At the same time, as institutional and economic heterogeneity is likely to be the main incentive for postings as expounded above, an inverse impact of postings stimulating wage convergence could hint at some form of self-healing symptoms inherent to the dynamics of the single market. Thus, scrutinising the impact of posted labour on relative wage levels is an important step towards understanding whether this kind of export in services, on balance, could constitute a means to tackle the problem at its source.

From economic theory, in particular the Heckscher-Ohlin model of international trade, follows the theorem of factor price equalisation which suggests the tendency towards levelling of wages between countries with different factor endowments as they trade with each other. As the lower-wage country exports labour, an increase in demand supports wage growth. In the partner country, characterised by a higher wage level, wages fall since other factors, such as capital, are employed more intensively in production (Samuelson, 1948). As long as wages range at a lower level in the labour exporting country, wages increase at the cost of wages in the partner country, implying converging income levels. However, the effect of posting on foreign labour market conditions need not necessarily be negative, for the degree of substitutability of the foreign workers has to be considered as well (Dalla Pellegrina & Saraceno, 2013). Given that its magnitude is of significance, the effect on remuneration depends on whether posted workers either replace local workers by undercutting their wages and squeezing compensation on an aggregate level or enhance overall employment, productivity and wages by filling skill-shortages and freeing up resources. Since it is difficult in a bilateral sending-receiving relationship to theoretically derive whether posted workers are mainly substitutes or complements and thus how they impact relative wages, we aim to assess this matter empirically. If the common perception of rent-seeking by Central and Eastern Europe at the cost of stagnating or declining incomes of the host countries' working population was true, the influx of posted workers would have a significant impact on the proportion of the wage levels.

But the pervasive narrative of bipolar East-West migration does not capture the whole picture. As shown in the next section, a considerable fraction of postings is conducted between advanced Western European member states. In addition, Central and Eastern Europe - which exhibits clearly lower wage levels - not only emits labour, but also receives varying amounts of posted workers.



In 2015, about 27% of postings took place in a host economy with a lower wage level than the sending country as observed in the descriptive statistics below. Hence, we argue that a simplistic low-high perspective on this dense network of sending-receiving relationships fails to grasp all its facets. Once again, the impact depends on the role of labourers in the host economy. It can be argued that postings to a country with lower compensation levels are more likely to be of a complementary nature, since the undercutting of wages is unlikely to be a prevalent cause in these bilateral relations. Investigating on the consequences of movements to lower-wage countries will enable a more comprehensive impression of posted work. Therefore, the estimation strategy as set out in the following section is designed to isolate this phenomenon.

## METHODOLOGY & DATA

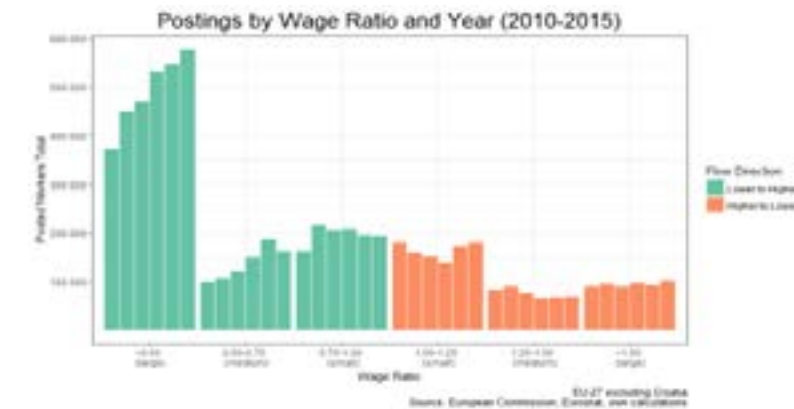
In order to shed light on the dynamics in this network of economic cross-border interactions, central to the empirical investigation is the impact of bilateral flows of labour and trade on the relative development of wage levels for the time frame of 2010-2015. The analysis examines the interactions within the internal market of the European Union excluding Croatia, which officially joined the EU as recently as 1 July 2013. The dataset consists of annual bilateral country combinations, which capture sending-receiving relationships. Each combination comprises three variables measuring bilateral flows of labour and trade between the countries as well as several stock variables of economic indicators of both the sending and the receiving entity (all measured in euro). In total, this allows us to create a network of 702 distinct bilateral sending-receiving relationships over a time horizon of six years, for most of which data on all variables is available.

As for the flow variables, we extract data on bilateral postings of workers from the annual reports on A1 Portable Documents compiled for the European Commission (see e.g. Pacolet & De Wispelaere, 2016). Though it provides insight into the sectoral distribution from sending and receiving countries' perspective, bilateral data necessary for this inquiry are only available in aggregated form. The issue of sector-sensitivity will be retrieved when discussing the findings. In addition, Eurostat data on annual bilateral imports of goods and of services (GATS Mode 1 and 2) capture alternative corporate strategies incentivised by the existence of intra-European labour cost discrepancies, but conversely impact both countries' labour markets, and possibly their relative wages through feedback effects (Darvas, 2017b). Regarding country-specific data, national wage levels are measured by the annual compensation of employees per hour worked, which includes wages and salaries as well as social security contributions paid by employers. Additional control variables account for countries' average level of education, economic advancement by sectoral specialisation and general economic conditions, measured by unemployment and inflation rates. All country-specific data are retrieved from the Eurostat database.

The methodological approach defines the relative compensation in a bilateral relationship as ratio of the sending country's wage level over the receiving country's equivalent. This enables us to interpret a sending country's wage level as a fraction of its receiving trading partner's level. In 2015, for instance, Finland's wage level amounted to about 89% of the average compensation in the Netherlands while the Bulgarian wage level only reached around 13%. In contrast, the Belgian

and the Danish average compensations were above the Dutch mean with ratios of 1.13 (+13%) and 1.15 (+15%), respectively.

Figure 1



In the former scenario – a lower-wage country sending to a higher-wage country - converging wages are implied by an increase in the bilateral wage-ratio, whereas, in the latter case of a flow from higher-wage to lower-wage economy, convergence of wage levels would, vice versa, follow from a decreasing ratio. The theoretical scenario of perfectly levelled wages would imply a ratio of 1. As illustrated in Figure 1, the majority of postings are indeed conducted from lower- to higher-wage countries with large gaps (ratio <0.50) and medium gaps (0.50-0.75). Notably, these two brackets also seem to have caused most of the recent growth in total postings as, between 2010 and 2015, the number of posted workers in the category of large differentials grew from 371,135 to 576,975 (+55%) and the adjacent category by 65% to 162,539 in the same period. In contrast, annual postings from higher- to lower-wage members fluctuate for all levels of discrepancies between approximately 66,000 and 180,000 without any clear trends. Since the population size of both countries is a key determinant for the number of bilateral postings and Poland's wage level amounts to about 20% of Germany's, this country combination is a key factor.

Aiming to analyse the impact of cross-border flows of trade and labour in the internal market, the bilateral wage-ratio is regressed on the variable of interest – the bilateral postings of workers - as well as alternative channels of trade and the control variables of both the sending and the receiving economy. Postings are considered relative to the host country's total employment, trade in goods and in services relative to its annual gross domestic product (GDP). In the first scenario of the sending country exhibiting the lower wage levels, positive regression coefficients would imply a convergence-fostering effect on relative wages. For the opposite direction of a flow from a higher- to a lower-wage country, we include a dummy variable in the specification that assumes unity in country combinations where ratio >1. In this second scenario, a negative combined co-

efficient of the default version and the interaction term would imply an impact favourable to converging wage levels. The specification also accounts for idiosyncratic characteristics with country-fixed effects for both the sending and the receiving entity as well as time-fixed effects. As it was argued above that wage discrepancies serve as an attractor of cross-border trade and labour movements, this specification is assumed to suffer from an endogeneity problem. Indeed, the Hausmann-test rejects the null hypothesis of covariate exogeneity, which requires an instrument variable (IV) approach. As common in gravity literature, we draw upon measures of geographic proximity and instrument the three flow variables with those constants. As the Wald-test confirms the instruments' relevance and assuming instrument exogeneity is reasonable, though the Sargan-test cannot be conducted, because the number of IVs does not exceed the number of endogenous variables, this issue is solved by instrumentation.

### ESTIMATION RESULTS

The regression results are reported in Table 2. While the coefficients as listed in column (1) refer to a specification without instrumental variables, the second column builds upon instrumentation using the variables reflecting geographical characteristics of each bilateral relation. Demonstrating the robustness of the coefficient on posted workers, column (3) displays estimates following from an instrumentation based on lagged values of the endogenous variables, a common practice in applied economic research (Reed, 2015). However, given the Sargan-test challenges the quality of these instruments, specification (2) is to be considered more appropriate than specification (3). Although this model performs poorer on the fit as measured by the adjusted R<sup>2</sup> compared to the others, it still explains 60% of the total variance in the dependent variable. Following, only results of model (2) are considered.

To begin with, the impact of postings from lower- to higher-wage countries does not appear to be significant at the 10%-significance level (Posted Workers L - H), a result consistent across all specifications. The estimate of the posted workers coefficient even turns negative and significant if flows from higher- to lower-wage countries are considered. In fact, an increase of the posted workers to employment ratio by 1 percentage point is associated with a 0.68 percentage point decrease in the wage ratio, suggesting slight convergence of wage levels as the domestic labour market becomes more saturated by posted workers. It follows that there is a significant effect of posting conditional on the direction of the flow. While no statistically significant effect on relative wages can be identified if workers are posted to countries where remuneration is above the level of their country of origin, there is a convergence-effect if lower-wage countries experience an influx of postings from higher-wage trade partners.

As opposed to posting, imports in goods from lower-wage countries are *ceteris paribus* associated with a significant convergence-fostering effect on average: A one percent increase in the percentage share of imports relative to total GDP of the receiving country corresponds to a 1.1 percentage points increase in the wage ratio, in other words, convergence. The opposite holds for alternative types of service imports (GATS Mode 1 and 2), where divergence to the

extent of a 1.8 percentage points decrease in relative wage levels is accompanied by a 1% increase in the percentage share of service imports to domestic GDP. In contrast to exports to higher-wage countries, exports of both goods and services in the opposite direction cannot be identified as drivers of relative wage dynamics.

Table 2

	Wage Sending/ Wage Receiving		
	(1)	(2)	(3)
Posted Workers L - H	-0.006 (0.006)	0.059 (0.056)	-0.005 (0.006)
Goods Imports L - H	-0.130*** (0.022)	1.101* (0.669)	-0.125*** (0.028)
Services Imports L - H	-0.152*** (0.024)	-1.784** (0.845)	-0.187*** (0.031)
Posted Workers H - L	-0.240*** (0.043)	-0.746** (0.336)	-0.267*** (0.047)
Goods Imports H - L	0.154*** (0.023)	-0.509** (0.229)	0.124*** (0.027)
Services Imports H - L	0.119*** (0.028)	1.138** (0.447)	0.167*** (0.034)
Indicator H - L	-0.052 (0.064)	1.550** (0.770)	0.035 (0.071)
Constant L - H	1.202** (0.504)	-0.284 (1.211)	1.180** (0.507)
Observations	3,213	3,213	3,123
Adjusted R <sup>2</sup>	0.849	0.599	0.849
Residual Std. Error	0.673 (df = 3140)	1.095 (df = 3140)	0.672 (df = 3050)

Note: \*p<0.1; \*\*p<0.05; \*\*\*p<0.01

On balance, there is no evidence of a convergence-fostering effect of posting to higher-wage countries on relative wages, contradicting the view of worsening labour market conditions in advanced economies due to an influx of posted workers. Rather, the estimation results suggest that lower-wage countries improve their wage levels relative to posting member states with higher wage levels as their labour markets accommodate posted workers.

### DISCUSSING THE ROLE OF POSTED WORKERS

#### Posting - Not a black-and-white Story

The much discussed and indeed more common type of posting to wealthier countries does not yield a significant aggregate impact on relative wage levels in the empirical analysis. This suggests that either the postings affect the wage-ratio in both countries in the same direction and at a similar magnitude, keeping the proportion constant, or that it is not of relevance for both the sending and the receiving labour market. To start with, it appears reasonable to assume that posted workers financially gain from taking up work in a higher-wage country (though reports of fraudulent sending employers withholding payment have emerged in the media, see e.g. Szigetvari, 2017). As a higher income stream from abroad contributes to over-

all domestic income of the sending economy, and if this effect is not outweighed by resulting temporary labour shortages at home, wages would need to increase in the host country as well in order to fit the empirical result of a constant ratio. Crucially, this implies a value-adding contribution of posted workers to the higher-wage host economy. While the problem of the local workforce being crowded-out by cheap foreign labour may well persist, one could argue that postings contribute in a complementary role, the positive impact of which outweighs the drawbacks on the aggregate. For instance, the temporary nature of postings could help meet seasonal fluctuations of labour demand or alleviate labour supply shortages as the domestic labour force falls short of rising demand for certain types of workers or skills (IDEA Consult & ECORYS Netherlands, 2011).

Even if posted workers substitute parts of the lower-skilled workforce in the host economy, they might still stimulate aggregate wage growth. The cost-minimising strategy of host employers would reduce their expenditure on labour and generate additional revenue on the balance sheet. While this implies a shifting of rents towards corporate entities, their owners and higher-skilled employees who are not in direct competition with posted workers, increased investments and an expansion of capacities could in theory benefit the entire domestic workforce. In practice, it is plausible that both the complementary and substitutionary mechanism promote aggregate wage growth, which outweighs the upward redistributive effects of competition and displacement in lower-skilled sectors such as construction, transport and manufacturing.

Aside from the prevalent postings to higher-wage economies as depicted in Figure 1, analysis of bilateral relationships in which the sending country features a higher wage level yields a significant effect implying narrowing wage gaps as a result of the posting of workers. This type of movements is unlikely to serve the mere purpose of cost-minimising labour substitution, since temporary workers from higher-wage countries do not exhibit a competitive advantage. Such service provisions may instead contribute to the catching-up process in complementary functions by cushioning skill-shortages. Data show indeed that postings in the sectors of financial and insurance activities, those in real estate, professional, scientific and technical fields as well as administrative and support service activities are relatively high in some new member states, reaching 11-17% of received posted workers in Bulgaria, Estonia, Poland, Romania, Slovenia and Slovakia, and 29-31% in Greece, Cyprus and Malta (Pacolet & De Wispelaere, 2016).

While the empirical investigation of aggregate mechanisms underpins the phlegm of macro-economic income convergence, the sectoral concentration of postings may well imply that detrimental effects are concentrated too. Most susceptible to such pressures are likely to be relatively small advanced economies featuring high wage gaps relative to Central and Eastern Europe. In 2015, the fraction of posted workers in the workforce of the construction industry reached for example 17.0% in Austria, 24.8% in Belgium and even 72.8% in Luxembourg. In an isolated analysis, the positive aggregate impact through shifting rents would be omitted and if the complementary function of postings was secondary only, the cost advantage of posted workers could yield sectorally deteriorating wages. Under the new provisions of the posted workers directive,

such a scenario could occur in case of fragmentary collective bargaining mechanisms or wedges between average and statutory minimum wages in the most afflicted sectors. Unfortunately, bilateral data is currently not available on a sectoral basis. However, case studies have previously dealt with this issue. Studying the impact of cross-border postings on the Belgian construction sector, De Wispelaere & Pacolet (2017) show that from 2011 to 2015 the number of domestic employed workers decreased by 7% to about half of the construction workforce while the number of intra-EU posted workers increased by 19 percentage points to about a third. In the same period of time, they observe that investment in residential construction in fact increased, which indeed indicates that a displacement effect has materialised in the Belgian construction sector. This finding supports the reasoning for an, at least partly, substitutionary role of posted workers in low-skilled sectors of advanced host economies. Weighing-up the aggregate effect and the concentrated increase in competition, which could have adverse redistributive implications, is crucial for the future reform process.

## CONCLUSION

### The Tightrope Walk of Economic Policy

Europe's economically and institutionally still heterogeneous single market inherits vast opportunities as income discrepancies incentivise both corporates and workers to reap the benefits of the integration process. One way to do so is the cross-border posting of workers. Since 2010, intra-European postings indeed increased by about 55% for bilateral relationships in which the wage level in the sending country is less than half of the host economy's (see Figure 1). As workers in old member states have increasingly faced economic insecurities in times of technological disruption, the global financial crisis and austere fiscal policies, populist rhetoric has pushed the controversy on mobility to centre stage by personifying outside threats with foreign workers and the "Polish Plumber". In the ensuing process of reforms, coming to an interim end in June 2018, member countries' positions have however revealed a more fundamental shift in the political landscape. While the outspokenly pro-European French movement *En Marche!* successfully demanded a retrenchment of the EU's internal market to shield its domestic workforce, the national-conservative party *Law and Justice*, Poland's majority government since 2015, advocates open borders in the matter of service provision. This demonstrates how national economic interests that were previously a key driver for political integration have decoupled from the premise of an ever closer union. As a result, it seems, the integration process has ceded its linearity, perhaps entering a more mature phase of correcting deficiencies that were left open when political momentum for the Eastern enlargement required swift action.

One of these challenges arises from the considerable differentials in income, the rigidity of which threatens to undermine the legitimacy of market integration as a means to support economic convergence. This study's empirical findings indicate that postings to higher-wage countries, though having dominated public discourse for years, may not be a driver of macroeconomic convergence. While this does not rule out critical displacement effects of domestic low-skilled workers, we deduce that foreign workers are likely to assume important complementary func-

tions too by alleviating labour supply shortages in certain fields and meeting temporary labour demand fluctuations. Thus, lumping all postings together would overlook their potential. To cushion the sectorally concentrated symptoms of cost competition at the same time, resources of the European Globalisation Adjustment Fund (EGF) and similar programmes should, as suggested by Claeys & Sapir (2018), be expanded to those disadvantaged by intra-European competition to provide training and support re-entry into employment. In addition, the findings shed light on the often-neglected form of temporary mobility to lower-wage countries. Although inferior in absolute numbers, such postings appear to support economic upward convergence as transfers of skills and know-how occur. This indicates that, via integration of labour and service markets, this type of postings to lower-wage countries may contribute to the catching-up process. It follows that these postings should not be retrenched as a side effect of the current reform wave, but rather be supported by mobility programmes. With respect to the amended Posted Workers Directive of 2018, an adequate measure to achieve this would be to exempt postings to lower-wage countries or to catching-up regions from the restrictive general time limit of 12 months. After all, rebutting accusations of an internal market to be necessarily going hand in hand with rent seeking is essential for the future of the European Union.

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# A UNION IN CRISIS: Bleak Prospects for a Pan-European Public Sphere

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A necessity-based will warranting a European public sphere stems from a drawn-out Eurozone crisis, rising Euroscepticism, a severe demographic crisis and other challenges the European Union is facing today. The widening crevice between the loci where challenges arise and where challenges are handled sheds light onto crises in the EU's institutional governance that could theoretically only be resolved through enhanced communicative and discursive flows across the continent. Yet, the practical realities of a supranational, pan-European public sphere emerging are low because of the absence of among others linguistic, cognitive and cultural homogeneity; political centralisation; and not least a genuine, ubiquitous 'EU identity'. Most importantly, denationalisation, liberalisation, commercialisation and re-regulation of the structure of the European media system and the tabloidization and commercialisation of media content have not subsequently led to a united media space needed for a pan-European public sphere to be a practical reality anytime soon.

## INTRODUCTION

Knowledge and informed debate are key to the sustainability and development of a transcontinental enterprise such as the European Union. Only free, fair and unabated communication among and between people and institutions – between representative and represented – will guarantee optimal solutions to problems as well as ensure basic democratic legitimacy and foster civic identification. The structural nature and intensity of such communication together with the requirements for its effectiveness have been the object of wide debate. This paper will argue that the current prospects of a truly supranational, denationalised 'pan-European' public sphere are low. It is more likely that national public spheres will gradually become increasingly Europeanised rather than fully replaced with a new metaconstellation.

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First, a brief review of the theoretical concept of a public sphere will be given, followed by observations regarding some of the challenges faced by the European Union that warrant the search for enhanced European public deliberation. This will be followed by a discussion of two distinct models of a possible European public sphere and will be met with general criticisms. Observations of the course taken by European media systems – essential for the formation and maintenance of public communication spaces – will follow, yielding concluding remarks on the prospects of an EU public sphere's realisation.

### CONCEPTUAL BACKGROUND

The concept of the 'public sphere' pioneered by Jürgen Habermas entails discursive interactions between individuals or collectives in connection with public issues that directly or indirectly affect them. As Dahlgren (2005) summarised it, "a functioning public sphere is understood as a constellation of communicative spaces in society that permit the circulation of information, ideas, debates – ideally in an unfettered manner – and also the formation of political will" (p. 148). These spaces of discursive interaction are constructed via communicative rationality with the aim of acquiring some form of common understanding on the best interests of a community. They entail a "reflexive, impartial, reasoned exchange of validity claims where only the force of better argument 'wins out'" (Dahlberg, 2005, p. 113). Key to the concept is that individual citizens' political opinion is overwhelmingly shaped by the themes and quality of discourse within the public sphere on a particular policy area. It is therefore very much the case that social movements, civil advocacy organisations and established political parties all depend on their ability to shape debate in the public sphere when advocating change in the minds of electorates who determine the course which a country takes (Castells, 2008). Conversely, democratically mandated state actors and IGOs also rely on innovative debates in the public sphere when gathering policy input as well as to 'take the temperature' of politics and capture the people's will during and in-between elections. Therefore, as Castells (2008) concludes, public sphere is "inseparable from two key dimensions of the institutional construction of modern societies: civil society and the state" (p. 79), i.e. its relationship with the source and the institution of power in a democracy. Non-negligible features of democratic public spheres are both the well-established mass media channels of communication and newer, multimodal 'mass self-communication' (Castells, 2007). As Dahlgren (2005) noted, these forms of mass communication facilitate but also fundamentally determine the nature and substance of public sphere dialogue; above all shaping the public sphere's relationships with both civil society and state. The question that must be answered is whether such a discursive construction as the public sphere present at the level of the nation-state can and is likely to be developed at the transnational level in line with an increasing move towards transnationalised political and economic governance in the European Union. Bearing in mind the above conceptual discussion the next section will establish whether the necessity for such a European public sphere, required for any practical form of a public sphere to be realised, exists in today's Europe.

### NECESSITY-BASED WILL FOR A EUROPEAN PUBLIC SPHERE

As the European Coal and Steel Community emerged in 1950-1951 from a necessity to prevent another world war from ravaging Europe, so was further development ultimately yielding the European Union also driven by necessity. Necessity-based will was and is the primary source and potential strength of the European project that in its depth and breadth no longer resembles the 'small, fragile Europe that it used to be. Today, the EU faces among many others three grave challenges it must overcome if it wishes to continue as a united and powerful community: the drawn-out eurozone crisis, rising Euroscepticism, and a very severe demographic crisis with serious repercussions for EU migration policy. These are tightly interlinked and have been each other's causes and effects in past decades. It is very important to note that these simultaneous crises have, as Castells (2008) concludes, "blurred the relationships between national public spheres and the state, between states and civil society, between states and their citizens, and between the states themselves" (p. 80). In fact, as he continues, four crises affecting EU institutional governance have emerged from the widening crevice between the spaces where challenges confronting the EU arise (at the supranational level) and the spaces where these are managed (at the national level) (Castells, 2008, p. 82). The first crisis is that of efficiency. The EU's meagre efforts to tackle challenges such as unregulated financial markets or unchecked inflow of immigrants are best characterised by acute inefficiency and have given way to regional and national solutions, such as the reinforcement and patrol of outer Schengen borders in the case of the Visegrád Four Group (Poland, Hungary, Czechia, Slovakia) which, though not ideal, replaces the EU's inefficiency and inactivity with solutions that bring immediate improvement. The second crisis identified by Castells is the fundamental crisis of legitimacy. The Commission, the executive branch of the EU, is seemingly unhindered in its ever more politicised and policy-oriented work despite holding no democratic mandate. It is no longer in doubt that the president of the Commission is the leader of the European institutional power web ahead of the presidents of the Council and Parliament. This quite naturally incites strong Eurocritical and Eurosceptic voices in cases where the Commission disfavours certain groups or entire countries. But more importantly this crisis of legitimacy enlarges the distance between Europe's half a billion citizens in twenty-eight member states and the few thousand bureaucrats stationed in Brussels, Strasbourg and Luxembourg because it seems as though very little of the political shifts and reforms at the national level affect the power distribution at the top of the organisation. From the European Parliamentary (EP) election slogan of 2014 "Act. React. Impact." it is precisely the impact which is rapidly fading in the eyes of the wider European public and consequently influences the 'act' and 'react' as well. Average voter turnout across all member states has been lower than the preceding figure at every single election to the EP since 1979 (see table 1), in some countries seeing as low a turnout in 2014 as 18.20% and 13.05% in Czechia and Slovakia respectively (European Parliament, 2014).

Table 1

Average voter turnout at the European Parliamentary elections across member states (%)							
1979	1984	1989	1994	1999	2004	2009	2014
61.99	58.98 ↓	58.41 ↓	56.67 ↓	49.51 ↓	45.47 ↓	42.67 ↓	42.61 ↓

Source: European Parliament (2014)

A blocked chain of authority from bottom to top also opens up the path for unpunished open defiance top to bottom by many nation-states of EU laws and guidelines, such as Germany's open-door migration stance that severely violated the Schengen Treaty and the Dublin Regulations, or year-on-year French and Spanish disregard for the three percent deficit threshold enshrined in the Stability and Growth Pact. Castells' third crisis is that of identity. Stronger will to find national rather than EU solutions to issues and dramatically low EP voter turnouts are indicative of a general de-identification with the EU. De Beus (2010) states his conviction that "for many ordinary citizens of national states (...) Europeanism today is as extraterrestrial as colonialism was yesterday" (p. 25). To take on the identity derived from a political and economic cooperation like the European Union is very unlikely to succeed, as would an attempt to have all South-East Asian peoples consider themselves 'ASEAN-ic' because national identity is not merely a civically constructed phenomenon (like citizenship) but rather organically, historically and anthropologically evolved. Hence a common European identity will almost certainly remain only a geographic and historically-conditioned marker and not that belonging to an IGO. Symbolically the flag of the EU still seems to the observer rather artificial-looking when placed beside blood-stained and pride-filled flags of European nations, and supposedly only few EU citizens know the words to the Ode to Joy – though most of us know at least a verse or two of our own national anthems. A resistance against any form of EU-identity in the form of strengthened national patriotism in politics, economics and the arts is a direct consequence of the first two crises (efficiency, legitimacy) striking the EU. Lastly, Castells' fourth crisis is that of equity. The year 2016 has seen the resurfacing of Leo Tindemans' concept of a 'two-speed Europe', first coined in 1975, which proposes the choice of closer and faster integration for those member states that are willing to do so and of opt-outs for those that do not seek deeper union. The idea of two Europes has already arguably emerged with the split between non-Euro and Eurozone countries and even farther back by the de facto legacy of the Iron Curtain. The post-war division of the continent between the free capitalist states of Western Europe and the communist dictatorships of Eastern Europe left the latter at much lower levels of economic development, necessitating equalisation policies in the form of the European Cohesion Fund. This has consequently created a master-servant relationship between 'older' and 'newer' member states – the latter's obedience 'purchased' by much needed developmental funds. This we saw in former Italian Prime Minister Renzi's and new French President Macron's claims to review their respective contributions to the Cohesion Fund if Hungary and Poland disobeyed the compulsory migrant distribution quota mechanism adopted by the EU Justice and Home Affairs Council and the Commission in September 2015.

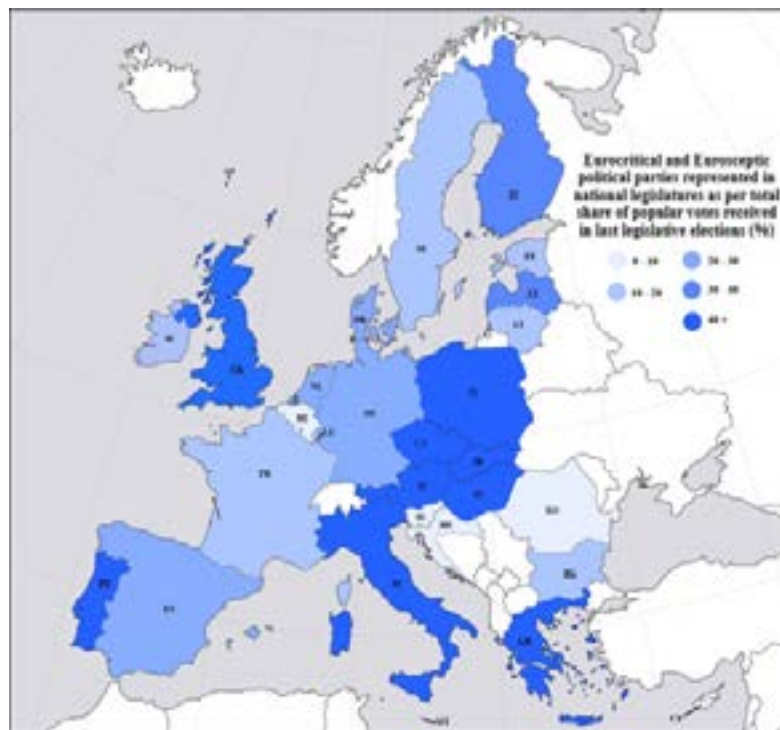
Since the last EP election in 2014 mentioned above we have on numerous occasions witnessed that the peoples of Europe are increasingly critical (see Koopmans, 2010, p. 119 for a discussion

of Eurocriticism) or even sceptical of the European Union both as a multilateral organisation affecting their daily lives and as an ideal of an ever-deepening federation of subordinated member states. On 23rd June 2016 the British electorate took the shortest route out of the ordeal with an unprecedented decision to leave the organisation and this has served as an example to follow for some and a major warning sign for others. The chaos following the Brexit referendum pushed France towards the 'safe choice' of Emmanuel Macron in the highly polarised presidential elections of 2017 but a considerable portion of the electorate is now firmly Eurocritical and will not rest until Le Pen's Front National takes the commanding heights after having garnered historical levels of support in all French elections presidential, regional and municipal since 2015. Though the consociational Dutch political system does not allow for one party to convert its votes into a legislative majority, Geert Wilders' Freedom Party now holds the second largest fraction of MPs thanks to its rebound after a weak performance in 2012 and has increasingly thematised public discourse during and since the general election held last year. It advocates a 'Nexit' and leaving the common currency in what is one of the most radical Eurosceptic positions currently in the EU. Angela Merkel's historically long struggle to form her fourth government after the German federal election in November is owing largely to the breakthrough of the Eurocritical 'Alternative für Deutschland' which has tripled its votes between 2013 and 2017 and went from being an extra-parliamentary movement to holding the third largest fraction in the Bundestag. Its opposition to further European integration, northern financing of southern Eurozone debts, and staunch anti-immigration stance have all captured the mood of Germans who show signs of fatigue in what they see as a European project gone too far and what was to Germans an unprecedented period of Islamic terrorist attacks. The Austrian Freedom Party's entry into government and the victory of the Czech Anso 2011 in the 2017 legislative elections add to the community of political parties in power who are critical of the overreach of EU institutions in immigration policy and in deciding the Union's future direction. It is likely that Commission proceedings against Poland and Hungary, in the West perceived as measures to restrain antidemocratic policies but in the East considered an antidemocratic attempt to impose liberal, secular and globalist values, will harden the Eurocritical governing parties who currently enjoy unseen levels of popular support according to opinion polls. In Italy the centre-right electoral coalition has won the parliamentary elections of 4th March 2018. The coalition is a blend of among others Berlusconi's Eurocritical agenda and a tough immigration stance together with an emphasis on a 'Europe of the regions' advocated by the Eurosceptic Lega Norda. The non-aligned and strong Eurosceptic Five Star Movement has become the single party with the most votes and a coalition with the centre-right seems a likely governing arrangement to be expected.

Popular responses at the national level to European challenges point increasingly in the same direction but this is by no means an agreed and coordinated position. It is clear that the EU faces challenges to both its idea and its practical functioning; encountering difficulties in its efficient problem-solving and policy implementation, institutional challenges to its democratic legitimacy and authority, failing as a common focus of popular identification, and experiencing deepening divisions and inequality among its member states. Evidently these are in large part related to communication and to the nature of information flow from the transnational to the local level and vice versa. Consequently, we must suppose that to resolve the four major crises Castells lays

before us and to “conceive of the EU as an emerging democratic polity beyond the nation-state, the issue of a European public sphere is raised quite naturally” (Risse, 2003, p. 1) as a solution that would guarantee a better flow and appreciation of information, ideas and debates within the boundaries of the EU for the sake of common understandings about those interests best serving the community as a whole. Statham (2010) acknowledges that “if we live in an era of European multilevel governance, the development of a politically mature Europe requires a Europe-wide public discourse of some sort” (p. 4), or as Calhoun (2003) aptly phrased it, “if Europe is not only a place but a space in which distinctively European relations are forged and European visions of the future enacted, then it depends on communication in public, as much as on a distinctively European culture, or political institution, or economy, or social networks” (p. 243). Hence the necessity of a Union in crisis warrants our discussion of a possible European public sphere and the prospects of its realisation. In the next section of this paper I will map out two visions of an EU public sphere in practice and will take the nature and role of the media as an eyepiece to debate the prospects of their realisation.

Figure 1



THIS REPRESENTATION IS BASED ON THE AUTHOR'S SURVEY OF ALL POLITICAL PARTIES REPRESENTED IN THE 28 NATIONAL LEGISLATURES. CRITERIA FOR EUROCRITICAL AND EUROSCPETIC LABELS WERE AN ANTIIMMIGRATION AGENDA, OPPOSITION OF DEEPENING FEDERAL INTEGRATION AND AN ADVOCATION OF INSTITUTIONAL REFORM OR OUTHRIGHT WITHDRAWAL FROM THE EUROPEAN UNION. EITHER ONE WAS A SUFFICIENT BUT NOT A NECESSARY CRITERIUM. THE LEGISLATIVE ELECTIONS OBSERVED WERE THOSE OF LUXEMBOURG (2013); BELGIUM, LATVIA, HUNGARY, SLOVENIA AND SWEDEN (2014); DENMARK, ESTONIA, FINLAND, GREECE, POLAND AND PORTUGAL (2015); CROATIA, CYPRUS, IRELAND, LITHUANIA, ROMANIA

AND SLOVAKIA (2016); AUSTRIA, BULGARIA, CZECH REPUBLIC, FRANCE, GERMANY, MALTA, THE NETHERLANDS AND THE UNITED KINGDOM (2017); AND ITALY (2018). UNDERLINED COUNTRY ACRONYMS INDICATE THAT ONE OR MORE EUROCRITICAL OR EUROSCPETIC POLITICAL PARTY IS A MINOR OR MAJOR PARTNER IN GOVERNMENT.

#### PAN-EUROPEAN PUBLIC SPHERE VERSUS EUROPEANISED NATIONAL PUBLIC SPHERE

Scholarship in the field has identified two broad models of the practical realisation of a European public sphere. The first model entails a pan-European public sphere that would transcend the boundaries of nation states and would exist “above and beyond” national publics of the EU member states (Risse, 2003, p. 4). In effect this would be a supranational sphere that would possess all functions and qualities of a nationally organised public sphere, encapsulating spaces of rational and accessible societal deliberation but without the geographical, linguistic and technological limitations set by nation-states. As Grimm asserted already in 1995, such a constellation would be based on a pan-European media system and require a common language and a shared identity, i.e. a homogeneous audience for a homogenised media apparatus. The locus of the public discourse would thereby shift from the institutionally and territorially bound member states to a geographically unspecified mediatised space (Price, 2002). The second model may be called an association of Europeanised national public spheres. Silke Adam captures the essence of this, stating that “the core idea of this concept is that national public spheres open up for debate on issues with an EU dimension, giving voice to actors and their positions from the EU institutions and other member countries” (2016, p. 4). Two complementary pathways for such a sphere to be realised are those that both vertically and horizontally bring about Europeanisation; namely communicative flows between the national and the European level in the form of bottom-up and top-down linkages, and intensified horizontal interactions between individual member states (Koopmans and Erbe, 2004, p. 101). Thomas Risse goes even further by considering a European public sphere ideal only if it possesses three common features: a same set of European themes discussed simultaneously in national public spheres with similar levels of attention attributed to them; a similar frame of references, meanings and interpretations used during deliberation on those themes; and a ‘community of communication’ wherein speakers and audiences consider each other as legitimate participants in the discussion (2003, p. 1). Under such a constellation national media ideally take on the role required for ‘public diplomacy’, i.e. the practice which aims to “harness the dialogue between different social collectives and their cultures” for the sake of arriving to some cross-border understanding and agreement regarding the greatest interests of the community of nations called the EU (Castells, 2008, p. 90). These two models follow the meta-level debate regarding the future of the EU as an institution itself; whether to accelerate integration towards full fledged federalism or whether to scale back in order to keep Europe as a union of sovereign nation-states. Numerous researchers have asserted that member states’ levels of involvement in EU integration impacts the debates present in their national public spheres (Adams, 2016, p. 6), yet the argument set forth herein is that the manner and quality of debates about Europe within national public spheres also impacts the future course of integration. This reaffirms that the exact type of EU public sphere is important not only for problem-solving but also for the future of the entire Union.



## GENERAL WEAKNESSES OF A PAN-EUROPEAN MODEL

Strong general criticism can be established regarding the first model. Habermas took a position sharply opposing a pan-European public sphere and in support of the Europeanisation of national public discourse. As he asserted, “the missing European public sphere should not be imagined as the domestic sphere writ large. It can arise only insofar as the circuits of communication within the national arenas open themselves up to one another while themselves remaining intact” (Habermas, 2006, p. 102). Advocators of this model, such as Gerhards (1993) often emphasise the linguistic and cultural homogeneity and political centralisation needed for such a pan-European public sphere to exist (Koopmans and Erbe, 2004, p. 99). But others are right to point out that linguistic unity and political centralisation are not present in many exemplary democracies in Europe, such as Switzerland or farther afield in Canada, yet the quality and output of the Swiss or Canadian public spheres are rarely doubted. Thus, attaching similar meanings to European issues as enabled by the second model is the key to trans-border communication without adopting the same language (Risse, 2003, p. 4). Furthermore, a pan-European discursive space does not follow the “multilevel character” of the EU because it disrespects the distribution of competencies on three levels; at the EU level, at a shared level between European institutions and national governments, and at the level of the sovereign nation-state (Adams, 2016, p. 3). Habermas is right in calling for national public spheres to be left intact because many issues arising in national competency and that have no European dimension need not be discussed at EU level but are solvable below that in the spirit of subsidiarity. The absence of a genuine and widespread EU identity is another factor which weakens the argument for the first model. Noris (2003) points out that a European cosmopolitan identity is in reality prevalent only among young, well-educated, urban political and corporate elites who are bi- or even trilingual and who embody Keane’s (2001) idea of the ‘bourgeois cosmocrats’ that possess a European and even global vision and can accommodate the practice of non-nationally contextualised political communication, often to their direct political and economic benefits (Davis, 2010, pp. 114 & 123-124).

## ANALYSING THE EUROPEAN MEDIA SPACE

National publics can only to a negligible extent build their opinion about the “distant” EU upon personal experience and must therefore rely on how Europe is portrayed in the media; the mass media’s influence on popular opinion regarding European issues and the Union itself is enormous (Koopmans and Erbe, 2004, p. 98; Adam, 2016, pp. 1-2). To evaluate the two models we must discuss what Dahlgren called the structural and representational dimensions of the media systems involved (2005, pp. 148-150). Regarding the structure of the European media system, i.e. its organisation, ownership and regulatory environment, Murdock had already in 1990 tapped into processes that would only intensify in the decades to follow. He described four key processes that seem to be fuelling a pan-European media network that is by definition so essential for the respective model of public sphere to exist (Murdock, 1990, in Bennett, 2004, p. 133). Firstly, denationalisation aims at extracting media outlets from systematic national jurisdiction. Privatising key state media outlets is one way of transferring ownership into non-state actors’ hands. Consequently, liberalisation entails relaxation of national rules on ownership and

competition. Privatised and still state-held media outlets are now allowed to be sold to foreigners. Commercialisation involves pressuring remaining public media to be placed on a commercial footing, pushing for reduced state funding and encouraging commercial sponsorship as well as ratings-based programming, areas in which private news media and especially commercial media are superior. Lastly, re-regulation is a drive for new policies to enable integration into multiple ownerships and also the acquisition of all means of production, distribution, licensing and content delivery of products across those holdings. This fourfold process has in many ways over past decades disabled major ‘safety checks’ that Ó Siochrú and Mahan (2002) described, namely the rights of communities to set cultural and political limits to free flows of information, public interest protections for citizens/consumers, protection for local ownership and production, and regulation of information flows through public service systems (Bennett, 2004, p. 130). Yet these developments have not led to the emergence of a distinctive pan-European media system that would support the construction of a united European public sphere. Chalaby (2009) quotes 279 million people in thirty-two European countries to have gained access to certain media outlets as of 2006 which he describes as pan-European (Davis, 2010, p. 120). Yet such outlets as France24, BBC World, Financial Times and Le Monde Diplomatique possess more of a global rather than a particularly European profile and audience (Koopmans and Erbe, 2004, p. 99) and even so they are fundamentally nationally based. Truly pan-European mass media ventures such as The European and Euronews have either disappeared from the market or are heavily subsidised due to low consumption (ibid).

If we consider the representational dimensions of the European media landscape, we must briefly analyse the trends in content output. Bennett (2004) correctly identified three relevant trends, one being a depoliticisation of commercial media products, another being the tabloidisation and anti-political tone of content, and a third being the pressures experienced by public broadcasters to adopt more commercial contents in view of major decline in viewers and readers (p. 136). There is a fear, he continues, of a fatal standardisation of political content under this trend of commercialisation which is enough to satisfy minimal political interests of the overwhelming majority of consumers (Bennett, 2004, p. 134). In fact, most television viewers today can easily avoid any political coverage (Gunther & Mughan, 2000). In short, “democratic deliberation is completely overshadowed by consumerism, entertainment, nonpolitical networking” (Dahlgren, 2005, p. 152). But once again, these developments seem not to have fully succeeded in ‘breaking in’ national public and private communication networks and have not contributed to a uniformity of themes and communicative practices either. The immense growth in media outlets and the “cacophony that emerges with this media abundance”, increased sociocultural heterogeneity (Dahlgren, 2005, p. 150) and a diversification of media communication systems such as the emergence of the Web 2.0 (YouTube, Facebook, Twitter, Snapchat, etc.) have all been partially to the detriment of the transnational normative regime built by media corporations expanding in Europe. Dahlgren (2005) acknowledges that “too much dispersion and polyvocality undercut political effectiveness and hamper governance” (pp. 151-153), reducing the prospects of a pan-European communicative space and leading according to Galston (2003) towards “disparate islands of political communication” (ibid). Parallel to these runs an increasing emergence of popular resistance and the rise of alternative media, challenging the European and global media

regime and reducing the receptivity of national audiences to transnational media products and information flows (Bennett, 2004).

## CONCLUSION

In conclusion, what can we make of the above discussion with regards to the prospects of a pan-European public sphere? Firstly, it can be argued that the EU has never been more in need of established and accessible fora that can provide for a rational, policy-oriented public discourse with regards to solutions concerning among others the four crises that it faces. It is also clear that European systems of media will continue to play central roles in linking civil society with policy circles and government as well as shaping everyday political opinion and will, and therefore increasing attention must follow the trends and changes that emerge in the media industry. With these observations in mind, this paper has shown that out of the two main practical models of a European public sphere the pan-European, supranational constellation bleeds of numerous wounds and continues to be rather extracted from reality. Though decades of globalisation and deregulation of national and international media regimes have seemingly fostered the creation of a pan-European media needed for such a public sphere, breakthrough in this regard is still to occur. Though the scope of this paper has not allowed for an empirical analysis of the extent of the Europeanisation of national public discourse, this form of common EU deliberation is more likely to occur. Its requirements with regards to media policy, identity, language and sociocultural homogeneity are less demanding than a radical strategy of disbanding national public spheres in favour of a constructed European alternative. Vertical and horizontal integration into a European public sphere via increased communicative linkages both between European institutions and the nation-state and among member states already exist and will lead to a more successful and intensified European public discourse if it is further refined on a basis of equality and mutual respect. What concerns a pan-European public sphere, there is currently little prospect of European media networks, EU institutional reforms and notions of identity moving in any meaningful way in the direction of full harmonisation required for such a public sphere to emerge.

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# THE CRISIS OF THE EMU AS THE RESULT OF THE INTEGRATION OF DIFFERENT MODELS OF CAPITALISM WITHIN ONE INCOMPLETE MONETARY UNION

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Data on the European economy are increasingly encouraging. The worst seems to have passed and the danger of new speculative attacks on the single currency gone. However, it would be an unforgivable mistake to avoid continuing the reforming process of the Euro area architecture that started with the famous 'whatever it takes' by Mario Draghi. The crisis we have lived through since 2008, as this paper will explain, had internal reasons that are still unresolved. The presence of different models of capitalism within the European Monetary Union has in fact caused the coexistence of two opposing models of growth in Europe: export-led countries in the North and demand-led countries in the South. In the absence of proper European risk sharing and solidarity mechanisms, the consequent formation of heavy imbalances in the current account of the Eurozone may lead to liquidity and sovereign debt crises. The task of this elaboration is therefore to explain how and why this diabolic loop can emerge, using the occurrences of the last decade as a reference. Thus, is the Euro doomed to fail? No, possible effective solutions have already been implemented but a stronger unit of intent and collaborative attitude to address the issue are still needed and should become one of the priorities of the European Union.

## INTRODUCTION

In 2008, the European Commission labelled the euro as a resounding success (European Commission's 7th May 2008 press release). According to that view the common currency had secured and boosted macroeconomic stability, cross-border trade, financial integration and investment.

9 years later, the European Monetary Union (EMU) crisis has made the excessive optimism of that statement clear. Furthermore, the austerity medicine adopted as a panacea for the crisis has not led to uniform results across Europe. High level unemployment and slow growth still characterise nearly all of the countries of southern Europe, while northern ones now present positive economic indicators (Johnston and Regan, 2015). These economic differences have progressively evolved into a harsh political fight with the Mediterranean countries now reconsidering their permanence in the common currency area. The questions on the origins of these divergences in the euro area and the role of the varieties of capitalism in their creation are therefore of significant and topical importance, since the existence and the form of the future sustainability of the EMU depends on them.

In this essay, I will use the euro crisis as an example in order to explain how joining together different models of capitalism in a monetary union could create dangerous excessive imbalances. The analysis of how these imbalances evolved in the creation of systemic risks will reveal the importance of the architecture of a monetary union in offsetting the different performances between its members. The unicity of the EMU from this point of view, with its fallacies and incompleteness, makes ever more urgent and difficult the research of a possible solution.

The argument presented above will be structured in the following way. Firstly, an overview will be provided of the current debate about the causes and consequences of the crisis in Europe. In particular, a contraposition seems to exist between those who identify southern national governments as mainly responsible due to fiscal excesses and those looking for an explanation in the systemic composition of the EMU, such as the varieties of capitalism literature that constitutes my starting point (Hancké, 2013). In the second section I will explore the role of European models of capitalism in the creation of the crisis. In order to do so, I will start by adopting the macroeconomic point of view of growth model to explain the characteristics of the two different models in the EMU: northern, export-led countries and southern, demand-led countries. I will go on to describe the different reactions to the common European monetary policy, which will be generalised in the context of a generic monetary union. In the third section, the focus will turn to the role of EMU's incomplete architecture in the exacerbation of the crisis and the painful southern strategies to overcome it. I will identify the major limits of the analysis proposed and conclude by describing the improvements registered in response to the crisis and the necessary changes to be implemented.

## THE DEBATE

Before discussing the intricacies of the crisis, it is first important to define what is intended by the use of the general term 'euro crisis'. In this essay, it is simplistically considered as the combination, mainly hitting the GIIPS (Greece, Ireland, Italy, Portugal and Spain) countries, of a banking crisis followed and matched by a sovereign debt crisis. Much has been said and written about the origins and causes of these crises in Europe. However, a shared narrative is still missing. One side of the debate, representing the prevailing position in the European Commission (HHPner and Lutter, 2014), examines member states' responsibilities and asks for asymmetric adjustments.

Both the Optimal Control Approach theory and part of the Optimal Currency Area (OCA) theory seem to support this view, pointing out the failure of member states to fulfil fiscal commitment and to the requested labour flexibility (Buiter and Rahbari, 2012). Concerning the former theory, the strategy to exit the crisis should consist of an intrusive and strict fiscal surveillance based on quasi-automatic sanctions to restore the credibility of the Stability and Growth Pact. In light of this further austerity, risk-sharing mechanisms, such as the purchase of bonds by European Central Bank (ECB) under the Security Markets Programme, appear to the supporter of this view as deplorable infringements of the no-bailout clause in the Maastricht Treaty (Schelkle, 2013).

In contrast, structural reforms of labour and product markets are the repeated mantra of OCA theory. In its so-called 'endogenous' version, attention is focused on the need for a stronger synchronisation of business cycles and productive structures in Europe. Countries of Southern Europe should, as a consequence, introduce major flexibility in their labour and product market in order to facilitate this interdependence, thus decreasing the chances of asymmetric shocks (Willett, Permpoon and Wihlborg, 2010). However, this perspective of national mistakes cannot explain the situation of Belgium: "untouched" by financial speculations, despite its recurrent inability to meet the Stability and Growth Pact (SGP) rules, or the high involvement in the crisis of countries such as Ireland and Spain with prudent fiscal positions during the 2000s (De Grauwe, 2017). Furthermore, the perspective seems to ignore the evidence that Germany, successful in producing high growth and low unemployment rate is based on a rigid and centralised coordination of workers, rather than the suggested flexible labour market.

A Varieties of Capitalism (VoC) perspective seems to satisfactorily achieve these tasks. It demonstrates why independently, by their fiscal position or labour flexibility, only some countries in the euro area were targeted for speculation against sovereign debt (Johnston and Hancké, 2009). Furthermore, it explains why the coordinated nature of labour market institutions in Northern Europe provides a comparative advantage over the southern countries (Johnston and Regan, 2015). Therefore, a systemic approach of this kind, looking at how the introduction of the single currency has affected the economic equilibrium in the EMU is more suitable in explaining the crisis. In this context VoC is able to explain how, due to differences in institutional complementarities, asymmetric shocks will produce imbalances and consequent adjustment problems. Nevertheless, it only gives partial insight into the differences in performances between monetary unions hit by similar shocks and imbalances. This essay will thus find its *raison d'être* in the attempt to conciliate and complete the role of European VoC in the crisis, with the analysis of the weight of the Eurozone structural institutional weaknesses in exacerbating it and slowing down its resolution. The need for institutions for policy coordination, with a contained position and shared by the same European Parliament, implicitly suggests the importance of symmetric interventions to resolve the crisis.

## THE ROLE OF EUROPEAN VOC IN EXPLAINING THE CRISIS

Firstly, the different models of capitalism within the EMU have to be identified. European countries will thus be classified into two groups on the basis of their labour institutions. This

distinction is the result of different historical and cultural heritages, especially considering the power relation between capital and labour, and the cultural inclination to forming associations. On one hand, nations such as Austria, Finland, Belgium, Germany, the Netherlands, and to a certain extent France, are traditionally characterised by the dominance of hierarchical, bureaucratic associations with strong inter-firm relations. They are therefore considered Coordinated Market Economies (CMEs). On the other hand, Spain, Portugal, Greece and Italy are usually referred to as Mixed Market Economies (MMEs) due to the presence of frequent regulatory oversight and the governmental provision of public goods. In order to describe how differences in the macro-economic productive factors have influenced the nation states' management of their economy, a growth models' perspective based on this CMEs-MMEs contraposition is adopted (Hall 2012). Eastern European countries' model of capitalism is indeed excluded from the following analysis. However, only five of these countries are part of the EMU and they all entered relatively late: Slovenia was the first in 2007. Therefore, it seems unlikely that they had a relevant role in the internal dynamics of the EMU crisis.

### European Varieties of Capitalism and Growth Models

The focus of the analysis proposed is put on the different modalities of wage bargaining for the exposed and sheltered sectors across the euro area. In the exposed sectors, wage setters face international market pressures. The consequent bond between employment status and competitiveness provides the incentive to limit high wage demands, that thus are adherent to productivity growth in all Eurozone countries (Johnston and Hancké, 2009). By contrast, wage developments in the sheltered sectors, especially in the public sectors, are less directly influenced by competitiveness constraint. The mark-up power of employers is therefore considerably higher (Hall, 2014). Hence, this risk of disproportionate wage inflation in the public sector may only be addressed by two factors: high productivity rate in the export sector and moderation institutions for wages.

The CMEs of Northern Europe possessed both these two factors possessed both these two factors. Historically, they have corporatist collective bargaining institutions that enhance coordination among producer groups, tying wage developments to the competitiveness of firms across the different sectors of the economy (an average increase of 1,3% in unit labour cost between 1990-1999, Johnston, Hancke and Pant, 2013). Wage settlements are negotiated between a floor set by inflation and a cap based on labour productivity in order to shield both real salaries and profitability (Hancké, 2013). The leading role of big firms, especially in the manufacturing sector, is fundamental in the control of wage developments. By signalling to employers and governments the common going rate, uniform outcomes are spread crosswise on regional and national levels (Hassel, 2014). Unions in the sheltered sectors will respect the mark set by the exposed sectors, either because they are considered as the best possible wage deal, or because of coercion, as in Austria and Belgium, through state-imposed wage co-ordination (Johnston and Regan, 2016). This system, by rewarding high productivity firms with lower relative wage pressures, indirectly improves competitiveness. Indeed, companies with low productivity, in order to be able to meet the set wage level, either improve their production efficiency or exit the market (Amable, 2008). During economic shocks, cost adjustments will thus be implemented throughout wage moder-

ation and higher competitive pressure, rather than with changes in the employment levels. The data clearly show this pattern, with an average annual wage growth in the sheltered sector 1.14% below that in manufacturing, between 1980 and 2007 in Austria, Belgium, France, Finland and Germany (Johnston and Hancké, 2009). Thanks to the lower costs of labour, these countries could offer their product on the markets at more convenient prices and thus developed an export-led growth model based on the expansion of exports to secure growth.

In contrast, Mixed Market Economies of Southern Europe have only limited institutional capacities for collective coordination in the wage bargaining field, compensated by a pervasive presence of state influence in the economy (for example the participation of the Italian state in the banking, train, energy and communication sectors). Trade unions, despite being relatively powerful, are deeply divided. This destroys incentives to set common national or regional wages and the capacity to restrain them in the sheltered sectors (Johnston, Hancke and Pant, 2013). Moreover, even if state intervention has diminished in the last decade, it still maintains a distorsive role as a compensator of first resort and protector of national firms from foreign competition (Demekas, 1995). The result is the organised interests accessing policy-making power, using part of their resources to lobby the state rather than improve their competitiveness. The latter is further diminished by wages based on company-level labour productivity, meaning that low-performing firms are neither forced to raise productivity nor to exit the market (Amable, 2008).

The data presents the completely opposite situation than the example of the North described previously. During 2007, the hourly wage in the non-exposed sector in Italy, Spain, Ireland and Portugal was respectively 38%, 24%, 50% and 120% higher than the hourly wage in the manufacturing sector (EU KLEMS, 2010). These economies, being specifically inclined to inflationary increases in wages, lack the institutional instrument for operating an export-led growth model. They therefore use an alternative approach to secure economic growth based on the expansion of consumer demand: they are demand-led growth countries.

Having presented the differences in the organisation of labour relations in the member states and the resulting growth models, their interaction with the common European monetary policy will be analysed. The results will be inserted in a general context of monetary unions and a first answer will be given to the question: will integrating different models of capitalism within one monetary union lead to problems?

### Joining Different Growth Models

The creation of a European Monetary Union eliminated the uncertainty linked to nominal exchange rates. Consequently, it also denied the possibility of using nominal exchange rate depreciations and revaluations as a safety valve to correct excessive current account imbalances typical of the soft-peg arrangements. Losing this macroeconomic adjustment's tool, together with the macroeconomic instruments of interest rate policies and in a minor part fiscal policies, the only option left for national states to stimulate the economy is entering into transnational wage competition (Hancké, 2013). Moreover, by transferring monetary policy to a single European Central Bank (ECB), the role of national central banks in facilitating, under the fixed exchange

rate regime, the convergence of inflation and real exchange rates between the different European varieties of capitalism also disappeared. Without an analogous transfer of wage-setting and fiscal policy from the national to the supranational level, an indirect condition for the proper operation of the EMU was set: the synchronisation of price inflation, that in turn presupposes synchronisation of nominal unit labour costs (Höpner, and Lutter, 2014). Therefore, not only did the convergence of wage rates across Europe become a necessity, but also the national instruments to achieve it are missing. Given the diversities in the structure of the wage-bargaining regimes, persistent external imbalances between the northern and the southern euro area were and are the inevitable consequence.

In fact, as the ECB is inspired by the monetarist discipline, it only follows the target of price stability, concretely expressed in a one-size-fits-all monetary policy to maintain inflation rates below, but close to, 2% over the medium term (De Grauwe 2017). In order to achieve the desired level of inflation, it selects intermediate target rates capable of influencing the ultimate one. They are more easily addressable, as a common nominal interest rate that is therefore applied for all members despite their different political economies (De Grauwe 2017). The consequent real interest rate, given by the nominal one that the ECB sets for all, minus the country-specific inflation rate, is therefore lower in the countries with high inflation and higher in the low-inflation countries. The result is a pro-cyclical monetary policy, more generous than it should be for South European nations, given their higher inflation, and restrictive for the core euro area. The opposite would have happened outside a common currency regime (Hancké, 2013).

The result of the intersection of the institutional complementarities of CMEs with non-accommodating monetary policies has thus been an enforcement of their export-led growth model. EMU has, on one hand, facilitated the expansion of trade toward the common European market, where southern countries could no longer devalue to increase the competitiveness of their products against those exports. On the other hand, the common currency has sustained the global competitiveness of Northern countries' exports thanks to external exchange rates lower than the ones achievable within a national monetary policy. Finally, the measure of the competitiveness of a country towards its trading partners, the real exchange rate, in a common currency area is a function of the relative prices alone. Hence, the ability of northern countries to moderate their inflation rate relative to their southern trading partners is translated into a competitive advantage in the real exchange rate. This thereby translates into a trade and current account surplus, making the core countries the external net creditors of the EMU (Johnston and Regan, 2015). Unlike CMEs, MMEs, having a smaller and low value-added export sector, were not able to take advantage of the further enforced European trade. EMU also deprived them of the possibility to adjust the exchange rate, on which they had relied more than CMEs to compensate the effects of inflation on the competitiveness of their national goods. The ECB's accommodating monetary policy has been the last piece to complete a framework made of constantly increasing aggregate domestic wage inflation, that led to a progressive loss of competitiveness of the demand-led growth models' export sector (Herrmann, 2005). As trade deficit is created, current account deficits follow, financed by the current account surplus of the core countries.

The presence of these imbalances in the current accounts within EMU is not exclusive of its particular architecture, but can also be found across the different members of other monetary unions (Krugman, 1993). It is the inevitable consequence of joining together different models of capitalism in a monetary union, thus creating a source of asymmetric disturbances and consequently of adjustment problems. Differences in national wage bargaining systems and/or in the legal systems, generate asymmetric responses to common shocks. Given the inability of a central bank to address asymmetric shocks with a one fits all monetary policy, the common nominal interest rate it sets in the monetary union can only result in diverging real interest rates among the different models of capitalism (De Grauwe, 2017). Inflation and current account imbalances follow and need to be corrected.

Therefore, it can be said that integrating different models of capitalism within one monetary union will lead to adjustment problems due to the creation of external imbalances across the monetary union's members. The same euro area crisis could be considered to have its roots in the asymmetric coexistence in a monetary union of these two different growth models, defined by different inflation performances. However, only the presence of imbalances within the EMU is not sufficient to explain the dynamics and exacerbation of the crisis. The explanation can be found in the absence of proper European institutional mechanisms of coordination and surveillance, unable to balance the nearly hierarchical power relations between CMEs and MMEs (De Grauwe, 2012). In other words, how adjustment problems evolve seems, as the next section will explain, to be linked to the ability of a monetary union's infrastructure to address the imbalances created by the different models of capitalism within it.

#### THE ROLE OF EMU'S INCOMPLETE ARCHITECTURE IN THE CRISIS

In order to adjust the imbalances emerging across the members of a monetary union, a collective mechanism of mutual support and control is needed. Such can be found in a political union and/or in its absence in alternative instruments of collective action, such as a budgetary union or a fiscal one (De Grauwe, 2017). By centralising national government budgets into a unique central budget, or by creating a central pool to which high-growth countries contribute more than low-growth ones, automatic transfers can be given to any member hit harder by a shock, compensating the asymmetric loss. Fiscal federalism has proven to be an efficient regional stabiliser within the US, alleviating the imbalances that have grown between its states (Schelkle, 2013). In the EMU, the divergences in the inflation levels, with a lack of the necessary instruments to adjust them, accumulated into substantial imbalances on the current account: a signal for speculation against sovereign debt (Hall, 2016).

In the close economy context of the euro area, capital flows followed a beggar-thy-neighbour dynamic: the excessive savings of growth-led models are mirrored in the demand-growth model of the GIIPS. Due to the reductions in borrowing costs associated with entrance in the EMU, the GIIPS continued to access low interests credit and to use it for consumption, rather than for economic development (Johnston, Hancke, Pant, 2013). The consequent wage-inflation spiral fuelled asset price bubbles and artificial construction booms, especially in Spain and Ireland, and

represented an important factor magnifying systemic risk (Baldwin and Giavazzi, 2015). When the bubble burst and the heavy home bias of the European investments revealed itself, a contagion effect spread financial instability through the European banking systems (Morris and Shin, 1998). In the light of the fact that banks are fundamental holders and buyers of public debt, their crisis was matched by a sovereign debt crisis. Once again, the incompleteness of the European Monetary Union had a significant responsibility in the deterioration of the crisis, as presented above. A European centralized banking supervision, substituting the national responsibility for bank regulation, was only introduced in June 2012. Furthermore, the risks of credit imbalances and their excessive accumulation could have been avoided with the earlier introduction of a stricter supranational surveillance organ, such as the European Systemic Risk Board, with the function to identify and eliminate sources of potential systemic risks that may upset the financial markets.

The limited responsibilities of the European Central Bank are also part of the problem. Firstly, ECB focus on only price stability has been another factor in contributing to the problems of rapidly rising house prices and construction booms, which took part in the evolution of the financial crisis, given the effects of low real interest rate on asset prices. Meanwhile, other central banks such as the Bank of England had already extended their mandates to cover financial stability (Sawyer, 2016). Secondly, the European Central Bank's role as a lender of last resort for national governments has only recently been introduced and has not been used to date. However, it is fundamental in reducing countries' risk of default on government bonds, as these become denominated in the national currency (Buiter and Rahbari, 2012).

Finally, the absence in the EMU of mechanisms to resolve the accumulation of deficits and surpluses has doomed demand-led countries to an excessive painful adjustment path to recover their competitiveness. As these countries have to bring down wages and prices relative to those of competitors, internal devaluation and thus deflationary macroeconomic policies are the only possible national solutions. Moreover, the context of austerity in which they are imposed, due to the inevitable increase in unemployment and higher risk of sovereign debt and banking crises associated with the recession, likely leads to a downward economic spiral and thus to even more budgetary austerity (De Grauwe, 2012). In the light of the institutional framework described above, of its incompleteness and little improvements to address the consequences and to a lesser extent the causes of the crisis, the conclusion will focus on the conceivable future for the EMU.

## CONCLUSION

The euro crisis have shown how the formation of external imbalances, that in the specific case of EMU are linked to the competitive advantage of northern countries in moderating the wage growth in sheltered sectors, causes asymmetric shocks. The asymmetric nature of these shocks make the central banks unable to address them with a one fits all monetary policy. Instead, the modalities of evolution of these adjustment problems are dependent on the particular architecture of the monetary union, as well as its institutions of bank and fiscal coordination and surveillance. In the EMU, the lack of proper fiscal transfers, together with a limited responsibility of the central bank, has led to the accumulation of deficits in the south of Europe, magnifying its

systemic risk. Progresses towards a more complete and coherent structure of the monetary union can be seen in the new European Systemic Risk Board and in the role of the ECB as a lender of last resort. Although further institutions to slow down the divergences across core and peripheral countries and avoid the internal excessive painful devaluation of the latter are needed. These results could be easily achieved with a mutualisation of risks and debt in the form of specific euro bonds, or thanks to significant wage increases in Germany and the North. However, the political feasibility of both the proposals is nowadays extremely low.

This essay presents clear limits in the simplistic description of the euro crisis and its dynamics, as well as in the necessity of further studies to analyse how different models of capitalism from CMEs and MMES would interact in other monetary unions. US is the most obvious term of comparison that VoC literature can offer us. As a federal political monetary union US institutional architecture may be considered as complete (De Grauwe, 2017). Mechanisms of risk sharing, shock stabilisation, and reciprocal support are present to counteract excessive internal imbalances. Nevertheless, the American states do not have the same historical and cultural differences characterising European Member States. As a consequence, the labour and productive institutions are far less rooted in the economic fabric and thus seem more susceptible to responding uniformly to external shocks. In addition, the role of financial markets should be included in an analysis of this kind. A capital market union could in fact be able to lower the risks associated with asymmetric shock thanks to a diversification of the portfolio investments. However, we can consider the lack of proper pan-European flows of capital as part of the already debated incomplete architecture of the EMU.

Despite all these limitations, the core message remains valid: the catching-up process across the euro area is far from being realised. Asymmetric adjustments such as a utopian spreading of Northern-style wage coordination to the South or the attempts of the European Commission to push liberal and flexible wage bargaining in the South have achieved minimal improvements. Any solution should be symmetric and shared or the European project will risk its premature end.

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# THE EUROPEAN UNION'S MANAGEMENT OF INTERNATIONAL CRISES:

## The Example of German Crisis Management in the Afghanistan and Iraq Wars

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Germany is central to Europe in many aspects – politically, economically and geographically – which makes it one of the most important variables in European foreign and security policy. Therefore it makes sense to look at German crisis management as it gives valuable implications about European foreign policy. Germany, and in this sense also Europe and the United States, have traditionally been close allies over the last decades. When after 9/11 the United States called for military action in the Middle East, it seemed almost self-evident that European states and above all Germany would join in these operations. In spring 2003 Germany sent troops abroad for the first time after World War II. But when the United States called for action in Iraq two years later, Germany changed its stance to one of open opposition and US-German relations reached an all-time low. This paper examines the question why Germany, as an important player in European foreign policy, did not participate in the intervention in Iraq. Further, it looks at how the German “taken for granted ideas”, that is most notably its habitus of restraint in foreign policy, were fulfilled in one case but not in the other and how a third power changed the conditions of the security community, thereby disturbing the equation.

### INTRODUCTION

“Gerade wir Deutschen, die wir durch die Hilfe und Solidarität unserer amerikanischen und europäischen Freunde und Partner die Folgen zweier Weltkriege überwinden konnten, um zu Freiheit und Selbstbestimmung zu finden, haben nun auch eine Verpflichtung, unserer neuen Verantwortung umfassend gerecht zu werden. Das schließt - und das sage ich ganz unmissverständlich - auch die Beteiligung an militärischen Operationen zur Verteidigung von Freiheit und Menschenrechten, zur Herstellung von Stabilität und Sicherheit ausdrücklich ein.”

“We Germans in particular, who, with the help and solidarity of our American and European friends and partners were able to overcome the consequences of the Second World War, in

order to find freedom and self-determination, now have the a duty to comprehensively fulfil our new responsibility. This encompasses – and I am saying this unambiguously – the participation in military operations aimed at the defence of freedom and human rights, at the establishment of stability and security.”

- Chancellor Gerhard Schröder in front of the German Bundestag on October 11th, 2001.

By virtue of its size, economic power and also geography, Germany will always be central in Europe, especially when it comes to addressing a project that is related to European security concerns (Sarotte, 2001, p. 53). It is therefore of importance to look at German decision making in times of a crisis, as this might give considerable implications on what European foreign policy might look like. Interestingly enough, Europe stood united in the case of Afghanistan but was divided in the question over Iraq. In both circumstances, Germany took very strong positions, however, opposing ones.

When on September 11, 2001, the United States were hit by an unprecedented terrorist attack, statements of unlimited solidarity reached the American people and the US government from all over the world, including Germany. A few months later, for the first time in its history after the end of World War Two, Germany sent troops abroad to Afghanistan. With the aim of dismantling Al-Qaeda and making the region securer again, Germany joined the United States in Operation Enduring Freedom in January 2002. Two years later, Germany strongly opposed the Bush administration, when it called for an intervention and military actions in Iraq in order to topple Saddam Hussein's regime and his alleged weapons of mass destruction. US-German relations reached an all-time low, in fact the damage done to the relationship seemed beyond repair considering how contradictory the positions on Middle Eastern foreign policy were on both sides.

What had happened on the way from Kabul to Baghdad that caused Germany to turn around in its foreign policy decisions by 180 degrees? What made the biggest economic power in Europe stand against the giant at the other side of the world, which had until then been a close ally and friend by not only refusing to have any part in an intervention but to also threatening to oppose any Security Council resolution that would legitimize war? The research question in this paper is therefore quite simple: “Why did Germany not participate in the intervention in Iraq?”. The hypothesis that will be examined is the following: The taken for granted ideas that the German elites based their decisions on, were being fulfilled in the case of Afghanistan, but not in the case of Iraq because a third power, i.e. the United States, changed the conditions of the security community. The dependent variable of the hypothesis is given through the so called taken for granted ideas which will be identified in the theoretical framework part of this paper. The independent variable is given through the foreign policy decisions of the United States in both crises.

In order to find an answer to the research question, the paper pursues the following structure: first, some of the literature on German crisis behaviour will be examined and different concepts and perceptions about the habitus, German elites applied in their decision making during the Afghanistan and the Iraq crises, will be identified. After this outlining of the taken for granted ideas, the concept will be applied first to Afghanistan and then to Iraq. Although both cases are strongly interlinked and especially so in the foreign policy of the United States, where one action followed the other, Germany's view of the circumstances was quite different. Therefore, it makes sense to

look at both crises separately. Thereafter, both cases will be compared, the hypothesis will be put to the test and the research question will be answered.

## THEORETICAL FRAMEWORK

As Bjola and Kornprobst observe quite rightly in their paper, the literature of the different theoretical strands of the three grand theories of international relations falls short of explaining why Germany and the United States lost each other between Afghanistan and Iraq (Bjola & Kornprobst, 2007, p. 287). Therefore, a look at the Realist, Liberalist or Constructivist approaches to the topic will be left out. Rather, the focus of the paper will be put on the existing literature on the paradigm of Germany as a civilian power and other taken for granted ideas German elites apply in times of crisis. As the theoretical framework will illustrate, three concepts are best suited to explain German behaviour today. They are all overlapping to a certain extent as they all identify the German demeanour as being derived from its historic, dark past.

But before examining the different concepts, it makes sense to define what exactly is meant by the term taken for granted ideas in our context. Foreign policy decision makers base their decisions not only on the rules of international law but also on a deeper context that shapes their interactions. This deeper context provides guidelines to “which kind of solutions to which kind of problems are conceivable and which ones are not” and are therefore the baseline, the taken for granted ideas that high level decision makers apply in their foreign policy and crisis management” (Bjola & Kornprobst, 2013, p. 63).

The first concept worth examination can be best paraphrased as the new political developments in the German government and political thinking since the fall of the Berlin wall and the relocation of the German capital from Bonn to Berlin. The “Berlin Republic” concept gives a very general explanation of German behaviour in times of a crisis and is therefore a good starting point for the present analysis. Bernd Faulenbach describes this concept in his work and centres it on the question what the German unification has meant to the self-image of the German democracy and Germany's role in the world (Faulenbach, 2003, p. 10). Faulenbach observes that Germany's political system, its democratic and liberal structures and strong system of checks and balances are deeply rooted in its historic past. It is for this historical consciousness that Germany has always been reluctant to engage in military operations. This reluctance that traces back to Germany's dark past is a very common concept in the existing literature on German behaviour. Furthermore, the new unified Germany is also ready to assume a greater measure of international responsibility than was exercised by the old Federal Republic (Faulenbach, 2003, p. 11). Faulenbach concludes that through its past, the Germany of today has become a democratic, civic republic, which, while making foreign policy decisions, constantly bears its catastrophic past in mind, and therefore always exercise a certain reservation in its external, political relations (Faulenbach, 2003, p. 23).

Another concept is the one of Germany as a Civilian Power, considered for example in the literature of Philippi and Maull. It describes Germany as one of those states, which in their foreign relations ideally wants to limit and abolish the use of violence in international relations, foster the

rule of law and create democratic structures between and within states. To be a Civilian Power “does not only mean a reluctance to use military means, but also to strengthening international law, the preserving of human rights, acting multilaterally and not least having the power and willingness to act globally to help implement these principles.” (Philippi, 2001, p. 64). Philippi gives six requirements that need to be fulfilled in order for a civilian power to decide in favour of an intervention (Philippi, 2001, pp. 57-60). Among these are a clear legality of the operation as defined by international law and the exhaustion of all non-military means. However, there might be some cases where an intervention becomes necessary, for example in an on-going genocide or the stabilisation of a failing state. In addition, Philippi identifies five criteria with regard to Germany that have to be fulfilled in Germany in order for the country to engage in a military intervention. These are: the consent of the Bundestag, existing German economic or security interests in the region, the availability of well-equipped and trained soldiers and financial means, the support of the German population and, finally, considerations about the consequences of the German past, a sort of proportionality (Philippi, 2001, pp. 60-62). Philippi points out that this culture of restraint, the historical consciousness we have already seen when looking at Faulenbach's theory is still there, even if Germany no longer rules out military operations. It rather shows that the country is adapting to changes in the international system (Philippi, 2001, p. 65). When comparing Faulenbach and Philippi we can see that both put not only an emphasis on the German past, but also on the democratic structure and the system of checks and balances deeply embedded in the German political system. These are in place to ensure that the dark past never repeats itself.

Lastly, yet another idea has to be examined, which not only reinforces Philippi's and Faulenbach's findings but also gives them a clearer structure: Norbert Elias concept of the habitus, which Bjola and Kornprobst also mention in their paper.

Elias develops the habitus concept to look at how the members of a security community interact with each other. Depending on how exactly such a security community is defined, Germany is embedded in more than one. Troitsky (2013) for example discusses a security community that refrain from counterbalancing, from weakening each other. The countries are able to economize the resources that would otherwise be spent on safeguarding against the risk of mutually hostile policies (Troitsky, 2013). Good examples are the European Community as well as the Euro-Atlantic area and specifically NATO. As Bjola and Kornprobst observe with respect to Elias' habitus concept: “The habitus is distilled history that is deeply ingrained and taken for granted” (2007, p. 290). This habitus has four components: it is made up of constraints about the use of force, which in turn are reinforced by deeply seated anxieties and feelings of shame. The latter were developed out of distilled history and finally and the habitus as such is deeply internalised in the corresponding society or community (Bjola & Kornprobst, 2007, p. 290). While their concept is not without problems, discussing these would be beyond the scope of this paper, especially since Bjola and Kornprobst include some of the critique themselves in their work (2007, pp. 290-291).

Elias then applies the habitus to Germany. He identifies four stances derived out of Germany's past, which make for its very own habitus. Although wars are generally perceived as morally wrong, they might be justifiable if all other means are exhausted. Due to the experience in the

past with the German *Sonderweg*, engaging in conflict can only take place within an alliance; multilateralism always has to precede unilateralism. Lastly, the rule of law has to be the dominating principle in all possible actions, for example, an intervention without the basis of a UN resolution would be unimaginable (Bjola & Kornprobst, 2007, pp. 294-298). All in all, “the dominant habitus predisposes Germany to be reluctant to support military interventionism. Given the predominant interpretation of German history, military force is seen as justifiable only in extraordinary circumstances, that is, if it is directed against a Hitleresque regime and if it is – in sharp demarcation from Germany’s past – part of a genuine multilateral effort.” (Bjola & Kornprobst, 2007, p. 298). When comparing this habitus concept to the two previous concepts, it becomes clear that all three have a rather strong emphasis on Germany’s past and explain today’s policy on this basis. Moreover, all three make the claim that Germany’s past has led to the development of a political system, strongly based on democracy and the rule of law, enforced by a system of checks and balances and finally the powerful habitus of acting with restraint in its foreign policy. We are now well equipped to study the two cases and define how and why Germany decided once in favour and once against military involvement in a conflict.

## AFGHANISTAN

As Philippi observes: The “Kosovo has made it clear that scepticism towards military means is no more the dominating principle of Germany’s foreign policy. Instead, integration in and solidarity with NATO as well as the enforcement of human rights were German priorities.” (Philippi, 2001, p. 65). And indeed, after 9/11 Germany was very quick to react. Chancellor Schröder, Foreign Minister Fischer and the Bundestag all pledged their unlimited solidarity to the United States. Subsequently, over the course of the remainder of 2001 things developed equally fast on the world stage: on September 12th, only one day after the attacks, the United Nations adopted Resolution 1368 calling the attacks a breach of peace and international security, thereby recognizing America’s right to self-defence according to Articles 39 and 51 of the UN Charter. The resolution was the legitimization of the launch of Operation Enduring Freedom. On the same day, the United States invoked Article 5 of the NATO Treaty, the so called “Case for the Alliance”, which indicates that an act of aggression against one member is to be seen as an act of aggression against all other members. Already on October 7th, combats in Afghanistan started with the American and British led coalition launched attacks against the Taliban regime.

On September 11th, in his first reaction to the events Chancellor Schröder named the attack a “declaration of war against the whole civilized international community” and that “measures have to be taken to take away the breeding grounds of terrorism” (Schröder, 2001a). In the Bundestag, the parties and Schröder expressed their full support of both the resolution and the invocation of Article 5 and put an emphasis on America as a close friend and an ally since its accomplishments to end World War II (Schröder, 2001b). Germany’s role and duties under Article 5 were evident to everyone, if necessary the country would have to be prepared to undertake military action. However, it became clear that a fixation on military means alone was seen as wrong in Germany. Schröder repeatedly stressed the importance of a necessary concept for both combatting terrorism and preventing further attacks through cooperation on political, economic and cultural

grounds and especially on security issues.

On November 7th the United States made their official request towards Germany to participate in the mission. However, participation in a military operation outside of NATO territory requires the consent of the German Bundestag. For Schröder, this presented a crucial moment of his chancellery. He was sure to have the support of the conservative opposition, yet his own party had never fully supported him during his term in office (Urschel, 2002, pp. 367-375). In order to unite his government coalition behind him, Schröder combined the vote about participation in the mission with a motion of confidence in order to regain the support of his own party and coalition in a decision of such huge importance (Urschel, 2002, p. 378). Schröder and his coalition survived the vote by a small majority and with it not only the government crisis found its end but it was also certain that Germany would send troops to Afghanistan. The petition was not only decided by a small majority due to a general rejection of the majority of the Bundestag to send troops but much rather due to the unwillingness of the opposition to give a social democratic chancellor its confidence. In January 2002 German troops finally arrived at the Hindu Kush, however most of the heavy fighting had already been over.

If we come back to our theoretical framework, we will be able to see that the previously outlined taken for granted ideas were fulfilled and applied in the case of Afghanistan. First, and for Germany as a civilian power foremost, the rule of law was maintained. Three UNSC resolutions condemned the 9/11 attacks, expressed readiness to take all necessary steps to respond to terrorism and legitimized the ISAF operations (UNSCR 1368 (2001), UNSCR 1373 (2001), UNSCR 1386 (2001)). The resolutions together with the preconditions of Art. 51 UN Charter and in parts the invocation of Article 5 NATO Treaty legitimized the operation. Furthermore, it was argued that an intervention was necessary in order to contain a direct threat to international security. In support of one of its closest allies, Germany therefore participated in a multilateral operation while the decision to do so had passed successfully through the strict checks and balances of the German political system. Although Germany was very quick to pledge its unlimited solidarity, in order to pass the petition to deploy troops through parliament Schröder had to revert to a motion of confidence, too many voices were still critical of any military involvement in the crisis. Even Schröder himself never lost his restrictive stance, as elaborated in the following statement: “We didn’t shy away from offering international solidarity in the fight against international terrorism. We did it because we were, and are, convinced that it is necessary; because we knew that the security of our partners is also our security. But we say this with equal self-confidence: we’re not available for adventures, and the time of cheque book diplomacy is over once and for all.” (Bush as cited in Hooper, 2002). However, the American attitude of the 2001/2002 years did not last and soon turned in the direction of what Schröder had called “adventures” (Bush as cited in Hooper, 2002), something Germany was unable to support.

## IRAQ

The turning point of US external policy behaviour can be seen in September 2002, when America began to promote military action against Iraq. The reasons were given in form of the alleged Iraqi construction and possession of weapons of mass destruction. Investigations by United Nations inspectors remained without results (United Nations Security Council, SC/7682, 2003; United Nations Security Council, SC/7777, 2003; IAEA, Statement ElBaradei, 2003). Nonetheless, the United States started its invasion into Iraqi territory in March 2003, without having the consent of a UN resolution. In contrast to the previous example, Germany did not take part in this intervention. In fact, having the presidency of the Security Council in February 2003, Chancellor Schröder (during an election campaign speech in Goslar) even threatened that Germany would use its position to oppose any UNSC resolution backing a military involvement in Iraq (The Guardian, 2003; Spiegel Online, 2003). Rarely was the Security Council more split as during the first days in February 2003. The strong opponents of the war Germany, France and Syria were standing against the United States and Britain but receiving some backing by Russia and China. The six other states, among them Mexico and Pakistan were not yet willing to back a new resolution, as the recent second report of the weapons inspectors again had shown no sign of weapons of mass destruction. However, Germany clearly held the strongest opposing standpoint of all Security Council members. "What exactly was Germany defending so strongly, even at the risk of undermining the relationship with its most important ally?" (Bjola & Kornprobst, 2007, pp. 289-290).

From the very beginning Germany acted clearly in accordance with what this paper previously identified as the culture of restraint. The government elites and the German public expressed a clear anti-war stance (Schmid, 2013); a survey from November 2002 for example showed that more than 80% of the interviewed were against any German participation in Iraq (Forsa Survey, 2002). Fischer repeatedly made statements in which he warned about the severe human rights consequences that a war would have for Iraqi civilians. This clearly corresponds to what Kornprobst and Bjola identified as one of Germany's stances, by applying Elias theory: Because of Germany's experiences in the past, wars are generally considered as wrong. Another concept becomes clear when looking at Schröder's actions: Already in April 2002 had Schröder determined that security policy also had to contain preventive conflict settlement, however the use of military means would have to remain *ultima ratio* (Fincke, 2004, p. 69). Yet German governing elites did not stand united from the very beginning. A minority in the Bundestag argued that war was justified as a last resort against a dictator like Saddam Hussein; however the decision had to be a multilateral one, otherwise military involvement would be out of the question. The majority also used the last resort argument, but in a different way: War could not yet be the last resort, if ever, as there were still other means possible. Especially Schröder and Fischer stressed that not all peaceful means had been exhausted yet. Schröder's government remained adamant in its opinion towards US proposals, that much could still be done to pacify Saddam Hussein's regime (Hockenos, 2008, p. 302).

Yet, in the course of spring 2003, it became more apparent that Washington had moved away from multilateralism and towards unilateral actions; away from cooperation with its partners towards military actions with only a few participating partners. Consequently, US-German re-

lations were deteriorating fast. Both politicians and the media in Germany increasingly accused the United States of neo-imperialism, some even calling Bush a dictator or comparing him to Hitler (Welt am Sonntag, 2003; Spiegel Online, 2002). Another important point for German elites in their decision-making was the lack of legitimisation without a clear UN mandate, which had been given in the case of Iraq through several, aforementioned UNSC resolutions. Philippi and Elias both point out how important a clear backing in international law, the protection of human rights or at least a certain proportionality in military action and a given economic or security interest in the region are, let alone the clear multilateral frame of an operation. However, not one of these criteria was fulfilled. At the end of the day, the friendship and history with the United States, which had invoked strong actions of solidarity two years earlier, deteriorated to a historically low point between 2002 and 2003.

Concerning the rift between the United States and Germany and a more European strategy, Arora here makes an interesting point by citing Maull: "Germany should have tried, from early 2002 onward, to assemble a common European position around the objective to support and moderate U.S. policies by maximising European clout in Washington." (Arora, 2006, p. 79). According to this statement, Germany might have missed a chance to prevent a war or at least the breach of international law, something the country should have been obliged to do as a civilian power, if we apply Philippi's criteria consistently.

When looking at the German public opinion about a possible intervention in Iraq, we can see that the German public took great part by voicing its opinion, as several studies show (i.a. Forsa Survey, 2002). There is one important fact that should not be forgotten when assessing the situation in Germany: The year 2002 was an election year and predictions clearly showed that Schröder's Social Democrats would most likely lose the majority in government. It is therefore not surprise that Schröder also used the public mood to back his decisions and ensure his re-election in summer 2002. However, the justifications and opinions of both governing elites and public opinion clearly showed that Schröder did not pursue his policy with the sole purpose of winning an election and also could not have done so due to the system of checks and balances incorporated into the German political system. Much more pivotal were the criteria specific to German crisis management that were not fulfilled in the case of the Iraq intervention. A speech demonstrating very well how much Germany insisted on sticking to the discussed criteria, was Chancellor Schröder's speech which he held on February 13 2003 in front of the Bundestag (Schröder, 2003).

## COMPARISON OF THE TWO CASES

When comparing both cases and how Germany acted on the basis of its taken for granted ideas, it becomes apparent that there is a clear difference. In both instances Germany acted according to its taken for granted ideas, which however resulted in completely different outcomes, due to very different external prerequisites. In the case of Afghanistan the legality of the operation was provided by several UN resolutions (2001 UNSCRs 1368, 1373 and 1386). Furthermore Germany had a clear interest to act together with its allies to contain a clear threat to international peace and security, a threat also relating directly to Germany. In short, all necessary criteria were ful-

filled in order to allow the German governing elites to decide in favour of military action and not be completely restricted by its culture of restraint.

Contrary to Afghanistan, not all the criteria specific to German behaviour as defined by Elias, Philippi and also Faulenbach and Bjola/Kornprobst were fulfilled in the case of Iraq and therefore Germany was unable to engage in military action. So in fact my hypothesis that the taken for granted ideas that the German elites based their decisions on, were being fulfilled in the case of Afghanistan, but not in the case of Iraq because a third power, the United States, changed the conditions of the security community, seems to hold. The taken for granted ideas German elites based their decisions on, were fulfilled in the case of Afghanistan but not in the case of Iraq. The difference is provided by the independent variable, being the changing behaviour of a third actor, namely the behaviour of the United States. In the case of Iraq this behaviour became simply too aggressive. The decision for a pre-emptive war represented a major departure from prior international practices and made Germany's habitus of restraint, coming from its historic background and having the catalogue of criteria we looked at, incompatible with the US-American stance. In Afghanistan the taken for granted ideas were compatible with American practices, in Iraq they were not. This is exactly what Bjola and Kornprobst describe in their paper when assessing Elias habitus: "The extent to which a member state perceives a compatibility between the range of conceivable practices that emanate from its habitus and the practices of another member state is of key importance for the dynamics of a security community. Compatibility fosters the reproduction of the collective identity that holds the security community together and provides the possibility to reach agreement on a course of action. Incompatibility, by contrast, not only makes a common course of action impossible but also disrupts the collective identity that holds the security community together." (Bjola & Kornprobst, 2007, p. 291).

## CONCLUSION

So why did Germany not participate in the intervention in Iraq? Because the preconditions to engage in crisis management with military means were not fulfilled. As the case of crisis management in Afghanistan showed, it was not because of a general unwillingness to assume greater responsibility in the international system, but because the catalogue of democratic checks and balances did not allow it to do so. More specifically, because of the accordance with the international rule of law and multilateralism that are essential to Germany because of its restraining habitus.

In addition to this case giving some interesting insights into Germany as a specific case, it also renders some more general implications for European policy-making. As both examples demonstrate very well, 'one European Foreign Policy' does not exist. It is rather the policies of single member states that determine the external actions of the EU and Germany is here undoubtedly a role model. However, the case of Iraq also shows that this is not always the case and that the transatlantic relationship with the United States and bilateral partnerships between the United States and European Member States are almost equally important determinants. In this sense, it is exactly the compatibility Bjola and Kornprobst talk about that can create a collective European identity and create a strong security community that acts jointly on foreign policy issues. And as

Germany takes up an important role within the European Union, the German habitus on foreign policy becomes all the more important.

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# IN TERRA PAX HOMINIBUS BONAE VOLUNTATIS?

## On the Role of Religion in the Identity Politics Separating Europe and Russia

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Religious differences continue to play a key role in the identity politics separating Russia and Europe, even in an era of widespread secularism. Europe does not share Russia's experience of Eastern Orthodoxy as a defining element of national and cultural identity, whereas the institutional Russian Orthodox Church has often seen itself as the ultimate bastion of Eastern Orthodox Christianity against the supposedly schismatic Papacy. Popes have served as the spiritual leaders of countless Europeans, including many of the architects of the now largely secular European Union. For the Moscow Patriarchate, opposing European and Catholic influence in Russia is essential for its own credibility as the Third Rome and the guarantor of the purity of its Russian Christianity, and the regime of Vladimir Putin has been able to use this attitude to advance its own agenda. In both traditional and modern Russian nationalist discourse, the terms Russian and (Eastern) Orthodox are sometimes even seen as synonymous.

Europe has in many ways – though not exclusively – Catholic cultural roots, representing an international alternative to Russian communitarianism. Even though it would be an oversimplification to speak of a clash of civilisations between Europe and Russia caused by religious differences, the role of those differences must not be ignored in discussions concerning the contemporary relations of the two, even on the highest levels of diplomatic and political activity. This paper examines the influence of Catholicism on Europe, the importance of Eastern Orthodoxy in what it means to be Russian, and the case of a large Catholic and pro-European group in Ukraine, while aiming to prove that religion still plays a crucial role in the identity politics separating Europe and Russia.

### CONSIDERATIONS ON EUROPE'S CULTURAL SHIFT

The European Union (EU), while committed to religious freedom and not affiliated with any religious movement (European External Action Service, 2016), has strong Catholic roots (Baster, 2008). The Catholic influence can be seen explicitly with the EU's flag. Blue is the traditional colour of the Blessed Virgin Mary in Catholicism, and the twelve stars were inspired in part by a woman who wore the sun for her mantle and had a crown of twelve stars about her head, as mentioned in the Book of Revelation from the New Testament (Real politics, at last? 2004). Meanwhile, the designer of the flag and many of the architects of the post-war European process of integration – Konrad Adenauer, Jacques Delors, Alcide de Gasperi, Otto von Habsburg, and Robert Schuman -- were all lifelong Catholics (Real politics, at last? 2004).

The influence of Catholicism on the EU cannot be denied. Some of the EU's fundamental principles, e.g., the concepts of solidarity and subsidiarity, can be found in the most important texts of Catholic social teaching, such as Pope Leo XIII's *Rerum Novarum* from 1891 (Leo PP. XIII, 1891). However, despite its Catholic roots and a strong, centuries-old Protestant presence, Europe has become increasingly secular in the post-Enlightenment era, especially in the post-war period. Europe's former Catholic strongholds – such as Spain, Austria, France, and Italy – are now liberal, fairly secular democracies. The EU seeks to promote LGBT rights (European External Action Service, 2016), and embraces a permissive and non-religious approach to the liberty of conscience and freedom of expression (European External Action Service, 2016).

The cultural change of much of Western Europe has been significant, as seen by gradual shifts from Catholicism and Protestantism to secularism, and from a largely monarchic Europe to a community of liberal democracies engaging in free trade with one another. Much of Europe has redefined its identity: while the continent's cultural links to its earlier past are still significant, arguably, the history of what could be called modern Europe starts from the French Revolution of 1789 and includes the revolutions and social changes that came afterwards, while the ensuing changes were often largely inspired by the French Revolution.

Russia, too, has changed considerably. The Tsar's rule was for centuries supported by the Russian Orthodox Church and legitimised by his identity as a specifically Orthodox Tsar – an attribute that was considered highly important by many Russians (St. John of Shanghai & Francisco, S., 2012). However, the Tsar was overthrown in 1917 in the February Revolution. Soon after, the October Revolution resulted in the Bolsheviks rising in power, and a bloody civil war followed. Soviet Russia became the Soviet Union, which collapsed in 1991. The Soviet Union had a complicated relationship with religion, ranging from open persecution to collaboration between the regime and the Russian Orthodox Church (Tantalov, n.d.). With the establishment of the modern Russian Federation, the Church has been able to retake much of the power it had lost during the Soviet era.

## RUSSIAN ORTHODOXY AND RUSSIANNES – ORTHODOXY, AUTOCRATIC DEMOCRACY, NATIONALITY

The Russian Orthodox Church is part of the global Eastern Orthodox communion. Unlike the Catholic Church with its Papacy, the Eastern Orthodox communion has no central point of authority; the Ecumenical Patriarch of Constantinople is theoretically the *primus inter pares* of the Bishops of the Eastern Orthodox communion united with him, but he has no special authority over them. Eastern Orthodoxy is divided along national, cultural, linguistic, and ethnic lines into, for example, the Greek, Serbian, and Russian Orthodox Churches, and there is often a “close link between Church and national consciousness, patriotic consciousness” (Nichols, 2012). Often, the national Eastern Orthodox Churches are influential agents in identity politics, and this is also true in the case of Russia.

With over 160 million faithful, the Russian Orthodox Church is the largest member of the Eastern Orthodox communion (World Council of Churches, 2016). Historically, it has played a central role in the Russian society and in building, re-shaping, and maintaining the Russian identity, which it managed to do even during the Soviet era. For a variety of reasons, including anti-Polish sentiment and claims of proselytism, the Russian Orthodox Church is notoriously skeptical towards the Catholic Church (Doerry et al., 2008; Uzzell, 2002; Weeks, 2009).

The Soviet era was often marked by anti-religious persecution, but the Communists recognised the utility of the Church in identity politics: The Moscow Patriarchate was re-established with Stalin’s permission during the Second World War in order to gather popular support for the war effort against Germany (Tantalov, n.d.). The Church was able to benefit from cooperation with Soviet authorities and gained a number of privileges not granted to most of the other religious groups.

In many ways, the institutional Russian Orthodox Church – as a thing different from the Russian Orthodox faith, and the tradition of Christianity in Russia – has fused the concepts Russian (Русский, *Russkiy*) and Orthodoxy (православие, *Pravoslavie*) together, as even its name shows: the term Русская православная церковь (*Russkaya pravoslavnaya tserkov*), Russian Orthodox Church, essentially contains the idea of a specific Eastern Orthodoxy of the Russians and a uniquely orthodox, correct way of being Russian. This allows the Church to identify being Russian with being Eastern Orthodox, and vice versa. This way of thinking is widespread in Russia. As the late Archbishop Averky of Syracuse, affiliated with the Russian Orthodox Church Outside Russia (ROCOR), said, “The Russian person, ever since the days of the Illuminator, Holy Grand Duke Vladimir, Equal-to-the-Apostles, so deeply absorbed the Orthodox faith into his heart that for him ‘Orthodoxy’ and ‘Russianness’ became virtually synonymous” (Averky, n.d.). Deacon Herman Ivanov-Treenadszaty was even more direct, claiming, “the understanding of ‘Russia’ and ‘Orthodox’ are synonymous” (Ivanov-Treenadszaty, 1990).

Indeed, the Moscow Patriarchate could even be seen as presenting being Eastern Orthodox as a national duty (Smirnov & Plis, 2016). It portrays Eastern Orthodoxy as the exclusive property of the Russians, a treasure which the other – any foreigner or non-Russian – is not permitted to

partake in; this has changed the Russian Orthodox faith into a powerful tool of dividing, categorising, normativising, and othering. Famously, Russian Orthodox clergy operating in the West are often far less interested in missionary activity than in providing spiritual services to the Russian diaspora and upholding Russian identity. This is perfectly in line with the general way of thinking espoused by the Russian Orthodox Church. In the rhetoric of the Moscow Patriarchate, one can see how there is no actual need or possibility for conversion. The Patriarchate sees its faith as quintessentially Russian, and consequently, if one is Russian, one must be Eastern Orthodox. The other so-called traditional religions of Russia, including Judaism, Islam, and Buddhism (Fagan, 2013), are tolerated as long as they do not oppose the state or the Patriarchate, while one who is a Russian Orthodox Christian embodies what it means to be Russian. To leave Russian Orthodoxy is to leave one’s Russianness, and since one cannot become Russian, only Russians can be converted. Therefore, any missionary activity outside of Russia would be largely illogical, and the notorious in-churching (Воцерковление, *Votserkovlenie*) project must remain Russian (Burgess, 2014). Conversely, many in diaspora have seen themselves as having brought something of Holy Russia with them (Averky, n.d.), but only for themselves – not as something to be shared with others.

The Church has convinced the post-Soviet Russians to largely re-embrace Eastern Orthodoxy: in 2011, 69% of Russians self-identified as Eastern Orthodox Christians, with the numbers going steadily up (Религиозная вера в России, 2011). However, only a fraction of them regularly attend services (Burgess, 2014; Uzzell, 2002). Therefore, the Russian Orthodox Church needs to pander to the ethnic identity of the average Russian – if it cannot bring about religious devotion in the population, it must instead justify its existence by presenting itself as a protector of the true Russian identity. Consequently, ecumenism is seen as deeply problematic, and many Russian Orthodox leaders have been reluctant to cooperate with other Christians even in opposing abortion out of fear of corrupting their movements’ purely Russian Orthodoxy (Uzzell, 2002).

To further the goals of the Church, which is “Russia’s largest and most important nongovernmental organization” (Burgess, 2014), its head, Patriarch Kirill of Moscow and all the Rus’, has become the figurehead of the Russian World (Русский мир, *Russkiy Mir*) movement, which is closely related to religious ideas. Indeed, it can be argued that without the Church, there would be no concept of the Russian World – a term for which there exists no single, universally-accepted definition, for it is “a geopolitical imagination, a fuzzy mental atlas on which different regions of the world and their different links to Russia can be articulated in a fluid way” (Laruelle, 2015). This concept has arguably been used as a soft power tool by the regime and Russian Orthodox Church, and it has been praised by President Vladimir Putin, whose regime cooperates with the Church. The Russian World idea provides justification for expansionist politics based on particular ideas of nationality and ethnic identity, and those ideas are largely – though not absolutely exclusively – based on a reading of Russian history that emphasizes the Eastern Orthodox identity of Russia and its people, and the necessity of seeing Eastern Orthodoxy and Russianness as inseparable.

Although the Russian Orthodox Church and Vladimir Putin have used the term Russian World



in somewhat different ways, their approaches are complementary: for the Kremlin, it is, first and foremost, a cultural and political concept, used to denote the goal of ensuring Russia's internal stability and to increase its influence on the regional and global level, a project where the Russian Orthodox Church can provide essential moral support and serve as a powerful tool (Petro, 2015a). Putin has even referred to Russia as “самая большая православная держава” (*samaya bolshaya pravoslavnaya derzhava*), or “the greatest Orthodox power” (Petro, 2015b). For the Church, it is a religious concept, associated with the return to the Eastern Orthodoxy of Russia and any areas within its canonical territory, a task where Russia and other states can be of help (Petro, 2015a).

The associated idea of Russia intervening wherever the interests of Russians and Russian-speakers are at stake is essentially tied to the way the Moscow Patriarchate views history. The supposedly Russian World overlaps with what the Patriarch of Moscow sees as his canonical territory, and since Russian Orthodoxy and Russianness cannot be completely separated from each other, the concept is useful to both kinds of Russian nationalists, be they exclusivist, ethnically-minded and racist nationalists, or imperialist and/or pro-Soviet, expansionist nationalists seeking to re-incorporate previously Imperial or Soviet lands into Russia (Hale, 2014).

The symphonic-symbiotic relationship of Putin and the Russian Orthodox Church is arguably even closer than in Imperial times, when for a long time there was no Patriarch. The Patriarchate tries to portray Putin as a new katechon (cf. 2 Thessalonians 2:4-6) – or, the restrainer of chaotic change – with the previous one having possibly been Tsar Nicholas II (Seraphim, 1981). According to Patriarch Kirill, “Liberalism will lead to legal collapse and then the Apocalypse” (Pomerantsev, 2012), and he has been open about his support for Putin's presidency. Putin has denounced Liberalism, as well, and has advocated illiberal democracy, instead (Zakaria, 2014). For Kirill, Putin is then effectively the katechon whose rule wards off the coming of what could even be called an apocalyptic event, and a powerful, illiberal Russia is the new katechontic Roman Empire – with its heart in Moscow, which is also known as the Third Rome (Berglund, 2016, p. 51).

### THE CASE OF THE UKRAINIAN GREEK-CATHOLIC CHURCH

The Catholic Church, led by the Pope of Rome, consists of one Latin Church and over twenty *sui juris* Eastern Churches with their own general law, hierarchy, and customs (Donovan, 2007). Of these churches, the Ukrainian Greek-Catholic Church (also known as the UGCC) is of particular interest to the relationship of Europe and Russia, as it is the largest Eastern Church of the Catholic communion. It also remains a sign of contradiction in being an example of the phenomenon known as Uniatism, a pejorative used for the Churches that entered into communion with the Papacy at various points in time, usually leaving the Eastern Orthodox communion.

In the case of the UGCC, the Union of Brest-Litovsk that consolidated its place in the Catholic Church took place in 1596. It is a Ukrainian Church, and as such, it has been willing to lend its support to Ukrainian nationalism (Sich, 2016; Weigel, 2014), often, however, with a decidedly European twist. The UGCC is, in fact, a very European church, just as Ukraine is a very European country (Besançon, 2014). Since the beginning of the Euromaidan movement, the UGCC has

supported Ukrainian nationalism, and it has also been a strong proponent of Ukraine's European integration (San Martín, 2014). For the UGCC, Ukraine is a nation separate from Russia, a nation that has its rightful place in the European community of countries. Indeed, the UGCC, which is notoriously cautious about any ecumenical discussions held with the Russian Orthodox (Catholic Herald, 2016), has gone so far as to have Euromaidan demonstrators who were slain depicted on the walls of its churches and commemorated as unofficial national and European Saints, who, according to Major Archbishop Sviatoslav Shevchuk, the head of the UGCC, gave their lives for European values (San Martín, 2014; UNIAN information agency, 2015; Public Radio International, 2015; Sich, 2016). For the UGCC, Europe is the logical framework for its existence: to emphasise the European nature of Ukraine means to emphasise both the non-Russian and the Catholic identity of Ukraine, to support a particular form of Ukrainian nationalism and patriotism, and even to tie Vladimir to Charlemagne and the Baptism of the Kyivan Rus' to the conversion of Europe, not of Russia.

For the Eastern Orthodox communion, the so-called Uniates are a special problem: they are not only a non-Orthodox group, of which there are many, but many of them have actually left Eastern Orthodoxy and joined its ultimate competitor, the Pope of Rome, whom the Eastern Orthodox considers schismatic, a runaway *primus inter pares*. Indeed, for many Eastern Orthodox Christians the fact of not being in communion with and subject to the Pope is a central factor in their religious identity (Weigel, 2014). Thus, the so-called Uniates face the opposition of the entire Eastern Orthodox Communion, but, for example, the Ukrainian Greek Catholics have regularly drawn the greatest ire from the Russian Orthodox, who see them as anti-Russian, schismatic rebels.

The reasons for both the UGCC's pro-European attitude and for the anti-Uniatism of the Russian Orthodox Church are related to identity politics, in which religious issues play a multifaceted role. Indeed, one of the reasons for these phenomena can be found in the title of the Russian Orthodox Patriarch, who is known as the Patriarch of Moscow and all the Rus'. The words “all the Rus'” are related to the thinking behind the Russian World theory, and they are used to denote the totality of the Eastern Slavs and an Eastern Orthodox community consisting of Russia, Belarus, and Ukraine, and the Patriarch accordingly sees himself as the ruling hierarch in those lands (The Economist, 2013; Portnikov, 2015). The idea of the supposed unity of all the Rus' is intimately connected to the concept of Holy Rus', *Святая Русь* (*Svyataya Rus'*), which is largely based on the mythology constructed around the Baptism of the Kyivan Rus', which is seen as the moment when all the Rus' accepted Orthodoxy, abandoned Paganism, and formed a community united by ethnic, cultural, and religious ties (Ortodoksi.net, 2013), ties which must be eternal, for the Orthodox religion is seen as immutable and eternal. And since Moscow, the Third Rome, sees itself as the current bastion of Eastern Orthodoxy after the supposed fall of Rome to schism and the actual fall of Constantinople to the Turks, it also sees itself as the rightful head of the Holy Rus', which cannot be broken, for to do so would be, in effect, schismatic; i.e., since Eastern Orthodoxy, Russianness, and Holy Rus' form a totality, breaking it up in any way would be a crime against what is seen as the Body of Christ, the Church (1 Corinthians 12:27). The Patriarch sees Ukraine as his canonical territory, and famously, during the Soviet era, the UGCC, whose cler-

gy was brutally persecuted, was banned and officially re-integrated into the Russian Orthodox Church by the Soviet authorities and the Russian Orthodox hierarchy (Weigel, 2014). This is the state of affairs many in the Moscow Patriarchate would, at least according to the UGCC, wish to restore – an attempt Major Archbishop Shevchuk has labeled satanic by saying it is inspired by the voice of evil (Dipippo, 2016).

The myth that Russia has always been Eastern Orthodox, that Moscow is the heart of Eastern Christianity, and that every other religion is more or less an attack on both Russia and Russian Orthodoxy, plays a central part in the Moscow Patriarchate's thinking. Therefore, even though there are – in addition to the Old Believers and Old Calendarists – actually three Ukrainian Orthodox Churches (namely the Ukrainian Orthodox Church of the Kyivan Patriarchate, the Ukrainian Orthodox Autocephalous Church, and the Ukrainian Orthodox Church of the Moscow Patriarchate), as Moscow sees Ukraine as its canonical territory and a part of its pan-Orthodox, Slavic heartland (Chapnin, 2015), it recognises only the Ukrainian Orthodox Church that is in communion with and subject to it, and certainly opposes the UGCC. Of course, the UGCC is a special problem for Moscow: it represents a denial of the Patriarchate's view of Ukraine's Russian and Eastern Orthodox identity, and the presence of Europe in the Holy Rus'.

## CONCLUSION

The words of the Russian Orthodox deacon Herman Ivanov-Treenadszaty uttered in 1990 remain a striking example of the attitude of the Moscow Patriarchate towards Catholicism, and of its views about the relationship between the Russian people and Eastern Orthodoxy: "It appears to us that Roman Catholicism is a great danger, threatening both present and future Russia, more dangerous than communism, which is already on the decline... Catholicism is dangerous precisely because it offers a counterfeit Christ. During our stay in Australia, we learned that for the first time in seventy years, the papal Christmas mass was broadcast on Soviet television. There was also an exchange of delegations. The offence against Orthodoxy and the Russian people continues at a faster tempo" (Ivanov-Treenadszaty, 1990). His views are largely shared by the current Russian regime, and especially the leadership of the Russian Orthodox Church.

The Moscow Patriarchate and the government of Vladimir Putin work closely together in a symphonic relationship, where the Church provides ideological support for the regime by maintaining a certain idea of the true Russian identity, which includes Eastern Orthodoxy, and the regime presents itself as the protector of the Church and all Eastern Orthodox Russians. The two concepts – Russian and Eastern Orthodox, or lower-case orthodox Russianness and orthodox Christianity – are strongly intertwined in the rhetoric of both the Patriarchate and the Kremlin, showing how their close relationship is mutually beneficial. Identity politics plays a key role in the power politics of both Church and State, and while ideas like the Russian World are used by each of them in a slightly different way, their approaches to this idea are not contradictory, but complementary.

Finally, the case of the Ukrainian Greek-Catholic Church shows the importance of religious

identity politics in a very real European and Russian conflict in the 21st Century. The UGCC has clearly identified itself as a European church, and it has been eager to lend moral and spiritual support to the pro-European forces active in Ukraine. The UGCC represents the European heritage of Ukraine, and it is also a symbol of the nation's non-Russian identity. As such, it is doubly problematic from the perspective of the Moscow Patriarchate: the UGCC is, from the Patriarchate's point of view, not only a schismatic group, but also a critic of the Patriarchate's closest ally, the Russian government. These tensions are a central reason to the misgivings the UGCC leadership has expressed with regards to Catholic-Orthodox dialogue – for the UGCC hierarchy, when the Pope meets the Patriarch of Moscow, the Pope is, essentially, engaging in dialogue with a man many in the UGCC see as one of their most eager opponents. This will, undoubtedly, serve to cause further tensions between the UGCC and the Vatican. It is likely that the UGCC will remain a central proponent of European co-operation in Ukraine, and a determined opponent of the influence of the Moscow Patriarchate and the Russian government.

Religion has long played a crucial role in the identity politics separating Europe and Russia. Its importance within this issue must be further examined and discussed, but it is clear that the view of Russia as an essentially Eastern Orthodox country remains a powerful factor in the way Russia sees itself and the world. On the other hand, Europe will largely remain foreign to Russia, for the roots of its civilisation are Catholic and partially Protestant, not Eastern Orthodox, even if these traditions share a great deal of common history. European and Russian identities are even today based on vastly different ideas, at least in the eyes of the Russian Orthodox Church and the political rulers of Russia, and combining Russian Orthodoxy with Russian nationalism allows the Russian government to portray itself as the ultimate protector of the Russian identity, not only within the Russian Federation, but abroad, as well. This logic of religious nationalism will also continue to contribute to the criticism of Liberalism the religious and political leaders of Russia will undoubtedly keep expressing.

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# THE EUROPEAN NEIGHBOURHOOD POLICY: Developments and Challenges of Five Partnerships

By JOREN SELLESLAGHS (ed.)

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In 2004, the European Union (EU) underwent its largest enlargement ever, adding no less than twelve countries or 103 million people and 42% of extra territory to the Union. In the same year, the European Neighbourhood Policy (ENP) was also officially created in order to 'fully exploit the new opportunities created by enlargement and to develop relations with its new neighbours'. Yet, to date, many questions arise on the effectiveness of the EU's 'one size fits them all' approach towards its neighbours. This edited volume provides a fresh look on the EU's relationship with five of its direct neighbours: Armenia, Azerbaijan, Algeria, Morocco and Palestine in order to better understand why EU foreign policy towards its direct neighbours, by means of the ENP, has received considerable criticism both from the side of academics as well as policy makers (from both sides of the EU's borders). In order to do so, this chapter provides a country-by-country critical overview of the historical background of the bilateral relationships and analyses the most important themes for foreign policy/cooperation, the main actors involved in the process, the challenges and opportunities of international cooperation and more specifically the limitations related to EU foreign policy conduct by means of the ENP. On the basis of these five country-specific case studies, more general conclusions are drawn regarding the effectiveness of the EU's 'ENP approach' towards its direct neighbours in the South and East of the continent.

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# INTRODUCTION:

## Revisiting EU Foreign Policy Towards its Neighbours from an ‘Outside-in’ Interest-Based Approach

By **JOREN SELLESLAGHS**

The approach of the European Union (EU) towards its neighbourhood is characterized by a plethora of initiatives, institutional set-ups and programs, as proximity and multi-channel and multi-level interaction is one of the key characteristics of the EU's relations with the region (Korostelva, 2013; Ratner et al., 2013). Europe's colonial past in the region (notably in the South) also influences the outlook of the relations, as does economic interdependence. Whereas the EU is a major trading partner for its neighbours (almost 50% of total Arab trade, 65% of total Maghreb trade, 40% of Ukraine's trade and 50% of Moldova's trade), the EU especially relies on the region's energy supply.<sup>1</sup> As such as 53% of its total energy supply (90% of its natural gas supply and 66% of its crude oil stock) is imported from countries in its immediate vicinity (Ratner et al., 2013). Next to geographic, historical and economic ties, the two are also intertwined politically and geo-strategically. As will become clear from the different case-studies below, one of the main thrives of the EU in its direct neighbourhood is to ‘achieve peace and stability’, or to create a ‘stable and prosperous neighbourhood’ (European Union, 2006). However, the EU is also worried about the ‘export of instability’ and influx of (stated) illegal migrants, much to the frustration of some of its (Southern) partners (Boulding, n.d.). In order to do something about it, the EU launched an ambitious programme to frame its relations with its Southern as well as its Eastern neighbours back in 2004 which still dominate the EU's relationship with its neighbours today: the European Neighbourhood Policy (ENP). The timing of introducing this new policy is no coincidence, for the EU underwent its largest enlargement ever in the same year. No less than 103 million people and 42% of extra territory were added to the EU, thereby extending its land borders to 6,700 kilometres and its maritime borders to 88,000 kilometres (Paris, 2002). As such, the ENP was officially created in order to “fully exploit the new opportunities created by enlargement and to develop relations with its neighbours”, but (especially Southern Mediterranean) scholars rather refer to the ENP as, at least in the outset, a means to “secure its external borders from the new neighbours” (Kahder, 2013, p. 26). Being a programme for not less than ten Southern as well as six Eastern neighbors,<sup>2</sup> the ENP has provided an overarching and shared framework

for cooperation with the EU ever since, despite considerable differences that exist among the neighbouring countries. In order to mirror these differences and not to become a ‘one size fits all’ policy, the ENP was ‘revisited’ in 2008 and is currently operationalized through country-specific action plans, which aim to take into consideration each country's specific nature and interest of cooperation with the EU.<sup>3</sup> The overarching goal of the ENP hasn't changed and continues to be the creation of a so-called ‘ring of friends’ through the ‘all but institutions’ principle, as well as the ‘more for more’ paradigm (Del Sarto & Schumacher, 2008). Drawing on the experience of the enlargement model, the EU has used these methods to offer its neighbours a deeper involvement in the EU polity without membership prospects (Wallace, 2003). Although the discrepancy between rhetoric and action has been appalling, especially in the field of democracy and human rights promotion, this approach has not been without criticism. The inadequacy in the financial disbursement, asymmetrical trade liberalization, collapse of the Middle East Peace Process, the Ukraine energy and Crimea crises, inadequate encouragement for political reforms in countries such as Belarus and ambiguity of the action have often been referred to as serious shortcomings of the EU's Neighbourhood Policy (Smith, 2013). Together, they further feed the debate on the EU's ‘Actress’ as a foreign policy actor in its direct ‘neighbourhood, and possibly the world at large (Smith, 2013).

This short volume sets out to comparatively analyse the EU's foreign policy towards various of its neighbouring countries in order to have a better understanding why EU foreign policy, by means of the European Neighbourhood Policy, has not allowed for a considerable improvement of stability and prosperity in the region. Unfortunately, we were not able to look at all sixteen neighbouring countries and provide detailed studies for each of them. Instead, we identified five countries (Algeria, Armenia, Azerbaijan, Morocco and Palestine) which we believe form a representative set of case studies to be able to draw more general conclusions for the study of EU foreign policy towards its direct neighbourhood and more specifically the use of the ENP framework in this regard. For each we will provide a critical overview of the historical background of the relationship the EU entertains with these direct neighbours, the most important themes for foreign policy making, the actors involved, and the interests at stake. Furthermore, we will outline the challenges and opportunities of these interactions and finally the limitations the current ENP framework puts on effective EU foreign policy towards these five countries.

1 Data retrieved from Eurostat (2016) and EU DG Trade database.

2 Morocco, Algeria, Tunisia, Egypt, Palestine, Jordan, Lebanon, Israel, Libya, Syria, Ukraine, Belarus, Moldova, Azerbaijan, Georgia, and Armenia.

3 These Action plans account for a substantial part of the current cooperation between the EU and various of its neighbors (as is the case with EU-Moldova or EU-Jordan). However, other countries prefer to keep the cooperation within this framework to a rather limited level as they believe it to be based on conditionality and that their voice has not been taken sufficiently into account when drafting these documents (as the case of EU-Algeria subsequently illustrates).

# ALGERIA:

## Honouring the Past or Spoil the Future

By **EMMA HESSELINK**

Emma Hesselink has graduated from Leiden University. She previously earned a bachelor degree in Human Geography at the University of Utrecht. Currently, she works on a research project focusing on journalism and democratisation in Tunisia. She is interested in broader discussions on democratisation, especially in the relations between the Western world and upcoming actors.

Algeria has always been an odd neighbour within the ENP since it hampered negotiations and seemed to be reluctant to become part of any other policy than one which guaranteed a market for natural gas exports. This research paper investigates the relationship between the EU and Algeria. It will look at the historical elements of the two actors, which is a vital part of the explanation why the relationship is troubled. Furthermore, the interests of the EU are taken into account in order to understand the underlying goals of the ENP in Algeria's case. Many challenges are apparent, not in the least because of Algeria's stance towards the ENP.

### INTRODUCTION

An old Dutch saying states that one should prefer establishing good relations with a neighbour living next doors instead of with a friend living miles away. The idea is that if one needs help, the neighbour is close by while it would take the friends hours to come over. Although European Union (EU) official may not have heard the saying, the EU has embraced it heavily with the establishment the European Neighbourhood Policy (ENP) in 2004. The ENP is aimed at establishing such positive relations with its neighbours, namely the countries to the East and South of the EU (Tulmets, 2007, p. 3). When official relations were initiated in 1976, the EU and Algeria had an awkward start to say the least (Darbouche, 2008, p. 374). In order to understand the ties between the two entities, this historical background will be discussed extensively. It explains challenges in the mutual relationship but also identifies opportunities.

### HISTORICAL BACKGROUND

In the 19th century, France had colonised Algeria and exploited its land and its people (UCDP, 2016). In the 1950s, Algerian nationalists decided to unite under the Front de Libération Nationale (FLN) and demanded independence, not shying away from using violence. FLN quickly became the main pro-independence movement of Algeria, which ultimately lead to the indepen-

dence of France's last colony in 1962 (Ramdani, 2012). However, the turmoil preceding independence had paved the way for political unrest. For instance, most of the skilled labourers left the country due to France' policies to help restore the French economy (Ramdani, 2012) so that the FLN quickly established a socialist one-party rule (UCDP, 2016). Economic chaos and political unrest are likely the root causes for the following Dirty War, starting in 1992 and killing over 100,000 Algerians (BBC, 2016).

In the midst of these developments, the start of official relations between the EU and Algeria took place in 1976 that were accompanied by trouble to it from the start. In the years after gaining independence in 1962, Algeria already had difficulties to reach a trade agreement with the European Community for it demanded better agricultural provisions, free movement of people and better conditions for Algerian migrants in France and other European states (Darbouche, 2008, p. 373). The latter element also added to already established frustration. According to Ramdani (2012), torture, oppression and even lynching of Algerian migrants in France in the 1960s was happening more extensively than France is ready to admit. Adding to that, Algeria's foreign policy stands were not agreed on by European states, for instance when it cut off diplomatic ties with West Germany in 1967 due to Bonn's support for Israel (Darbouche, 2008, p. 373). When the community finally decided to take on a comprehensive approach towards its neighbouring states on the Mediterranean, Algeria was caught in a period of violent crises, making matters complicated once again (Darbouche, 2008, p. 374). In 1995, the Barcelona Process and consequently the European Mediterranean Partnership (EMP) provided "a diplomatic window of opportunity" (Darbouche, 2008, p. 374) for Algeria, although violence still hindered true cooperation. The next step in the relationship should have been an Association Agreement (AA) but negotiations on this document were troubled. Algeria wanted to include counter-terrorism in the agreement, while the EU apparently disapproved (Darbouche, 2008, p. 374). Only after the attacks on 9/11 could the AA between the EU and Algeria be finalised (Darbouche, 2008, p. 375).

For a long time, the AA was the only document describing EU-Algeria relations (EEAS, 2016a). It was comprised of several elements, focusing mainly on political dialogue, economic relations and financial cooperation (Association Agreement, 2005). Since the AA only came into action in 2005 (EEAS, 2016a), there was an overlap with the ENP, which was initiated in 2004 (Tulmets, 2007, p. 3). Commissioner Benita Ferrero-Waldner, then in charge of the ENP, attempted to start a dialogue on the inclusion of Algeria into the ENP (Darbouche, 2008, p. 376). While the European External Action Service states on its website that "as a European Neighbourhood Policy (ENP) participant, Algeria and the EU are set to adopt an Action Plan to define a joint agenda of reforms aimed at promoting democracy, prosperity and stability" (EEAS, 2016a), Algeria strongly rejected becoming part of the ENP (Selleslachs, 2014a, p. 17; Darbouche, 2008, p. 376).

### INTERESTS AT STAKE

As Rieker (2016, p. 2) points out, the ENP has always been presented as an instrument aiming at stability in the region neighbouring the EU. Economic and political integration, together with security policies, form the core of this stability, often relying on quite serious forms of condition-

ality (Rieker, 2016, p. 2). While the ENP may have formed a first step in gaining membership for former Eastern neighbours, Southern states such as Algeria have never had such prospects. Moreover, focusing specifically on Algeria, the relationship started in a rather complicated environment. The frustration, and even resentment, towards anything connected to France, also hampered developments in the relationship with the EU. The fact that European interests were heavily apparent in the first policy instruments logically explains why Algeria did not want to join the ENP; after all, Algeria had no interest to support “European hegemony”, oppose the system of conditionality, or give up sovereignty to a ENP that was very broad rather than country specific (Selleslaghs, 2014a, p. 18). As such, the initial stages in the relationship between the EU and Algeria might be a victim of both a difficult historical period in Algeria’s political circumstances and of its own conditional character.

From 2013 onwards, Algeria became more interested in the ENP programs and possibilities (European Commission, 2014a, p. 2). Following this moment, 2014 marked the year in which a Framework Agreement was signed as part of the already existing AA, which made it possible for Algeria to be included in EU programs (European Commission, 2014a, p. 2). By signing this Agreement, Algeria also obliged itself to financially contribute to the programs it joined (European Commission, 2014b, p. 2). The European Neighbourhood Instrument (ENI) succeeded the European Neighbourhood and Partnership Instrument (ENPI) (European Commission, 2015a). Total bilateral assistance out of the ENI from the EU to Algeria amounts to a maximum of €148 million between 2014 and 2017 (European Commission, 2015a). The ENI contains three focus areas for Algeria: “Justice reform and strengthening of citizen participation in public life”, “[l]abour market reform and employment creation” and “[s]upport to the management and diversification of the economy” (European Commission, 2015a). While Algeria refused to be included in the ENP in 2004, signing the Framework Agreement in 2014 might have meant a little breakthrough.

In order to see whether the Framework Agreement could be a turning point in the EU-Algeria relationship, several possible causes for a need to become closer are discerned. Some focus on interests of Algeria, some on interests of the EU. First of all, terrorism is becoming a bigger problem in the EU. Algeria is home to Al-Qaeda in the Islamic Maghreb (AQIM), an organization that is responsible for several terrorist attacks in Algeria itself and surrounding countries (European Commission, 2015a). A refocus of the EU on Algeria is in this sense in the EU’s interest in trying to cooperate on prevention of terrorism. Secondly, and adding to the first, the crisis in Mali of 2012 had some of its roots in Algeria (Gstöhl & Lannon, 2015, p. 45). Since Mali was high on the EU’s foreign policy and security agendas, Algeria also took a place in the spotlight. Thirdly, Algeria is a main source of natural gas for the EU. Up to 30% of EU gas imports has Algeria as its origin country (Selleslaghs, 2014a, p. 19). Especially with the turmoil between the EU and Russia after troubles in Ukraine, a focus on Algeria can be logically explained. Fourthly, the EU understood that the ENP did not meet its goals (European Commission, 2015b). The lack of flexibility, low number of member states involved and a much needed review of the instruments used were part of the downsides that were identified by the European Commission (European Commission, 2015b, pp. 4-6). A new ENP should therefore bring with it more flexibility, ownership, focus and differentiation (European Commission, 2015b, pp. 6-7). The review and renewal of the ENP

might have changed perspectives of Algeria on cooperation with the EU.

From the perspective of Algeria’s interests, the EU is the most important trading partner. More than half of Algeria’s foreign trade (54,1%) is directed towards the EU, almost all of which (96,7%) consists of gas and mining products (European Commission, 2015a). With this trading relation, Algeria is the third largest supplier of energy of the EU. Algeria therefore needs the EU to stand at its side and remain a reliable trading partner. Overall, the trade balance is negative when it comes to trade in goods (EU import (consisting of fuel, basically) is bigger than export) but the balance turns positive when looking at trade in services (EU export is bigger than import) (European Commission, 2015a). Because of decreasing oil prices Algeria might have rethought its relation with the EU and attempted to get support on diversification of their economy or joining the programmes that the EU presents.

Taking a closer look at what elements have changed in the ENP, the analysis above was relatively on point. Security and antiterrorist policies and cooperation within the ENP have been strengthened (European Council, 2015a, point 9). Differentiation between neighbour countries is another priority (European Council, 2015a, point 5), one that could have been welcomed by Algeria. No more one-size-fits-all is at stake, the ENP will focus more on individual neighbouring countries, taking into account their interests. Adding to the above points is the aspect of migration, for which the European Council wishes to see “intensified cooperation” (European Council, 2015a, point 10). While this issue might already have been present in 2013, it has undoubtedly risen on the political agendas since the refugee crisis from 2015 onwards. In essence, it seems as though the ENP has been adjusted to fit the Algerian interests better. However, the actual ENP implementation in the form of a necessary Action Plan has still not come into existence (Caruso & Geneva, 2015).

## CHALLENGES

While “the EU sees itself as promoter/supporter of structural, democratic and economic reform in its Southern neighbourhood” (Selleslaghs, 2014a, p. 9), the most important expectations of Algerians concerns trade and technical support (Selleslaghs, 2014a, p. 20). Moreover, Algeria does not adhere consistently to democratic principles and can still be regarded an autocratic regime, led by President Bouteflika. First, elections in the country are often expected to be flawed (BBC, 2016). Second, the army has a strong role and can hardly be controlled (Güley & Celenk, 2007, p. 109). The Arab Spring has also not changed much in that sense for the Algerian people (Güley & Çelenk, 2007, p. 109). In essence, the relationship between the EU and Algeria makes the game of (political) conditionality a difficult one. Also, if Algeria does not see the EU as an example to follow in whichever way, why should the EU hang on to that image? Leaving the role of example alone might even improve relationships with Algeria, since this seems to be one of the points of annoyance for Algeria. Caruso and Geneva (2015) describe it as follows: “The carrot and stick game known as conditionality seems to have turned into a chicken and egg problem”. The EU upholds a sphere of conditionality but might need Algeria as gas supplier and relatively stable neighbour, so that the EU cannot really act on conditionality unless Algeria starts seeing the is as an example in political and economic ways.

In fact, this imagery of the EU in a manner of 'leading by example' is especially hypocritical in the case of Algeria because of its past as a colony of France. During the war of independence, human rights of Algerians were seemingly worthless to the French coloniser. Even after independence, Algerians were not free of their former coloniser, as was written down by Nabila Ramdani in a column in *The Guardian* (2012):

"My father told me about compatriots the same age as him who were hanged from trees by police in the Vincennes woods. One of the lynchings made a small item in the then *Manchester Guardian* in early 1962 under the headline "Strange fruit in the trees", the headline taken from the lyrics most famously performed by Billie Holiday about African American hangings. (...) So it was that the so-called *ratonnades* – another sinister term referring to violence specifically directed at north Africans – were relegated to quirky corners of the press. The killing by police of more 200 Algerians on a single day in Paris in October 1961 was similarly under-reported. Many were thrown into the Seine and left to drown. Some 10,000 more were rounded up inside the city sports stadiums and attacked; torture methods included victims being forced to drink bleach."

A sentiment of sincere repulsion of anything patriotic or danger to nationalism may still be present in the current ties between the EU and Algeria. With the current attitude of the EU as a promoter of democratic values, this does not increase its popularity for it may be seen by Algerians as yet a new way to gain influence on Algerian soil.

# ARMENIA: A Nation at the Crossroads - Cooperation with Russia or the EU?

By **RAMESH GANO HARITI**

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Since 1996, the Armenia-EU relationship has developed through various agreements and initiatives, particularly the European Neighbourhood Policy (ENP) and the Eastern Partnership (EaP). Much cooperation has occurred in four thematic areas, namely: democracy, institutional reform, and jurisprudence; socio-economic reform and infrastructure development; people-to-people contact; and economic development and trade. However, there have been several challenges to this partnership. First, Armenia, due to its historic closeness with the Russian Federation, has had to take a balanced approach by balancing between the EU and Russia, thereby not being in a position to fully engage with the EU. Second, the ENP/EaP structure has been criticised for not meeting the member country's expectations and not reflecting the realities existing on the ground in Armenia (e.g. the EaP fails to address the Nagorno-Karabakh conflict). Thus, if the EU is to increase its influence in the region, it must amend ENP/EaP frameworks such that it takes into account the requirements of Armenia.

## INTRODUCTION

Over the years the European Union has gradually expanded until its current composition of 28 members with the largest enlargement occurring in 2004. This meant that the EU would have new neighbours, and as a result the European Commission (EC) felt the need to create a policy framework for them. Therefore, in 2004 the European Neighbourhood Policy (ENP) was initiated and included six countries in the East and ten countries in the South. The ENP is a long-term engagement that envisions the creation of stronger ties with EU neighbours by promoting regional stability, "democracy, the rule of law, good-governance, and successful market economies" (Jagiello, 2014).

By taking Armenia as a case, this paper will look into its relationship with the EU through the ENP and Eastern Partnership (EaP) frameworks. It will look into the instruments through which it maintains this relationship followed by the key areas of collaboration. Finally, the paper will look into the challenges, constraints, and future prospects that exist in this collaboration.



## THE HISTORIC DEVELOPMENT OF THE ARMENIA-EU RELATIONSHIP

Armenia began its relation with the EU in 1996 following the signing of the EU-Armenia Partnership and Cooperation Agreement (PCA) (EEAS, n.d. (b)).<sup>1</sup> Through the agreement, which remains active to this day, the EU and Armenia envisaged to collaborate in the areas of political dialogue, jurisprudence, economy and culture. To oversee the implementation of the PCA, a Co-operation Council was established which meets annually. Another mechanism was the Technical Assistance to the Commonwealth of Independent States (TASIS),<sup>2</sup> which provided assistance in economic reform and development to the former Soviet Union members. For Armenia, this meant that the EC provided assistance in paving the way for the constitutional reform in 2005 (EEAS, n.d. (a)).

With the advent of the ENP in 2004, the EU's relationship with its neighbours became more streamlined and stronger. However, there were several criticisms of the ENP, in particular with regards to its lack of differentiation between the EU's Eastern and Southern neighbours because the ENP failed to take into consideration each region's and country's uniqueness (Delcour, 2012, p. 3; Park, 2014). As a result, the EaP, initiated by Poland and Sweden, was crafted in 2009 to address the Eastern dimension of the ENP with a primary focus on political association and economic integration (Delcour, 2012, p. 5; Park, 2014). Since its inception, EaP members<sup>3</sup> and the EU have met on a bi-annual basis at the Eastern Partnership Summit to review progress and discuss future prospects.

Adequate funding is fundamental to the success of EU foreign policy instruments and over the years millions have been pumped into the Eastern neighbours. Following the creation of the ENP, the European Neighbourhood Partnership Instrument allocated funding for the ENP members, with over €280 million was allocated to Armenia during the 2007-2013 period (EEAS, n.d. (b)). The ENP was replaced by the European Neighbourhood Instrument (ENI) in 2014 and it has pledged Armenia €140-€170 million from 2014 to 2017 (EEAS, 2014a).

Since 2010, the oversight of the EU's foreign policy towards Armenia has fallen under the function of the European External Action Service (EEAS), which closely works with the EU's policy making body - the European Commission.<sup>4</sup> Like any foreign policy, the EU has several areas of interest in Armenia, which it addresses through the ENP/EaP. With each new ENP/EaP program towards Armenia (i.e. 2006 ENP Action Plan;<sup>5</sup> 2011-2013 National Indicative Program; 2014-2017 Single Support Framework), the focus areas for reform have been restructured and devel-

oped. By analysing the three programs, four thematic areas in the EU's foreign policy towards Armenia will subsequently be identified.

## THEMATIC AREAS OF THE EU'S FOREIGN POLICY

The first thematic area is Democracy, Institutional Reform, and Jurisprudence. Through numerous projects in this area the EaP strives to strengthen "democratic structures, the rule of law, respect for human rights and fundamental freedoms and fundamental principles of EU-Armenian relations" (EC, 2011, p. 13).<sup>6</sup> The EU works towards exporting European Values to the region and thereby helping align the EaP members' policies to that of its own through norm diffusion. Furthermore, the EaP member must show clear commitment to the reform process, because otherwise the EU will be reluctant to deepen its relationship with its ENP members (i.e. conditionality) (EC, 2011, p. 13). In Armenia, a great emphasis has been put on judicial reformation and promotion of human rights,<sup>7</sup> with most on-going project focusing on these two areas.

Secondly, the Socio-Economic Reform and Infrastructure Development are also of importance. The EU works towards socio-economic reforms through projects aimed at sustainable development, poverty reduction and increasing social cohesion. Also, through infrastructure development, it is expected in the long-term that this will strengthen the "competitiveness of the Armenian economy" (EC, 2011, p. 20). Furthermore, this thematic area addresses the multilateral dimension of the EaP by working on transnational issues such as energy or the environment (EC, 2015).

The third area is People-to-people contact and engagement of civil society. Through education (e.g. ERASMUS+), research and development (e.g. HORIZON 2020), and social exchanges, human capital development is envisaged. This area is closely related to the previous thematic area, since by developing human capital socio-economic development can be achieved in the long run (EC, 2011, pp. 20-21). In order to improve people-to-people contact, many EU neighbours and their citizens wish to gain easier access to the EU through various visa liberalisation programs. In the Case of Armenia, the 2011 Mobility Partnership, and the Visa-Facilitation and Readmission Agreements (2014) have resulted in the strengthening of borders and the simplification of EU visa policies for Armenians (EEAS, 2015a, p. 2).

The last priority area is Economic Development and Trade - the primary objective being the creation of a stable economy and improving the country's business environment and investment climate (EC, 2011, p. 15). However, despite the EU being Armenia's biggest trading partner very little progress has been made in this area (EEAS, 2015a, p. 2). The main reason behind this is the absence of an Association Agreement (AA). In 2010, the EU-Armenian partnership began drafting an AA to replace the out-dated Partnership and Cooperation Agreement. This AA was

1 This agreement came into force in 1999.

2 TACIS was replaced by the European Neighbourhood Partnership Instrument.

3 The EaP members are Azerbaijan, Armenia, Georgia, Moldova, Belarus and Ukraine.

4 In order to assess the progress of the relationship, the EC in collaboration with the EEAS publish country reports annually.

5 This action plan was active for five years.

6 For a full list of on-going projects in all thematic areas see [http://eeas.europa.eu/delegations/armenia/projects/list\\_of\\_projects/projects\\_en.htm](http://eeas.europa.eu/delegations/armenia/projects/list_of_projects/projects_en.htm)

7 Armenia also benefits from the European Instrument for Democracy and Human Rights.

envisioned to establish a Deep and Comprehensive Free Trade Area (DCFTA) (EEAS, n.d. (a)). However, Armenia abandoned its desire to sign the AA/DCFTA in 2013 because of its decision to join the Eurasian Economic Union (EAEU).<sup>8</sup> Joining the EAEU offered the “prospects for free movement of goods, services and manpower on the territory of the EAEU, entering the 170 million market of the union’s states” (Matirosyan, 2016). This removed the possibility of any DCFTA with the EU.

This U-turn in Armenia’s policy does not necessarily mean that Armenia is pushing the EU away - since Armenia needs the EU as much as it needs Russia (Civilnet, 2015). Armenia’s hedging strategy between Russia and the EU is likely to be possible as the needs of Armenia from Russia and from the EU are not entirely overlapping (i.e. Armenia needs security from Russia and economic assistance from the EU). Furthermore, merely a year after joining the EAEU, the economic situation in Armenia has worsened with foreign trade dropping by 20%, thereby making it clear that Armenia needs EU assistance (Matirosyan, 2016). Also, Armenia has a strong desire to reform, and according to Tartes (2016, p. 28) has been undergoing a “silent-Europeanization”. Likewise, the EU has maintained dialogues and has been working towards an agreement that would be compatible with Armenia’s EAEU obligations. The EU clearly has taken a more balanced approach by allowing Armenia to maintain strong relations with both the East and the West. To put this Armenian experiment into action, negotiations were re-launched in December 2015 to create a new agreement (EEAS, 2015a, p. 1), which would not include a free trade provision so as not to clash the EAEU (Matirosyan, 2016).

### CRITICISMS OF THE EaP

At the most recent Cooperation Council meeting in January 2016, the EU commended on Armenia’s progress on reforms but pushed at the same time for further reforms (European Council, 2016). However, despite the varied progress in the thematic areas, the ENP/EaP program itself has been criticized and faces several challenges. Firstly, according to Delcour (2012, p. 6), the EaP does not explicitly state the end-goal of the Neighbourhood Policy. According to the current structure, the EaP policies have very specific requirements from the members (e.g. to improve the business climate for small and medium enterprises), while the long-term benefits for the member country remain vague resulting in a lack of incentive to fulfil member obligations. Therefore, it is important for the EaP to address this issue by making concrete promises for the fulfilment of the EaP policy objectives.

Secondly, the EaP has been criticized for not differentiating enough between the members (Park, 2014). According to Park, the reason behind this is the EaP’s technocratic nature and lack of incentives (e.g. absence of EU membership accession) for members to fully engage in all area of cooperation, such as in the area of Economic Integration for the case of Armenia. In order to address this, in 2011 the ENP introduced the “more for more” principle as an incentive mechanism

where ENP members that engage in the reform process faster and better would get additional assistance (EuroEast, 2013). Under this initiative Armenia has received an additional €25 million. However, the “more for more” principle’s full effects are yet to be seen. Also, the continued lack of differentiation has resulted in the ENP structure not meeting the country’s expectations (Tartes, 2016, pp. 28-29). This has resulted in the EaP’s inability to accommodate the needs of the members, such as the Nagorno-Karabakh issue for Armenia. Therefore, more country-specific differentiation is needed for greater progress (Giragosian, 2015, pp. 9-10). Nonetheless, Giragosian (2015, p. 10) warns that country-specific differentiation could also undermine the whole purpose of the EaP and could lead to a lack of consistency.

### CHALLENGES TO ARMENIA-EU RELATIONS

Additionally, the EU continues to face three significant challenges when carrying out the EaP policy in Armenia. Firstly, Russia has significantly hindered EU’s activities in the Caucasus. Russia has come to see the EaP as a threat and views it as a method by which the EU is increasing its “sphere of influence in Russia’s backyard” (Park, 2014). As a result, Russia has worked towards counterbalancing the Western Powers, which successfully resulted in preventing Armenia from signing the AA and enticed it to join the EAEU (Strzelecki, 2016). Russia is Armenia’s biggest single-country trading partner since 18% of Armenia’s GDP is dependent on foreign remittance from Russia (Strzelecki, 2016). Furthermore, Russia has remained Armenia’s traditional ally and Armenia is heavily dependent on Russia for its energy supply and national security.<sup>9</sup> These were further reasons behind Armenia’s refusal to sign the AA agreement (Civilnet, 2015). As of yet, the EU has failed to counterweight Russian influence in the region. However, instead of seeing Russia as an opponent, it may be beneficial for the EU to find ways to collaborate with Russia and accommodate its interests (Giragosian, 2015, p. 10). If both the EU and Russia work together on pertinent issues in the region it may be possible for greater progress to be achieved.

Secondly, EU’s achievements in the region remain limited due to the lack of a tangible security component within the EaP (Delcour, 2012, p. 15; Boonstra as cited in Civilnet, 2015). The Nagorno-Karabakh frozen conflict between Armenia and Azerbaijan, both of which are EaP members, is a significant hindrance to the EaP’s regional cooperation programs. The EU has attempted to work towards a peaceful resolution through its Special Representative for the Southern Caucasus as well as working with the OSCE (EEAS, n.d. (a)). Yet, Armenia was disappointed for not having cross-border conflict resolution as a key component of the EaP (Tartes, 2016, p. 28). This shows that the EU does not necessarily listen to the requirements of the EaP member but rather single-handedly decides the areas for cooperation. Had this been part of the EaP, greater cooperation with Armenia would have been possible in other thematic areas, and Armenia might even have abstained from breaking off the AA in 2013. However, since both Armenia and Azerbaijan are EaP members, the EU has been in a dilemma since it cannot ‘pick a side’. As a result, no real progress has been possible.

<sup>8</sup> Armenia became a full member of the EAEU in January 2015. The EAEU is considered as a tool for Moscow to maintain its geopolitical interests in the post-Soviet neighbourhood.

<sup>9</sup> Russia is Armenia’s only supporter in the region on the Nagorno-Karabakh conflict. Armenia is also a member of the Collective Security Treaty Organization, which Armenia hope would come to its aid if the conflict escalates.

Finally, there is a lack of civil engagement in the reform process. Participation of civil society is a new phenomenon in the post-Soviet region (Tartes, 2016, p. 27). Therefore, the EaP should create awareness of the importance of civil society engagement in reform processes. It should also promote more collaboration between EaP members' and civil societies (Giragosian, 2015, p. 10).

Moreover, the EU continues to face several constraints. The EU's goal of spreading European democratic values is occasionally resisted as they are not fully compatible with the political structure of the EaP members (Tartes, 2016, p. 27). The EU strives to influence the reformation process with positive conditionality, in other words the EaP member must be fully engaged in the democratisation process for it to be eligible for other forms of assistance. Armenia is still very much run by elitists that prevail over democratic institutions while many Soviet and Russian values remained engrained within its society to this day. Therefore, it is not possible to get onto the democratization path overnight. By understanding that democratisation is a slow process and taking into account the domestic political structure, the EU may be able to achieve more in the long run if it does not base its agreements solely on the condition of democratization (Tartes, 2016, p. 32). In addition, the EU becomes constrained in the EaP implementation process by its members since it is ultimately up to each member state to decide on the level of integration (Delcour, 2012, p. 8). Therefore, regardless of how much effort the EU puts in its policies, if the EaP member refuses to oblige, all efforts would be in vain. This was the case when Armenia unilaterally decided to forfeit the AA despite it having been developed since 2010. There is no clear way to overcome this constraint other than by simply building trust between the partners so that all policies will be effectively implemented.

## CONCLUSION

From the above discussion we can see that the ENP/EaP has continued to evolve over the years. Armenia and the EU collaborate on varying levels on the issues of democracy, institutional reform and jurisprudence, socio-economic reform and infrastructure development, people-to-people contact, and economic development and trade. However, the EU in general, and EaP in particular, still lack adequate power in the Caucasus (Delcour, 2012, p.15). And, while the EaP has made progress in key areas, there are numerous challenges, like Russian dominance and the Nagorno-Karabakh conflict that hinder the EaP from reaching its full potential. Therefore, for the ENP/EaP to further develop so as to increase EU influence in the region, it must take into consideration the requirements of Armenia such as including a plan-of-action over the Nagorno-Karabakh conflict and understanding that Armenia would most likely continue to hedge between the EU and Russia.

# AZERBAIJAN: Beyond Oil and Water

By ALEXANDER BORUM

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The purpose of this explorative research is to underline the shortcomings of the approach taken by the EU in dealing with Azerbaijan as a strategically important neighbour. Initially, the article provides a brief framework of the situation before underlining the key areas of EU interests in approaching Azerbaijan. Specifically, these interests can be classified into peace and stability, domestic Azeri improvements, and energy security for the EU. The article continues to emphasise the current challenges to closer relations with Azerbaijan but also notes a possible opportunity for the EU to seize regarding the rentier-based Azeri economy. It also outlines the challenges posed by dwindling oil prices and by future movements towards low-carbon economies. Together with a more adaptive diplomatic strategy these changes may switch the power-relations in favour of the EU and ensure more fruitful negotiations for both parties.

## INTRODUCTION

Azerbaijan might not have the longest history as an independent nation, as for hundreds of years it was but a province under empires such as the Safavid Dynasty, the Russian Empire and later the Union of Soviet Socialist Republics, with only two meagre years of independence until the fall of the Soviet Union. Azerbaijan finally reached a state of sustainable independence in 1991, but similar to many other former East-bloc states it found itself hard-pressed to re-establish and reinvent itself after ties with Moscow were formally cut (Azerbaijan - Ministry of Foreign Affairs, 2016; OWNO, 2016).

Figure 1



MAP OF AZERBAIJAN (CIA, 2018)

As a nation, Azerbaijan's location makes it the geographic link between South-Caucasus and Southwestern-Asia by the Caspian Sea. With a population of close to 10 million inhabitants, primarily Shia Muslims, it is the 4th largest Turkic nation in the world (CIA, 2016). Within its borders two regions stand out due to their unique statuses (CIA, 2016). The first region is the remote satellite; the Nakhichevan autonomous republic. The second region is the breakaway region of Nagorno-Karabakh, which since a 1994 ceasefire has operated with de facto independence from the central government in Baku (OWNO, 2016). The territorial issues are, however, not all that plagues Azerbaijan, since negative developments regarding democratic legitimacy due to a systemic suppression of free speech, the detainment of critical journalists and activists have occurred as well (Freedom House, 2015; Freedom House, 2016a; Freedom House, 2016b). Furthermore, the recurring claims of systematic corruption by the Aliyev regime surfaced and manifested in the 'Panama Papers' in which the Aliyev family is prominently featured in various capacities (Radio Free Europe/Radio Liberty, 2016) all come to underline the immense levels of systemic concerns. These issues and the earlier characteristics clearly define Azerbaijan as a nation that, from the perspective of the European Union, requires both guidance and direction to return to a path that fits European wishes for a stable, democratic and progressive neighbourhood. These wishes are, however, not necessarily shared by all. In particular, the Aliyev regime opposes any notion of undermining their grip over the avenues of power in Baku and, luckily for them, Azerbaijan holds a few valuable boons as leverage in negotiations with the EU: its strategic location and direct access to natural resources in the form of oil, gas and rare earth metals (CIA, 2016). These assets form the basis of the vested interests of the outside world in the ongoing developments of Azerbaijan, setting the stage for the EU approaches to Azerbaijan and framing the perspective of third parties.

## EU INTERESTS

At their core, the EU's interests can be boiled down to three key categories. First and foremost, the field of "Peace and Stability", mainly in regard to the ongoing frozen conflict between the Azeri government and the breakaway region of Nagorno-Karabakh, who sees heavy support by the neighbouring country Armenia (EEAS, 2015c, pp. 3-10). Secondly, the sustained "Domestic Developments" of Azerbaijan, in regard to human rights issues, democratic legitimacy, economic developments and positivistic social engineering (EEAS, 2015c, pp. 3-10). Lastly, the sustained interests in maintaining close cooperation between the EU and Azerbaijan in regard to "Energy" security (EEAS, 2015c, pp. 3-10).

The interests in domestic developments are a quite standardized approach the European Union often uses when dealing with its immediate neighbourhood. Both economic and societal developments as well as the subsequent cooperative agreements between the EU proper and the ENP member states are seen as crucial methods for creating stable surroundings around the Union's outer borders (European Commission, 2015e, pp. 3-6).

Interests in Peace and Stability are another regularly occurring topic. Still, in the case of Azerbaijan it must be noted that its involvement in a frozen conflict and its status within the framework of EU Energy Security does create a deeper focus on finding a solution to the ongoing issues. This is particularly the case to ensure the stability of the ongoing processes of establishing one of the potential pipeline projects such as the defunct Nabucco Pipeline<sup>1</sup>, the TAP<sup>2</sup> or the ITGI<sup>3</sup> because they are seen as paramount to reducing the dependence on Russian Energy within the European Union (Paul & Rzayeva, 2011, pp. 1-2).

## EU FOREIGN POLICY

As such, the European Union maintains its interests in a variety of fields when it comes to dealing with Azerbaijan. These interests have naturally shaped the interactions between the two parties and, due their nature, are likely to dictate the EU-Azerbaijan relations for the foreseeable future. This is further underlined in the primary interaction platform; the ENP Action Plan, currently employed to dictate the interrelations between the two parties, supported by concurrent yet distinct approaches such as the Eastern Partnership or the European Neighbourhood Instru-

1 The Nabucco Pipeline, also known as the Nabucco-West pipeline or the Turkey-Austria Pipeline, is a potential natural gas pipeline that would transfer gas from Iraq, Azerbaijan, Turkmenistan and Egypt to the EU. Its fate is heavily debated as the project has been aborted (Baghirov, 2015). Nonetheless the concept remains a recurring topic in EU energy security under various guises (Baghirov, 2015).

2 The TAP or Trans-Adriatic Pipeline is another possible pipeline to transport gas from the Caspian Sea to the EU (Trans Adriatic Pipeline AG, 2015).

3 The ITGI or Turkey-Greece-Italy interconnector is a partly completed pipeline system that currently connects Greece and Turkey but awaits the developments of the TAP or similar projects to transport gas from the Caspian Sea to the EU (EUBAM, 2014).

ment initiatives.

## ENP

The EU Action Plan for Azerbaijan is made up of fifty-five individual interest points all of which are divided over ten priority areas of the EU Action Plan (EEAS, 2015c, pp. 3-10). For Azerbaijan these interest points can be carefully categorized into three central themes, namely “Peace and Stability”, “Domestic Improvements” and “Energy Security”. Based on these categories, we can establish a visual representation of the focus-per-interest-point indicator, as seen in Figure 2.<sup>4</sup>

Figure 2

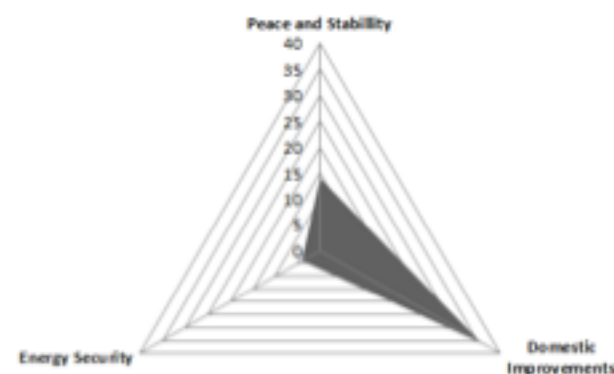


FIGURE 2: DIVISION OF INTEREST POINTS. THE FIGURE SHOWS THE DIVISION OF SPECIFIC INTEREST POINTS IN THE EU-AZERBAIJAN ACTION PLAN. PEACE & STABILITY: 14 POINTS; DOMESTIC IMPROVEMENTS: 36 POINTS, ENERGY SECURITY: 4 POINTS (EEAS, 2015A).

Using Figure 2, we have a strong visual guideline of where the focus of the EU efforts lays, based on the links between the three categories and the individual sub-plots of the ten-point priority list found in the EU Action Plan. Most entries in the plan are thematic in nature by default and correspond well to the categories. However, certain sub-plots have noticeable tie-ins between multiple fields. Details of these can be found in the below rundown of the priority list.

## PEACE AND STABILITY

While mainly focused on the ongoing conflict over the Nagorno-Karabakh region, the “Peace and Stability” category is by no means limited to this sole area. Rather, it is comprised of three key areas involving both traditional and non-traditional security concerns based on the following Action Plan priority areas:

### Priority area 1 – A peaceful solution to the Nagorno-Karabakh conflict

The first area is directed at the ongoing efforts to provide a peaceful solution to the Na-

gorno-Karabakh conflict through various means, including the OSCE Minsk Group, UN Security Council and the EUSR. A key objective within this area is to encourage dialogue between not only the different actors in the conflict but also the domestic audience (EEAS, 2015c, p. 3).

### Priority area 9 – Improvements to cooperation in regards to justice and border control

The ninth area is strictly focused on ensuring the continuous improvements of the Azeri borders with a specific focus on customs (EEAS, 2015c, pp. 8-9). As this is a recurring theme within the ENP framework, it is also very inclusive of different internal and external institutions such as EUBAM (i.e. the EU Border Assistance Mission to Moldova and Ukraine) or GUAM (i.e. the cooperation between Georgia, Ukraine, Azerbaijan and Moldova) (EUBAM, 2014b).

### Priority area 10 – Reinforce regional cooperation

The tenth and final area focuses on improving the cooperative bonds within the Caspian Sea regions through regional organizations dealing with law enforcement, environment and education (EEAS, 2015c, pp. 9-10).

## DOMESTIC IMPROVEMENTS

As one might expect, the area of “Domestic Improvements” is a rather immense collection of approaches to improve the overall conditions for both Azerbaijan and its people. Many of these approaches are similar to broader approaches taken within the ENP or Eastern Partnership framework and serve mainly to address concerns of human security, democratic issues, economic growth and societal developments.

### Priority area 2 – Strengthen Democracy

The second area is focused on increasing the transparency of electoral processes within Azerbaijan and ensuring that international election standards are adhered to. The continued focus on legislative and administrative reforms within the domestic setting is a notable priority (EEAS, 2015c, p. 4).

### Priority area 3 – Protection of Human Rights

The third area is mainly concerned with the ongoing issues with the judiciary system in Azerbaijan (EEAS, 2015c, p. 4). Moreover, this area highlights further developments in regard to upholding human rights within the justice system and ensuring freedom of information, multi-religious and multi-cultural respect as well as taking a stance against inhumane treatment (EEAS, 2015c, p. 4).

### Priority area 4 – Improvements to business and investments

The fourth area is focused on a number of key areas that could be seen to provide a better overall basis for foreign direct investments and business opportunities. The main efforts are anti-corruption and increasing the attractiveness of establishing businesses within the Azeri system, mainly by easing the process-train that various entrepreneurs need to go through plus a more transparent tax systems (EEAS, 2015c, p. 5).

<sup>4</sup> Division of specific interest points in the EU-Azerbaijan Action Plan. Peace & Stability: 14 points; Domestic Improvements: 36 points, Energy Security: 4 points (EEAS, 2015a).

#### Priority area 5 – Improvements to customs quality

The fifth area is entirely focused on improvements to the Azeri customs code, specifically concerning the regulatory and executive processes through the adoption of EU/International standards (EEAS, 2015c, p. 6).

#### Priority area 6 – Support to sustained economic developments and diversification

The sixth area is by far the heaviest with respect to both scope and scale. It is tasked with public finance reforms, development goals, privatization of strategic enterprises, reforms to social security systems, health sector reforms, regional developments, and human resource developments. It also includes expanding efforts to restructure and improve the state's oil sector in order to conform to international standards (EEAS, 2015c, pp. 6-7).

#### Priority area 7 – Merging economic legislative and administrative praxis

The seventh area is entirely focused on market monitoring of various forms, adherence to intellectual property rights legislation and the enforcement hereof, together with sustained reforms within the field of public investment (EEAS, 2015c, p. 7).

### ENERGY SECURITY

Only a single interest-point falls directly under an energy related framework, despite it being a central topic of internal EU considerations when dealing with Azerbaijan. Yet, while only addressed briefly in a direct fashion, we must still acknowledge the fact that the previous categories have a number of effects for establishing stable bilateral energy relations between the two actors. Energy exports and transits cannot take place without stability in the Azeri backyard which, in turn, requires both domestic and security related developments to ensure the sustainability of any pipeline projects involving Azerbaijan.

#### Priority area 8 – Reinforce EU-Azeri energy cooperation

The eighth area is focused on solidifying the ongoing strategic partnership between the EU and Azerbaijan with respect to the energy sector through domestic, regional and international approaches (EEAS, 2015c, p. 8).

### CHALLENGES AND OPPORTUNITIES

As these specificities indicate, the European Union has taken a multifaceted approach to dealing with Azerbaijan. While this is primarily done through the EEAS and the Directorate-Generals under the EU Commission for the direct ENP interactions, it has also been conducted through the participatory status of the European Commission in external approach such as the OSCE Minsk Group (Klever, 2013, pp. 5-6), or more direct tools such as the EIDHR (EEAS, 2014b; Eastern Partnership - Civil Society Forum, 2015), the EUSR for South-Caucasus, or the crisis in Georgia (EEAS, 2015b). However, while the previously mentioned group of interlinked EU institutions does form a kind of holy trinity in regards to dealing with Azerbaijan, we cannot disregard the role of the EU Council when it comes to the oversight of ongoing efforts and, as an internal

actor, regarding the decision-making process that forms the basis for more direct interactions. Furthermore, in response to the systemic breaches of human rights in recent years (European Parliament, 2015), we must also acknowledge the role of the EU Parliament, which can be seen in a more instructive and directive role during last year's resolution towards Azerbaijan.

Yet, despite a thorough approach to dealings with Azerbaijan, it is noted both in the EU's annual report (European Commission, 2015c, pp. 2-14), but also in academic reviews on the ongoing process (see Merabishvili, 2015, p. 2) that negotiations between the two parties have come to a grinding halt in certain areas. The main challenge here is the skewed relationship between the relative values of what is offered and what is given in return. So, while the Azeri government in Baku might have a keen interest in exporting energy to Europe, a commodity the EU desperately needs, the government also knows full well that Europe needs the import much more than Azerbaijan needs the export (Merabishvili, 2015, pp.7-9). This has resulted in a deteriorating situation in certain policy areas, primarily with respect to implementing democratic and human rights reforms. The central government knows that it is in a position of power and can thus reject EU proposals with limited fallout (Merabishvili, 2015, pp.7-9).

As this development indicates, we are experiencing a borderline, normative fiasco in regard to the bilateral relationship; which is severely underlined by the fact that Azerbaijan has declined signing an association agreement with the EU and rather wishes to pursue its own narrower agenda in terms of formalized relations. As such, EU influences over domestic developments are destined to be marginalized in the future (Trend News Agency, 2014). Moreover, there is an apparent lack of will to adapt and overcome the current challenges, as could be seen during the visit of EU High Representative Frederica Mogherini to Baku earlier this year where she received heavy critique on her lack of stance on Azeri human rights violations, despite the EU's clear mission statement when it comes to human rights and democratization processes (European Council, 2015b; Human Rights House Network, 2016). However, during Mogherini's visit it was made clear that negotiations between the two parties would not be ceased and as such preliminary negotiations are set to continue (News.Az, 2016). Consequently, the salvation for the European Union may be presenting itself in the aftermath of the dwindling oil prices and inflation that have caused havoc in the Azeri economy (Salimova, 2016). These developments may indeed prove to be a means of leverage for the EU in its ongoing negotiations with the Aliyev regime. In fact, it is apparent that the regime might be more willing to compromise on its assertive hard-line stance in the hopes that closer relations with the European Union will indeed bring the stabilizing effects of a more diversified Azeri economy. Nonetheless, unless the EU steps up its game it is unlikely that a major breakthrough will occur any time soon. This is particularly due to the fact that the EU's reputation as a strong regional actor has been severely undermined over the last decade by a clear inability to respond effectively to Russian incursions in the region, notably during the 2008 Russo-Georgian War and the 2014 Annexation of Crimea. Similarly, its reputation has been damaged by the failed intervention politics in the Azeri backyard where a focus on Turkish-Armenian relations has taken precedence over the ongoing Nagorno-Karabakh conflict. On the side of Azerbaijan, these shortcomings have left little trust in the European Union's ability to ensure the sovereignty, security and peacebuilding efforts which it so adamantly claims to defend.

## CONCLUSION

It is clear that not everything is perfect when it comes to building a closer relationship between the European Union and Azerbaijan. Nonetheless, while it is expectedly a strenuous move to go beyond the apparent challenges it is by no means impossible. Still, it is a clear case of *ex nihilo nihil fit*, where stern inward reflection must be followed by a new level of tailored approaches to bridge the differences in interests between the EU and their Azeri counterparts. Without a dedicated and concise approach to the ongoing negotiations, it is clear that the Azeri will remain able to dictate the direction for the future relationship between the two parties as they, despite the economic situation, will be able to retain a relative power position. As such, it becomes paramount for the EU to reconsider its approaches and seeks to expand its leverage options beyond its otherwise strong normative leverage,<sup>5</sup> as it is clear that Azeri faith in the EU is lacking in this area. More importantly, the focus should be on establishing mutually beneficial approaches, addressing the economic concerns Azerbaijan is experiencing at the moment, and outlining how a closer relationship will both benefit the EU as well as serve to ensure long-term progress, security, and sovereignty for the Azeri people. As such, it is indeed clear that it will be possible for the European Union and Azerbaijan to reach a zone of possible agreement as there is a distinct overlap in interests; however, the deciding factor will require a reshuffle of the relative power in negotiations and the re-establishment of an atmosphere of commonalities and mutual interest. This is an overall challenge *vis-à-vis* the EU and its rather rigid ENP approach where cases like Azerbaijan stands out as examples of how readapting to more flexible approaches could lead to more successful negotiations, seeking out the negotiation ripeness that we may already now be seeing from the Azeri side. The key question, however, remains whether the European Union can react on time or whether this situation will end up being yet another wasted opportunity.

# MOROCCO: Political Price for Economic Strive

By SIEPKE VAN KEULEN and CARL TOBIAS REICHERT

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Morocco has been a member of the ENP since 1996 and is the first country to be granted the advanced status. Furthermore, Morocco receives the largest share of the ENI funds, amounting to a maximum of €890 million. The ENP has had a significant impact on the Moroccan economy, yet the impact on political and civil freedom is questionable. Additionally, the question of the Western Sahara Conflict has not been solved and little attempts have been made to contribute to a peaceful solution and a closer regional integration. As long as the ENP focuses primarily on the economy rather than political and civil liberties, it will not contribute to 'creating a ring of friends'.

## INTRODUCTION

Relations between the European Union (EU) and Morocco date back to a bilateral accord signed in 1969 and received a major push in 1996 with the adoption of an association accord and membership of the European Neighborhood Policy (ENP) (European Commission, 2013). In 2008, Morocco made a qualitative leap and was subsequently granted 'advanced status' within the ENP. It was the first country of the ENP members to have this status and in 2013 the Council of the European Union published a joint proposal for a Council Decision regarding "the adoption of a recommendation on the implementation of the EU-Morocco Action Plan (AP) implementing the 'advanced status' (2013-2017)" (EUR-Lex, 2013). This advanced status consists of a broadened partnership and the inclusion of new stakeholders such as the EU-Morocco joint parliamentary committee and the EU-Morocco European economic and social committee partnership. The objectives of the plan focus on commitments to shared values on political, economic and institutional reforms (Commission of the European Communities, 2004a, p. 3).

<sup>5</sup> "Normative leverage is the skillful use of standards, norms, and coherent positioning to gain advantage or protect a position." (Shell, 2006, p. 44)

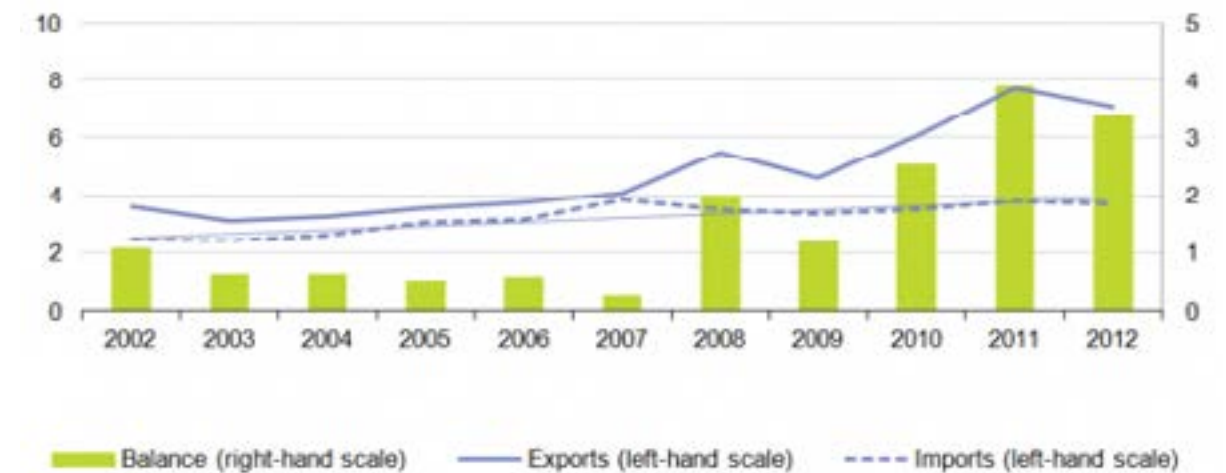
However, Morocco also suffers an internal conflict, the Western Sahara Conflict, which is still ongoing. International actors such as the United Nations (UN) have attempted to mediate in this conflict and confirm that Morocco continues to violate basic human rights in the region (Centre Maurits Coppieters, 2015). Some argue that the EU and the ENP have not contributed to solving the conflict and are in fact not equipped to do so (Wolff & Whitman, 2004).

In the following, the relations between the EU and Morocco will be analysed. The first part will provide an overview over the areas of collaboration, which mainly revolves around trade. The second part will investigate at the actors involved, both within and outside of the EU. The third part will go into the challenges of the collaboration and examines what role the ENP can play in solving current conflicts in Morocco. The conclusion will assess whether the ENP indeed contributes to creating a “ring of friends” and a stable neighbourhood.

### EU-MOROCCO RELATIONS

The main financial tool for the ENP is the European Neighbourhood Instrument (ENI). Until now, out of all ENP countries Morocco is the main recipient of ENI funds. Specifically, for the period from 2013 to 2017 Morocco, received a minimum allocation of €728 million and a maximum allocation of €890 million. During the current period, there are three priority sectors: (a) equitable access to social services, (b) democratic governance, the rule of law and mobility and (c) employment and sustainable and inclusive growth (EEAS, 2013a). These sectors all have a specific set of goals to be reached during these three years including, for example, (a) to reduce infant mortality and to increase literacy (EEAS, 2013a). The allocation of funds changes depending on the progress made in these agreed upon areas. The latest evaluation of the implementation of the ENP by Morocco, Frederica Mogherini, High Representative of the Union for Foreign Affairs and Security Policy and Vice-President of the EC, shows appreciation for the ‘significant progress’ in human rights and fundamental liberties (European Commission, 2015f). However, for the EU the question of political rights seems to be a low priority compared to economic and energy issues (Carafa & Korhonen, 2008).

Figure 1



“EU-28 TRADE WITH ENP-SOUTH COUNTRIES, SITC 0 FOOD AND LIVE ANIMALS, 2002-2012 (EUR 1,000 MILLION)” (EUROSTAT, 2014).

The latest action plan (2013-2017) highlights the importance of the stronger economic linkage, most notably by ratifying a Deep and Comprehensive Free Trade Agreement (DCFTA). In addition, between 2002 and 2012 EU trade in food and livestock with the ENP-South countries has risen considerably, with the peak of trade around 2011 (see figure 3). This increase of trade has made Morocco one of the biggest suppliers of food and livestock of all ENP members. Even if negotiations about a DCFTA are ongoing, the EU already is the largest commercial partner of Morocco with trade amounting to €29.25 billion in the year 2014 (European Commission, 2016b).

Nevertheless, relations between the EU and Morocco have not always been without tensions as the Commission notes. For example, in February 2014 tension arose about the tariffs on fruits and vegetables (European Commission, 2013). Moreover, the small variety of goods that Morocco has to offer for trade with the EU are cause for a trade deficit. This deficit has been largely “offset by inflows including transfers from Moroccan residents abroad, tourism revenue, and foreign investment” (Van Breusegem & Soulami, 2011, p. 57). The Moroccan economy still largely depends on agriculture, textile and mining (European Commission, 2013). This dependence could give rise to another problem since the EU is reluctant to liberalize trade in textile and agriculture (Carafa & Korhonen, 2008). In this aspect, a DCFTA could contribute to clarity and long-term prosperity.

Morocco is also of special interest to the EU in terms of energy. By 2020, Morocco aims to increase their share of renewable energy to 42%, by largely counting on the abundance of sunlight in Morocco (SIE Director – ENPI, 2016). This aligns with the push by the EU and ENP for a Mediterranean solar energy plan to improve energy security of the Union (European Commission,



2015f). All in all, Morocco has made tremendous progress economically by stabilizing the growth rate and reducing public debt continuously. Likewise, inflation has been low and stable, staying around 1,6% (World Bank, n.d.).

## ACTORS

Based on the involvement of many different actors, one can observe that the relations between Morocco and the EU are relatively complicated. The main actors in coordinating the relationship with Morocco are the European Commission and the European External Service (EEAS). The European Parliament and the communication with the Parliament has increasingly become more important since the Treaty of Lisbon. The work of the EU-Morocco Joint Parliamentary Committee provides recommendations on an increased EU-Morocco partnership.

In 2011, the Joint Communication to the Parliament and the European Council published a report entitled 'A New Response to a Changing Neighbourhood'. This report formulated a new approach that focusses on a higher level of differentiation. Each ENP partner will be allowed to improve its links with the EU and form plans that are more grounded in the interests, norms and values of the country itself (European Commission et al., 2011). Here the partner can focus on its own 'aspirations, needs and capacities, but also on mutual accountability and the degree of commitment to the universal values of human rights, democracy and the rule of law, and the capacity to implement jointly agreed priorities' (Eur-Lex, n.d.).

In addition to the overall attention to differentiation, the new AP describes priority objectives of the European Parliament for the EU-Morocco special partnership. On top of the EU-Morocco special partnership, the AP takes into full account Morocco's advanced status as well as the comprehensive relations between the EU and Morocco that were to be introduced in 2013. The requirements for the AP and the Trade agreement with Morocco would be decided upon by the European Parliament.

An important initiative for the further confirmation of the Moroccan advanced status was the holding of an EU-Morocco Summit, which served as a demonstration of the relationship between the two parties. Moreover, the summit settled Morocco's privileged place and its position as a key EU partner in the Mediterranean and in the Arab world. The advanced status agreement constitutes a roadmap in order to widen the reach of the EU-Morocco bilateral relations. The three main areas on which the agreement focusses are: (a) the overall closer political relations with the holding of an EU-Morocco summit and the establishment of consultation mechanisms at ministerial level; (b) the "integration of the single market on the basis of gradual adoption of the *acquis communautaire* and sectoral cooperation"; and (c) "a focus on the human dimension" (European Commission, 2010).

The European Commission will continue to broaden the cultural affairs whilst continuously organizing programs that are already in use such as "Tempus, Erasmus Mundus, [and] Euromed Heritage" (Füle, 2010). While many EU Member States have strong bilateral cultural cooperative

relations with Morocco, the EU Foreign Affairs Council concentrates on the collaboration with Morocco in terms of migration policies. In order to further the economic and social affairs, the European Economic and Social Committee agreed to a partnership with the Moroccan Economic and Social Committee. As partners, they reinforce support for the Moroccan civil society.

An important player for EU-Moroccan relations is the Union for the Mediterranean (UfM). In 2016, Morocco chaired the parliamentary assembly section of the UfM. The UfM includes the 28 EU Member States, the European Union's institutions and 15 Mediterranean countries. Additionally, the League of Arab States has participated in all meetings since 2008, with Libya holding observer status (Union for the Mediterranean, n.d. (a)). The UfM was launched in 2008 as the continuation of the Euro-Mediterranean Partnership and the Barcelona Process (Union for the Mediterranean, n.d. (b)). The scope of the UfM is rather large as a "multilateral framework for political, economic and social relations between the European Union and the Southern and Eastern Mediterranean countries" (European Parliament, 2016). Similar to the EC and EU-Morocco Summit, the UfM aims "to create an area of peace, stability, security and shared economic prosperity with full respect of democratic principles, human rights and fundamental freedoms" (European Parliament, 2016). Another part of their interest is the promotion of further understanding between cultures and civilizations of countries in the Euro-Mediterranean region.

The UfM, however, has a mixed record of results due to a national rather than supra- or transnational approach and a lack of a coherent strategy (Centre Maurits Coppieters, 2015). Still, the EU supports a closer engagement between Morocco and the UfM, even if this engagement is not specified (European Commission, 2013).

Next to the UfM, another actor the EU is promoting to work with is the Arab Maghreb Union (AMU). This Union was established in 1989 by the five Northern African Maghreb states (Arab Maghreb Union, n.d.). While the EU would like to see a closer regional cooperation of the Maghreb states, the AMU has not conducted any high-level meetings since 2008 (Arab Maghreb Union, n.d.). This lack of cooperation is linked to the Western Sahara Conflict because Algeria's support for the claim of the POLISARIO liberation movement (i.e. the Popular Front for the Liberation of Saguia al-Hamra and Rio de Oro) for freedom and independence (Aggad, 2004). Then again, the EU does see regional cooperation as beneficial and calls for the AMU to be revived (European Commission, 2015f).

## CHALLENGES

According to an EEAS report of 2015 (European Commission, 2015f), the EU is generally content with the political progress made by Morocco. It suggests that Morocco has made great progress in the implementation of human rights by introducing important laws. The same goes for a general justice reform (European Commission, 2015f).

Still, the report also suggests issues that the country should focus on in the coming years, including fighting against corruption, strengthening the role of civil society, and abolishing all laws that

could harm the freedom of expression and assemblage. The EU notes that in terms of freedom of press in 2014, Morocco only ranks 136 of 179 countries just as in 2013 (European Commission, 2015f). The fight against corruption also remains a vast project for the government (European Commission, 2015f) as Transparency International (2016) ranks Morocco on place 88 out of 175 countries in 2016. However, in 2013 Morocco ranked 91, so a marginal progress is visible (Transparency International, 2016).

It was widely believed that economic prosperity in the Maghreb countries would lead to political stability (Selleslaghs, 2014b). The ENP has introduced a number of initiatives to increase political stability, enforce the rule of law and have basic human rights accepted. The AP sets out a large number of issues to be improved in both a legal and institutional dimension. Although Morocco takes part in the twinning program in order to improve the workings of the institutions and civil servants, the country still seems to be largely depending on the goodwill of the government for effective functioning (Tulmets, 2007).

Another area of high interest and challenge to the EU is the question of migration. The Strait of Gibraltar separates the EU and Morocco by only 14 kilometres and thus becomes a “first frontier” for migrants (Selleslaghs, 2014b). Over the years, the partnership between Morocco and the EU has created an opportunity to form ‘mobility partnerships’ (Di Bartolomeo, Fakhoury, & Perrin, 2009, p. 6). These mobility partnerships would allow for the migration to be addressed from different angles focusing on maintaining a dialogue between regional and international institutions on outward migration. Owing to the partnership, Morocco and other neighbouring countries can allow for the migration to circulate more or to mobilize migrants so their competences can be used in the country of destination and improve knowledge of refugee numbers and residence (Di Bartolomeo, Fakhoury & Perrin, 2009, p. 7). Moroccan authorities also support the cooperation between national institutions and international organizations as a means to find the sources of this irregular migration (Di Bartolomeo, Fakhoury & Perrin, 2009, pp. 5-6). As a final part of their policy, Morocco and the EU are in the process of finding common ground for action and facilitating the reintegration of irregular migrants in Morocco (Di Bartolomeo, Fakhoury & Perrin, 2009, pp. 5-6). The idea behind these strategies is clear: the more politically stable and free the ‘ring of friends’ is, the less migrants will attempt to come to the EU. The current migration crisis suggests, however, that this is not accurate. Despite the fact that European member states such as Spain are even building up to 3-meter high fences topped with barbed wires in Melilla to keep out illegal immigrants, attempts to cross the border happen continuously. The Moroccan security forces have been heavily criticized (Africa Review, 2013), not only by Amnesty International and Doctors Without Borders, but also by the EU. The report states that “the situation of sub-Saharan migrants remains a concern” (Selleslaghs, 2014b, p. 8).

As was mentioned earlier, another challenge to Moroccan-EU relations is the Western Sahara Conflict, which dates back to the decolonization of the African Continent and escalated after the withdrawal of the Spanish forces in 1975 (Humphrey, 2016). Subsequently, the Popular Front for the Liberation of Saguia al-Hamra and Rio de Oro liberation movement (POLISARIO), supported by Algeria, waged a 16-years-long war for independence against Morocco and Mauritania.

Following Mauritania’s retreat, guerrilla warfare continued between Morocco’s claim on territorial integrity and the Sahraoui’s demands for self-determination. Since 1991, a ceasefire agreement prevails between Morocco and the POLISARIO. The dispute remains unresolved despite several attempts by the UN to implement referendums and to end the conflict (Centre Maurits Coppeters, 2015). As a consequence, Morocco has left the African Union (AU) out of protest against the majority of its member states backing the claim of self-determination made by the Sahrawi Arab Democratic Republic, also known as Western Sahara. Currently, Morocco is the only African state that is not a member of the AU (African Union, 2016). Curiously, this ongoing conflict is hardly mentioned in the AP or evaluation reports by the EU. Since APs are decided upon mutually with the respective country, Morocco has no interest of including the conflict in the AP. As the UN and some EU member states are already mediating in this conflict, the EU did not feel the necessity of intervening or mentioning the conflict in the AP; instead, it focuses on humanitarian aid (Mediterranean Affairs, 2014). Likewise, the significance of the internal EU security agenda in regard to the Southern Neighbourhood, especially counter-terrorism, has taken a high priority within the EU. Nevertheless, the unresolved self-determination conflicts or religious violence are not mentioned among the ENI’s four key objectives (Wolff & Whitman, 2004). As the UN notes, continuing to exploit minerals without consulting the indigenous population constitutes a human rights violation (United Nation, 2002). Morocco, however, continues to sign contracts with international mining companies to extract minerals from the disputed territory (Centre Maurits Coppeters, 2015).

Aside from the migration and Western Sahara conflicts, there is also the challenge of rivalry between Algeria and Morocco, which is “endemic to the relationship between the two Maghreb neighbours” (Dardouche, 2008, p. 385). The privileged relationship of Morocco with the EU is not favourable for the Algiers government, which considers itself a regional power (Dardouche, 2008, p. 384). This ever-closer bilateral relation between the EU and Morocco is likely to further exacerbate the tension between the two countries and discourage regional integration (Dardouche, 2008, p. 385). This discouragement could very well complicate the other goals as are set by the agreement further.

## CONCLUSION

Morocco offers many insights for the overall ENP framework. In terms of trade and economics, the ENP seems to be rather successful in Morocco as it has become an important neighbouring country and trade connection for the EU. However, the Moroccan economy has also become almost exclusively dependent on EU trade agreements and investors. Through the mechanism of the ENP and ENI, the EU has managed to refocus Morocco’s strategic alignment. Yet, politically, the ENP leaves question marks.

In order to fully address the problems of the area, the focus cannot only be on the relationship between Morocco and the strong economic force; the EU. To achieve a stable region and improve the position of Morocco, there is a need for a strong regional dynamic among the African Northern countries. So far, the ENP has not managed to contribute to closer regional cooperation.

The strong relation between the EU and Morocco appears to be more in service of the ENP, and respectively the EU itself, rather than a mutually beneficial arrangement.

Moreover, concerning the Western Sahara Conflict and the bilateral relation with Algeria one could argue that Morocco's relation with the EU is in fact fuelling the conflicts instead of solving them. The ENP will not be able to solve these conflicts since the ENP is primarily devised for other purposes than solving current conflicts (Wolff & Whitman, 2004). This case demonstrates that the EU prioritizes its interest in security and stability over an effective democratization and self-determination of people in Morocco and the Western Sahara it claims. Eventually, the EU will have to decide between short-term and long-term stability. To ensure short-term stability, current regimes might be the better partner. However, to really create a 'ring of friends' and a prosperous, long-term stable neighbourhood, the ENP will have to shift its focus from national regimes to the improvement of multilateral relations.

## PALESTINE: A Unique Case?

By JANITA JAYA and JEANETTE VAN OOIJ

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As of 1997 there have been bilateral relations between the European Union and Palestine. This is a unique situation as Palestine is not officially recognized as a state by the EU and is as such the only partner in the European Neighbourhood Policy (ENP) enjoying this non-state status. This article will look at two aspects of Palestine within the ENP. Firstly, the history and achievements of Palestine under the ENP, which includes the PEGASE mechanism and the political situation. Secondly, because of its political situation Palestine has witnessed many obstacles towards reaching the goals set by the ENP Action Plans lacking, most importantly, statehood and independence from development aid.

### INTRODUCTION

The Palestinian Authority (hereinafter Palestine) is one of the sixteen countries included in the scheme of European Neighbourhood Policy (ENP) Action Plans of the European Union (EU) (European Commission, 2015g). Through this cooperation, the EU claims to be the biggest contributor of financial assistance to the Palestinians where the aid allocated to Palestine through the European Neighbourhood Instrument (ENI) for the period 2014-2015 was set between €508 to €621 million (European Commission, 2015g). In 2014, the aid delivered through the ENI reached a total of €309.5 million and those funds were channelled through several instruments, including the Mécanisme Palestino-Européen de Gestion de l'Aide Socio-Economique (PEGASE mechanism) and United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) (European Commission, 2015h). The legal basis for cooperation between the EU and Palestine is the Interim Association Agreement on Trade and Cooperation that was signed by the EU and the Palestine Liberation Organization (PLO), as representative of Palestine, in

1997 (European Commission, 2015g; 2016c).

Besides its economic involvement, the EU is also involved politically in Palestine through its advocacy for the two-state solution to resolve the territorial conflict with Israel (European Commission, 2015i).<sup>1</sup> In 2016, the EU reaffirmed its position in supporting the two-state solution during the 5th Extraordinary Summit of the Organisation of Islamic Cooperation on Palestine and Al-Quds Al-Sharif in Jakarta (EU Delegation to Indonesia and Brunei Darussalam, 2016). Moreover, the EU has stated that the complicated situation between Palestine and Israel has made a comprehensive economic cooperation between Palestine, its neighbouring countries, and the EU more difficult (European Commission, 2016c).

This paper will look at the case of Palestine in two ways: first, Palestine as a unique case in the framework, and second, what we can learn from this case for the overall ENP framework. In order to do this, this paper will give a comprehensive overview of progress of Palestine in the ENP and the instruments that play role in delivering development aid from the EU to Palestine. Following the overview of progress of Palestine in the ENP, this paper will assess the challenges to the ENP Action Plan in the case of Palestine and the possible solutions to enhance the effectiveness of the development aid that is delivered by the EU. One of these solutions that will be suggested is to increase the cooperation between the EU, Palestine, and Israel through triangular cooperation in order to increase the effectiveness of the development aid delivered to Palestine by the EU.

#### PALESTINE UNDER THE EUROPEAN NEIGHBOURHOOD POLICY

Bilateral relations between the EU and Palestine commenced in 1997 with the signing of the Interim Association Agreement (IAA) on Trade and Cooperation (Commission of the European Communities, 2004b). It has since been the intention of both Palestine and the EU to make this IAA an official Association Agreement when the two-state solution both states support becomes reality (EEAS, 2005; EEAS, 2013b). Although this solution has not been reached yet, the EU has since deepened its relations with Palestine, most notably by making it the only non-state actor within the ENP framework (EEAS, 2005).

Launched in 2004, the ENP first assessed the situation in the partner states in the form of a country report, making this the first official document on Palestine issued under the ENP framework. This report gave a general overview of the situation in Palestine at that time, especially assessing the state of its democracy as well as its economy (Commission of the European Communities, 2004). The issues found in this report became the foundation of the first Palestine Action Plan, which was agreed upon by the European Commission, the European Parliament, and Palestine in 2005 (EEAS, 2005).

Two demanding issues were found in the country report that needed to be dealt with (EEAS

2005). The first one is with regard to the institutional structure of Palestine, for which the country report had found that institutional reforms were necessary and therefore highlighted several areas of action (Commission of the European Communities, 2004b; EEAS, 2005). The EU, regarding itself as an advocate of democratic and economic reform, naturally stressed the importance of democracy in the form of new, fair, and open elections, as well as the enhancement of accountability of various government sectors. Furthermore, the parties agreed that it was necessary to reform the judiciary to make it more independent and fair for all citizens (Commission of the European Communities, 2004b; EEAS, 2005). The second issue that needed to be dealt with was the economic situation in Palestine. Two main reforms were proposed and agreed upon. Firstly, reform was needed in order to make Palestine a good functioning market economy. Secondly, Palestine needed to become more independent from Israel in terms of trade (Commission of the European Communities, 2004b; EEAS, 2005). In order to reach this, one of the goals was to develop and increase trade between Palestine, the European Community, and Palestine's neighbouring countries (Commission of the European Communities, 2004b).

The Foreign Affairs Council decided to renew the agreement with Palestine in 2009, but no new action plan was signed at that time (EEAS, 2013b). However, the progress in Palestine was still monitored through the ENP progress reports that are written by the European Commission and the European External Action Service (EEAS) for each partner state on a yearly basis (EC & High Representative, 2012; EC & High Representative, 2013). The overall trend is that progress is made, but that areas for concern remain, most notably the absence of new democratic elections that were called upon in the first ENP Action Plan (EC & High Representative, 2012; EC & High Representative, 2013). Furthermore, despite the reforms that have been realised so far there is a lasting need for Palestine to become a sustainable economy (EC & High Representative, 2012; EC & High Representative, 2013). These issues became the focal points in the new ENP Action Plan for Palestine that was signed in 2013 and came into effect in 2014 (EEAS, 2013b).

Although some progress has been made since, especially in the area of becoming economically sustainable, a lot of work still needs to be done in terms of state-building (EC & High Representative, 2015). The situation in this aspect seems to have worsened with the breakdown of the National Consensus Government of both Gaza and the West Bank and the armed conflict in Gaza in 2014 as the tragic low (EC & High Representative, 2015). However, the EU still continues to support Palestine in its efforts to become an independent state as long as this is a two-state solution (EC & High Representative, 2015). Furthermore, there is a lot of cooperation in the economic field with the EU still being Palestine's biggest donor state (EC & High Representative, 2015).

#### FINANCIAL ASSISTANCE FOR PALESTINE FROM THE EUROPEAN UNION

Financial assistance is arranged under the European Neighbourhood Instrument (ENI) for the years 2014-2020 (European Commission, 2015g). For the period 2014-2015, the EU allocated around €508 to €621 million in development aid (European Commission, 2015g; 2015j; 2015k; 2015l). This money, mostly in the form of development aid, is transferred to Palestine in sever-

<sup>1</sup> The EU reiterated this position also in the "Joint Staff Working Document Implementation of the European Neighbourhood Policy in Palestine Progress in 2014 and recommendations for actions" (SWD(2015) 71, final).

al ways. It may be delivered through the PEGASE mechanism, which provides direct financial support to Palestine. This programme provides funds to Palestine to support the Palestinian government in providing public services and to support them in creating sustainable Palestinian development (The Office of the European Union Representative West Bank and Gaza Strip/UNRWA, n.d.). Furthermore, the PEGASE mechanism should help sustain democratic values, human rights standards, and the rule of law in Palestine (European Commission, 2015h). In 2016, the EU allocated €218.5 million to be transferred through the PEGASE mechanism (European Commission, 2015j; 2015l). Moreover, the EU is the largest contributor to the UNRWA with a baseline contribution of €82 million that were allocated to be transferred in 2016 (European Commission, 2015g; 2015j). In addition to that, the EU has pointed to three focus areas to which they have allocated a budget to be transferred to Palestine, which are: support for governance at the local and national level, support to the private sector and economic development, and support for water and land development (European Commission, 2015g). The EU allocated €10 million to each of these areas in 2016 (European Commission, 2015k).

#### CHALLENGES AND CONSTRAINTS

The development aid given to Palestine is also one of the constraints on implementing the ENP action plan. Palestine is still dependent on outside donors for its budget while Israel is responsible for collecting and transferring its taxes (EC & High Representative, 2015; EEAS, 2013b). This causes a big budgetary deficit for Palestine, as it is an import economy (EEAS, 2013b; State of Palestine, 2014). Furthermore, there are irregularities in tax transfers from Israel, which leads to gaps in the budget and causes the necessity to take austerity measures instead of having the possibility to invest (EC & High Representative, 2015). The EU is striving to improve the situation by channelling development aid and direct financial aid through PEGASE (European Commission, 2015j; 2015l). However, since money is needed to make changes and to create development in the country, this may put constraints on what Palestine is able to execute and how fast changes can be made.

Moreover, there are differences of agreement between the EU and members of its neighbourhood about what should be prioritised in the ENP action plans (Selleslachs, 2014b). This is also the case with Palestine, where a clear divergence between the interests of the EU and those of Palestine can be seen. The EU regards democracy and a stable market economy as the two main focus points of the ENP Action Plan, whereas the main focus of Palestine is gaining sovereignty (EEAS, 2013b; State of Palestine, 2014). As stated in the Palestinian National Development Plan (NDP), Palestine views the gain of independence as vital in order to reach its full economic potential since the country is currently unable to use the potential of its occupied territories (State of Palestine, 2014). The EU, on the other hand, wants to see developments in Palestine in a very democratic way at the same time (EEAS, 2013b).

Additionally, the occupation of Palestinian territory by Israel has put constraints on its progress in terms of developments. Both the EU and Palestine regard this situation as “the biggest obstacles

to reforms” (European Commission, 2014c, para. 3). One of the possible solutions to the end the conflict between Palestine and Israel is to strive for a two-state solution (Farrington, et al., 2012). The New Action Plan (2013) confirms the EU’s positive attitude towards this solution, where they stated their intention to build the State of Palestine that will stand alongside the State of Israel.<sup>2</sup> To facilitate peace talks between the two parties, the EU offered each a Special Privilege Partnership (European Commission, 2014c). To maintain the order in that region which is in accordance with the EU’s policy framework, the EU also established the EU Police Mission in the Palestinian Territories (EUPOL COPPS), which operates under the framework of the EU Common Security and Defence Policy (CSDP) (EEAS, n.d. (d); European Council, 2015c). The EU may contribute to peace in Palestine through the implementation of the ENP programme, but the fundamental challenges to turn this goal into reality should also be recognised.

Despite the fact that the EU, represented by Federica Mogherini, along with the Foreign Ministers of France, Spain and Italy have been stressing the importance of the two-state solution for both Israel and Palestine, it is the EU member states that can eventually make change happen (Savir, 2015); the EU alone will not be able to realise its goal of achieving a two-state solution as this would require the recognition of Palestine as a state. The ability to do so lays, in turn, solely with the EU member states and is therefore something the EU itself cannot directly influence (Martins, 2015). Despite the efforts of the EU, its partners, and the fact that Palestine is recognised as an observer state by the United Nations, the regional peace process has been going on for a very long time and lacks internal cohesion, which does not make the task at hand of the Palestinian government any easier (EC & High Representative, 2015). The EU High Representative Mogherini even spoke of a “sense of urgency” in Palestine as a result of the hindered peace progress in the region (Martins, 2015, p. 286).

In addition, Israel’s cooperation regarding the execution of the ENP programmes is considered essential to ascertain the sustainability of Palestine’s economic development. Israel should also be in support of the establishment of the Palestinian State, especially since this could be a guarantee to its own stability even though security in the region might not be instantaneously achieved after a peace treaty (Bouris, 2010). An evaluation carried out by EuropeAid on behalf of the European Commission showed that there is a lack of ‘triangulation’ of cooperation between the EU and Palestine, with Israel as the third country in the triangle (EuropeAid, 2014). This may limit the effectiveness of the development aid given by the EU to Palestine, which includes the ENP programme and complicates the initiative to have a two-state solution, with Israel not being involved in the dialogue or in cooperation programme with Palestine. Therefore, the EU should actively open the initiative to have Israeli participation in their programmes for Palestine’s development, which may create the opportunity for a peace agreement between the two entities. Moreover, the ENP should also be amended to be able to facilitate this triangulation of cooperation between the EU, Israel and Palestine, and to accommodate the discussion of the countries’ provisions in accordance to the international norms (Abdel-Shafi, 2015).

<sup>2</sup> The European Union-Palestinian Authority Action Plan Political Chapeau (new Action Plan, 2013).

## CONCLUSION

The past eleven years of ENP cooperation between the EU and Palestine have led to both improvements but also issues that seem to be much harder to solve than one might have thought at the beginning. The most important of the improvements are the steps Palestine has set in the direction of becoming more economically sustainable while the most difficult and to date unresolved issue is the ongoing conflict between Israel and Palestine (EC & High Representative, 2015). This difficult relationship also puts both economic and institutional constraints on the developments Palestine is able to realise. There are therefore two different levels of analysis this essay has tried to shine some light on.

Firstly, the level of Palestine as an ENP partner provides for a unique case as it is the only ENP partner country that has not (yet) been officially recognized by all EU member states as being an official state. This situation has put constraints on the developments but also on the cooperation between the EU and Palestine in ways that are most likely unique to this specific case. Most importantly, the fact that parts of Palestine's territory is occupied by Israel has put restraints on its economic developments, as Palestine is not able to use these lands for its own development (European Commission, 2014c, para. 3). Furthermore, Palestine is also dependent on Israel for its tax incomes. A failure or refusal to pay by Israel has, therefore, at multiple moments in time led to a sudden budgetary deficit, which took away Palestine's opportunities to invest (EC & High Representative, 2015).

Secondly, some of the challenges and constraints as discussed in this essay might be of value for the larger ENP framework as a whole. One of these things is the disagreement between a member state and the EU on what should be included in the ENP Action Plan (EEAS, 2013b; State of Palestine, 2014). This situation is most certainly not unique to the case of Palestine as each country has its own preferences and priorities that might not always converge with those of the EU (Selleslaghs, 2014b). Furthermore, this essay has, to some extent, shown that cooperation with the ENP state and the EU might need to be complemented with the cooperation with neighbouring states. Although the situation of triangulation of cooperation might not work or be necessary for every state, having more cooperation between the EU, ENP partner states and their neighbours within the ENP framework might be beneficial for all parties involved (EuropeAid, 2014).

In conclusion, it is important to note, that even though the ENP framework can have some generic characteristics, each country will always have its own priorities, challenges and constraints. It will therefore remain necessary to make plans based on the needs for each country, even though cooperation may sometimes occur.

## CONCLUSION:

### Towards a Comprehensive Approach in the EU's Neighbourhood

By JOREN SELLESLAGHS

In 2004, the EU created the European Neighbourhood Policy in order to improve the stability and prosperity of its (new) neighbours and allow for a 'ring of friends' or 'ring of stability'. Yet, today's neighbourhood is less stable and relationships with the EU have arguably worsened. In other words, relationships with neighbouring countries have not improved over the last decade. In the East, growing challenges have characterized the relationship with most of the Eastern Partnership countries: from the crisis in Georgia in 2008, to the ongoing conflicts in Ukraine and the refusal of Armenia to sign the DCFTA and instead joining the Russian led Euro-Asian Customs Union in 2015. In the South, Syria has been troubled by civil war since 2011 which has had a serious impact on its neighbours as well (Gleick, 2014), Libya is currently a country in conflict and severe political turmoil (Pashakhanlou, 2017), Egypt is still undergoing complex political change (Joya, 2017) and Jordan is facing a 10% increase in population due to a continuous influx of refugees from neighbouring conflict areas (McNatt, Boothby, al-Shannaq, Chandler, Freels, Mahmoud, Majdani, & Zebib, 2018). These events have served to increase the challenges faced by both the EU and its partners, aggravating economic and social pressures, security threats, irregular migration and refugee flows, and leading to diverging aspirations (European Commission Press Release, 2017). The EU did not foresee these developments: the ENP instruments were made for long term stability, not for crisis management and conflict resolution processes. Wrong expectations were created on both sides leading to a general dissatisfaction with each others' roles and actions over the last decade. Today's challenge is therefore to revive the 2004 momentum for creating a strategic and special relationship with newly acquired neighbours on which the EU depends on in various interactions. However, the current ENP is not helpful in creating any momentum. In fact, as the five country case studies have showed, the ENP actually also limits effective EU foreign policy.

First, ALGERIA has always been an odd neighbour within the ENP, since it hampered negotiations and maybe did not want to become part of any other policy than one which guaranteed them a market for natural gas exports. The first chapter therefore investigated this complex relationship between the EU and Algeria. It has looked at the historical elements of the two actors, which is a vital part of the explanation why the relationship is troubled. Furthermore, the interests of the EU have been analysed, in order to understand the underlying goals of the ENP in Algeria's case. Many challenges prove to exist in the current relationship, not in the least because of Algeria's stance on the ENP.

In regards to ARMENIA, several challenges to the partnership have been identified. First, due to its historic closeness with the Russian Federation, Armenia has had to take a balanced approach by balancing between the EU and Russia, thereby not being in a position to fully engage with the EU. Second, the ENP/EaP structure has been criticized for not meeting the member country's expectations and not reflecting the realities existing on the ground in Armenia (e.g. the EaP fails to address the Nagorno-Karabakh conflict). Thus, if the EU is to increase its influence in the region, it must amend ENP/EaP frameworks such that it takes into account the requirements of Armenia.

AZERBAIJAN has proved to be a strategically important neighbour. The key areas of the EU interests in approaching Azerbaijan can be classified to peace and stability, domestic Azeri improvements and energy security for the EU. It goes on to emphasize the current challenges to closer relations with Azerbaijan, but also notes a possible opportunity for the EU to seize, regarding the rentier-based Azeri economy and the challenges posed by dwindling oil prices, and in the future by the movement towards low-carbon economies. Such changes along with a more adaptive diplomatic strategy may switch power relations in favour of the EU and ensure more fruitful negotiations for both parties.

MOROCCO, often regarded as 'the best student in the ENP class' receives the largest shares of ENI funds and was the first ENP country that was granted with 'advanced status'. As a consequence, the ENP has had a significant impact on the country's economy. However, the ENP proved to be less facilitating in the EU's quest for resolving the Western Sahara Conflict and little attempts have been made to allow for more political and civil liberties.

Finally, PALESTINE offers a unique case as it is not officially recognized as a state by the EU and it is the only partner in the ENP that has this non-state status. The case study in this volume looked at two aspects of the EU's relationship with Palestine within the ENP framework. Firstly, the history and achievements of Palestine under the ENP, which includes the PEGASE mechanism and the political situation. Secondly, because of the political situation of Palestine, it has known many obstacles towards reaching the goals set by the ENP Action Plans, most importantly its lack of statehood and its dependence on development aid.

The ENP has not always been able to offer adequate responses to recent developments in its direct neighbourhood, nor to the changing aspirations of the EU's neighbouring partners. As a consequence, the EU's own interests or goals of 'creating a ring of stability' or 'ring of friends' have not been fully served either. Partners have demonstrated increasing differences in engagement with the EU as a whole and in relation to different cooperation areas. The ENP has extended the EU's influence in some respects but in a number of areas the reform agenda has rather stalled. This is partly due to competing interests, in part because not all partners seem equally interested in a special partnership with the EU under the model of pluralism and integration (European Commission, 2015m). The EU has also experienced a major economic - and existential - crisis in recent years, which has inevitably had an impact on its neighbours as well. Therefore, in order to revive the EU's strategic and special relationship with its neighbours, the current EU Foreign

Policy towards its neighbourhood should be revisited considerably, taking into account recent developments and change of interests; especially in light of the serious shortcomings as regards to the EU's most important instrument for its neighbours, namely the ENP. In order to do so, a clearer analysis of the interests, (or 'needs') both of the EU and its partners, is needed to make the collaboration framework (be it the ENP or another one) fit the purpose. This is exactly what this edited volume tried to do with providing in-depth country specific case studies on the most salient issues of the relationship the EU entertains with various neighbouring countries. On one hand, it is essential to consult partners on their interests and ambitions for this partnership. On the other, the EU needs to define more clearly its own aims and interests, while (continuing) promoting the values on which it is based. In this regard, an effective ENP - or other cooperation frameworks with its direct neighbours - needs to be closely integrated into an overall EU Foreign Policy comprehensive approach using all instruments available to conduct efficient and effective relations with its direct neighbourhood and create added value for both.

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