

**Reuniting Europe or Establishing New Divides?: The
European Union, the States of Eastern and Central
Europe and the States of the Former Soviet Union**

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Introduction

In 1989 the European Community (as it then was) was faced with the policy challenge of responding to the dramatic changes that overtook the countries of Central and Eastern Europe) as the Soviet Union (as it was then!) declined to intervene and prevent the fall of the communist political and economic regimes. This policy challenge was made that much greater in 1991 when the Soviet Union itself broke up and was replaced by a number of independent states also intent on creating democratic non-communist political systems and market economies. The subsequent division of Czechoslovakia did no more than further complicate an already confused picture but the break up of Yugoslavia and the wars of succession that followed served to illustrate the fragile and potentially turbulent nature of the 'new Europe' that had been created as much as by accident as design.

The main purpose of this paper is to comment upon the experience of the past eight years of European Union attempts to meet the challenges posed by the new situation in Central and Eastern Europe and within the Former Soviet Union. The argument will be that after much early optimism and the raising of considerable expectations that European divisions were a thing of the past, a number of new divides, all related in one way or another and in varying degrees, to the policies of the European Union, are beginning to impact on the wider European scene. Whilst the European Union can not be held solely responsible for the complex and confused state of the contemporary European order and whilst it must also be given its share of the credit for the many positive developments since 1989, the ability of the European Union to play the strategic role in the construction of a new European order, envisaged by and for it in the heady period between 1989 and 1991, has to be questioned in the light of recent experience

Then and Now

At the start of the period under examination the hope was expressed almost everywhere that Europe had at last found a peaceful unity after centuries of division and attempted conquest by would-be hegemony. The most recent division of Europe into two competing ideological blocs had been overturned peacefully against all expectations and in Paris at the end of 1990 (at the CSCE summit meeting that was compared favourably in some quarters to Versailles and Yalta!!) there was a sense, however naive and however short lasting, that a Europe 'whole and free' to quote George Bush, something akin to the 'common European home' articulated by Soviet President Gorbachev, now existed. At the centre of this 'new Europe' was to be found the European Community - the main beneficiary of a revolution that some felt heralded the 'end of history' and which seemed likely to render other 'cold war' institutions like NATO, the Warsaw Pact and Comecon increasingly redundant. Thus many felt that the end of the cold war and of communism in Europe meant that the European Union's time had come and that all restraints on its potential membership would be removed once all European states had democratic governments and market-based economies and were not

required, for reasons of either ideology or neutrality, to remain apart. There was an implicit assumption that the EC could, should and would play a key leadership role in assisting first the CEECs and then the Former Soviet States through their transitions and that for all of them the ultimate prize would indeed be either membership of or close association with the EC. Most commentators thought and many feared that the United States would play a greatly reduced role in a Europe whose security was no longer threatened by the military power of the Soviet Union.

For its part the European Union, dynamically revived since the mid-1980s by the success of its single market programme and with ambitious plans for further economic integration, seemed to exercise magnetic attracting powers over the rest of the new Europe however that was defined. Few questioned the capacity of the EU to extend its 'zone of civility' either by enlargement or association to the rest of Europe and many forgot that the EU too had relied to some extent on the dynamics of the cold war and a divided Europe to provide it with its integrative glue. There was thus some expectation that any new European order would be built around the central focus of an expanded European Union, that the EU was capable of exercising the necessary leadership to construct that order and that this would involve further internal evolution as well as a strategic development plan and set of policies for the CEECs and the Former Soviet States. In short many people thought that what was needed was the contemporary equivalent of the Marshall Plan. After the second world war the United States, via the Marshall Plan and the Truman Doctrine, provided the strategic framework for the development of a west European economic and political order. At the end of the cold war it was felt that the European Union should come up with a similar strategic framework for the incorporation of central and eastern Europe and the former Soviet Union into an all encompassing European order.

In the middle of 1997 a new European order still has to emerge and the central role of the European Union is under some question. Whilst it is still possible to contemplate an image of a future European order based upon an enlarged European Union linked in close cooperation with the non-member states of the Mediterranean and the former Soviet Union, the immediate reality is of a Europe whose fundamental structures are being shaped and problems solved (albeit in the short term and probably for all the wrong reasons) by the resurgent power and influence of the United States. It was the Americans who recognised the imperatives of German unification (although the EC provided an essential framework), who assisted in the withdrawal of Russian forces from the Baltic States, who negotiated the agreements between Russia and all other former Soviet States that removed all nuclear weapons from their territory and control, who moved from a 'Russia First' policy to one that advocated NATO enlargement, who intervened militarily and politically to prevent the Bosnian war spreading to Kosovo or Macedonia, who finally intervened to broker and police a peace settlement in Bosnia, who resolved the latest outbreak of potentially lethal Greek-Turkish squabbling 'whilst European leaders slept' and who have apparently negotiated an acceptable deal between Russia and NATO that should allow NATO enlargement in the near future.

For its part the European Union, having admitted Sweden, Austria and Finland in 1995, is struggling to complete yet another Inter-Governmental Conference which is being conducted as if the question of further enlargement did not exist. The current IGC is not considering either the future of the Common Agricultural Policy or the Structural Funds even though all agree that their continuation in

their present form is quite incompatible with any further enlargement to the east. The EU still has no timetable or strategy (as regards as which states will be admitted and how the accession process will be conducted) for its own enlargement even though its key member states will participate next month in a NATO meeting that will probably come up with just such a timetable for NATO enlargement. Who would have thought in 1990 that NATO would admit states from eastern Europe before the European Union. the European order that has emerged is threatened by a number of real and potential divisions; between the CEECs, the Baltics and the Former Soviet States, between the current EU applicants (the CEECs and the Baltics); between the EU and the current applicants and between the EU member states themselves.

The European Union was meant to be the centrepiece of the new Europe and its development policies towards the CEECs and the former Soviet Union were meant to be its major tools in the construction of the new European order. In order to examine how these divisions have arise and to what extent they are the consequence of either EU action or inaction we must now turn to an analysis of the EU's policies towards the CEECs and the Former Soviet States as they have evolved since 1989

The evolution of EU Policies

The Countries of Central and Eastern Europe and the Baltic States

Prior to 1989, the EU had only limited contact with the countries of central and eastern Europe; the limited trade contacts and concessions were primarily aimed at driving a wedge between the CEECs and the Soviet Union by rewarding displays of 'independence' as demonstrated by , for instance, Romania in 1980. The European Commission found itself at odds with some of its member states because whilst they wished to develop bilateral relations with individual CEEC states the Commission had an obvious interest in dealing with its 'mirror' image in the CMEA.

In early 1989 the EU adopted a 'carrot and stick' strategy towards the CEECs, approving economic incentives for those governments pursuing reform, like Poland and Hungary but suspending all dealings with Romania because of its appalling human rights record. this early application of 'conditionality' was to set the scene for all subsequent dealings with the CEECs and the Former Soviet states and it also placed an emphasis on separate dealings with individual states rather than collective dealings with them as group.

In July 1989 the G7, meeting in Paris and heavily influenced by the combined diplomacy of West Germany and the US, agreed to give the European Commission the task of coordinating all G24 aid to Poland and Hungary - a responsibility which fitted the idea that the EC would play the leading role in determining the new order. The EU also established its own programme of technical assistance to Poland and Hungary known as PHARE. It was also in 1989 that German Foreign Minister Genscher articulated his ideas about a future European order of concentric circles - an image that was designed to show that demands from fellow EU member states for more integration (in response to their fears about German unification) were quite compatible with a German desire for the eventual inclusion of CEEC states into the EU.

By the end of 1989 there was already talk of a Marshall Plan for Eastern Europe but the incentives in the shape of something to unite

against were not great for West European states about to embark on an enthusiastic search for a 'peace dividend' in any case events moved too fast to allow for a considered approach. As events unfolded in the East a pattern developed whereby the West European states tended to react at first unilaterally, then engage in a round of bilateral diplomacy and finally attempt to coordinate their responses either in the EU or NATO. Also at the end of 1989 the French Presidency called an emergency EU summit just a few weeks before the scheduled meeting in Strasbourg. this was one of the first indications of the future conflict that would arise within the EU over its internal and external development. The French called their emergency summit partly because they did not want their planned discussions about the development of EMU and the Social Charter submerged by debate about policy towards the East.

The Paris meeting did achieve an impressive show of unity in the shape of expanded support for the reform process in the East accompanied by a clarification of the conditions that were to be attached to that support. the political terms were to be progress towards democracy, respect for human rights and free and secure elections and the economic terms were to be recognition by the IMF of a satisfactory movement towards the a free market economy. by opting for IMF recognition the European Commission recognised the distinction between 'Competence' as in its formal role and 'competance' as in its ability to carry out that role.

In December 1989 there was a sudden surge of multilateral activity (within the EU, the G24 and NATO) as the EU member states sought to make some sense out of the dramatic changes in the East. the EU emerged in quite good shape having succeeded in producing a short term response to the need for aid in the East and gained considerable prestige from its nominal management role in the overall western effort. However it was clear that the pace of German unification was likely to speed up rapidly in 1990 and that once the DDR was inside the EU demands for similar treatment would soon come from other CEECs. soon the EU and its member states would be forced to contemplate the impact of all this on the structure of security in Europe and on the fate of Mr Gorbachev in the Soviet Union

At the start of 1990 as the EU faced up to the problem of extending its support to the rest of Eastern Europe. in the short term the Commission was embarrassed by its shortage of food supplies (after all those years of surplus!) but once short term need were catered for and once basic trade and cooperation agreements were in place (in the main removing the special restrictions that the EU had placed on its dealings with state trading countries) the problem of longer term structural aid and assistance arose. The EU had to decide what sort of second generation agreements to offer those who continued to meet the reform conditions.. The Commission also had to find a level of funding that was compatible with EU budget plans and which the member states, many of whom were concerned at the diversion of resources, would accept.. In addition the Commission was beginning to experience problems in managing its coordination role of all G24 aid. At the time, the Commission had none of the diplomatic and administrative resources of a state so that visiting CEECs and making accurate assessments of their needs and situation , let alone their satisfaction of EU/G24 conditions became exteremly difficult. To make matters worse the EU was dealing with ministers from provisional governments whose days were numbered or with ministers who had no previous experience of government. There was concern inside the commission that the EU was in danger of being swamped both financially and administratively.

By the middle of 1990 the EU had decided that, despite requests from Hungary and Czechoslovakia, it would not immediately offer full membership but instead privileged association as the next stage in its arrangements with the CEECs. - the first disappointment after the euphoria of change but understandable as the enormity of the transitional costs became apparent in the DR and as the Soviet Union began, itself to show further signs of strain. Very soon after the revolution the EU was beginning to realise that, although it was flattering to be regarded as 'magnetic' this presented serious challenges as well as opportunities, particularly as it became apparent at the CSCE Paris meeting at the end of the year that the CEECs (and soon others like the Baltic States and the emerging Yugoslav Republics) saw their only route to safety and salvation being via enhanced EU assistance and eventual EU membership. During 1991, the August coup and eventual collapse of the Soviet Union, the deterioration of the situation in the former Yugoslavia, the Gulf War and the long drawn out negotiation of the Maastricht Treaty (along with its accompanying bill in the shape of the Second Financial Perspective agreed at Edinburgh at the end of 1992), all illustrated the fact that the EU agenda remained crowded and that most of the issues were interconnected in a most complex manner. It was soon apparent that the EU's development policy towards the CEECs was inextricably intertwined with the question of EU enlargement even though the Europe Agreements were initially perceived by the EU as free standing and designed to deal with the development of the CEEC area regardless of the question of enlargement. After 1992 EU policy towards the CEECs was also EU enlargement policy and was thus interconnected with the debate about the internal development of the EU and with the debate about the nature of the EU's relationships with the remaining non member states of Western Europe, with the states of the Mediterranean and with the states of the former Soviet Union - most significantly , of course, Russia. As Martin Holland shows EU policy towards the CEECs also impacted on its policies towards the rest of the developing world (with the Lome states standing to lose the most) and, as the US, began to be hauled back into consideration of European affairs, EU-CEEC policies also acquired a more intense and potentially conflictual transatlantic dimension.

In 1992 the Community concluded Europe Agreements with Hungary, Poland and Czechoslovakia and in 1993 these were also extended to Romania and Bulgaria and new Agreements negotiated with the now separate Czech and Slovak Republics. However in the first few months of 1993 there were growing indications of dissatisfaction, especially from the Visegrad 4, about the many restrictive conditions that the Community applied to protect itself from a speedy or effective opening up of its markets. A complex network of protective devices including import quotas, voluntary restraints and anti dumping measures affected between 40 and 50 per cent of all exports from Central and Eastern Europe. The very areas in which the East could compete most effectively in the Community such as textiles, steel, processed food, clothing footwear and chemicals were the ones that the Community sought to protect.

At a conference held in Copenhagen in April 1993 the CEECs gave vent to their frustrations, citing as a particular example the decision by the Community to issue a one month ban on the importation of live cattle from the East because of the so-called fear of foot and mouth disease. The Czechs pointed out that, whilst foot and mouth occurred in several Community states, it had not been recorded in the Czech Republic since 1975. The result was that at the Copenhagen Summit, very much at the instigation of Sir Leon Brittan - for once operating in harmony with Mr van der Broek! - the European Council laid down new guidelines designed to accelerate market access, improve the

dialogue and hold out the clear promise of eventual membership of the Union for those states holding Europe Agreements. In the words of the Copenhagen communiqué, membership will be on offer 'as soon as an associated country is able to assume the obligations of membership by satisfying the political and economic conditions'. The communiqué went on to list the conditions in some detail (most of them involve qualitative judgements by the EU rather than clear objective criteria) but the promise of eventual membership was still there and had some impact on the Community's relationship with those countries - most obviously Russia and the other Soviet successor states which did not have the immediate prospect of a Europe Agreement. Both Russia and Ukraine have responded to the increased prospects of others by forcefully reminding the Union of their own aspirations.

The speeding up of the assistance process instigated by the Copenhagen summit was also designed to encourage greater cooperation between the CEECs themselves and to develop multilateral links between them as a group and the Community. It was agreed, for instance, that there should be some joint meetings within the CFSP framework. Despite, however, these somewhat belated efforts to relieve anxiety amongst the Eastern states, events - in Russia in particular - meant that they continued to push for even closer economic, political and security arrangements with the Union. By the end of the year Hungary, in particular, was beginning to sound out the possibility of reaching an agreement on a target date for eventual membership

To further confuse the potential enlargement picture (and to muddy the distinction that had developed between the CEECs and the Former Soviet States) the Commission began preparing to convert the Agreements on trade and commercial and economic cooperation that it had agreed with the three Baltic States (which came into effect in the Spring of 1993) into free trade agreements with the eventual aim of concluding Europe Agreements. The free trade arrangements were necessary to preserve the arrangements between the Nordic countries and the Baltic States once the Nordic countries become members of the EU.

In 1993 there was also an attempt by the Commission to respond to the complaints that had been voiced about its management of the PHARE programme (similar complaints were heard about TACIS - see below). The complaints were about the length of time it took the Commission to develop programmes and appoint consultants, the use of expensive western consultants as insisted upon by donor states and the lack of competent Commission staff. Just 140 staff (only 50 per cent of whom were full time Commission officials) were available to run the PHARE programme: a programme which, in 1993, had a budget of ECU 1 billion to be spent in 12 countries (the FYROM was added in 1993) as well as on numerous regional programmes. The Commission's response, apart from calling in vain for more staff, was to develop prioritised multi-annual planning (1993-1997) and to decentralise decision-making and implementation wherever possible.

The rise of nationalism in Russia illustrated by the electoral success of Vladimir Zhirinovskiy and the fear that Moscow might seek to reestablish its sphere of influence in eastern Europe led to a reassessment of EU policy towards the CEECs early in 1994. By the end of the year the German Presidency was able to make a 'pre-accession strategy' for the EU's Eastern applicants the centrepiece of the Essen European Council - a historic meeting because the leaders of the Poland, Hungary the Czech and Slovak Republics, Romania and Bulgaria all attended the closing sessions of the Essen meeting. Although the EU once again resisted attempts to commit it to a

detailed timetable for further enlargement it became clear that the process, if not the details, of enlargement had become irreversible and that it could start soon after the completion of the 1996 IGC.

The German Presidency was also successful in gaining Council support for its proposal (prearranged with the French) to ask the Commission to produce a White Paper (along the lines of the Cockfield White Paper for the Single Market) laying out in some detail the measures that would be necessary for the applicant states to adopt in order to prepare for membership. .

It had thus become clear during 1994 that the enlargement process would need to be speeded up and that the EU and the applicant states had many changes to contemplate in order to realise what Delors referred to in January as "Greater Europe". Once Hungary and Poland decided to apply for membership in the Spring the Commission organised a 'brainstorming' session in March at which it contemplated the end of agricultural export subsidies for goods exported to eastern Europe, an overhaul of the PHARE programme (it was agreed in the run up to Essen that some ECU7 billion would be made available in the five years between 1995 and 1999) to allow a greater emphasis on infrastructure projects and a plan whereby the Eastern states adopted EU style competition and other legislation in order to effectively extend the Single Market before actual enlargement. These plans were further refined throughout the year but at Essen, despite the progress that was made, the EU was not able to deliver the package of measures designed to dismantle its own protective armoury that the German Presidency had initially hoped for.

Despite the concern of some Member States that 'back door membership' was being offered, the EU also decided in March that it would develop its political dialogue with the CEECs. They were to be associated with most aspects of the CFSP attending selected meetings at all levels (from the European Council to CFSP Working Groups) and they began to participate in CFSP statements, demarches and joint action. On the security side the EU planned and operationalised a 'stability pact' to allow preventative diplomacy to defuse potential conflicts between the CEECs, and the WEU created yet another category of 'associate partner' to involve the CEECs and the Baltic states. However the most significant development in the security area came at the instigation of the US with its proposals for a Partnership for Peace which were, at first, designed to hold at arms length CEEC demands for membership. The European order was beginning to take shape but the EU was as much responding to this as significantly shaping it with its policies.

In 1994 progress was also made in developing relations with the Baltic States with the Commission seeking a mandate to begin the negotiation of Europe Agreements. Similarly it became clear at the Corfu European Council that Slovenia too (a country that already had a higher GNP per capita than both Greece and Portugal), once it had resolved its political difficulties with Italy, could anticipate a Europe Agreement and eventual full membership. Thus by the end of 1994 a sort of pecking order had been established, despite Romania's unsuccessful attempts to get the EU to agree that it would deal with all applicants *en bloc*, whereby the Czech and Slovak Republics, Hungary and Poland appeared first in the queue, followed by Bulgaria and Romania who were followed in turn by the Baltic States but with Slovenia arriving late but potentially jumping the queue. One of the incentives for the EU to clarify the next stage of its relationship with the CEECs arose from the clear 'shift in US policy in 1994. As President Clinton was forced, for a variety of reasons, to reconsider his 'Russia First' policy so the US became more

interested in binding the states of eastern and central Europe into the West via both NATO and the EU/WEU. During Clinton's visit to Berlin in the summer it was agreed that the US and the EU would set up a Working Group to co-ordinate their policies towards the East. Once again the EU was responding to shifts in US policy as much as exercising leadership in its own right.

Despite the progress that was made in 1994 the states of eastern and central Europe still complained that the EU was only slowly giving them what they most wanted which was access to the EU market and a timetable for their eventual accession. Their complaints were supported by a report published by the European Bank for Reconstruction and Development (EBRD) which identified the EU's own protectionist policies as the main barrier to economic development in the East. In particular the Report highlighted a number of Voluntary Export Restraints (VERs) that the EU effectively imposed on the Eastern states along with 19 anti-dumping measures and 12 other restrictive measures. The Europe Agreements were criticised for their "investment deterring effect" because of the high local content rules that they established for goods exported from eastern Europe to the EU.

1994 therefore followed a broadly similar pattern to 1993 with the EU heavily influenced by developments in Russia, forced to respond to the growing demands from the CEECs with reinforced promises of eventual membership and immediate political and institutional contacts (what the Essen European Council Presidency Conclusions referred to as a "structured relationship") but unable to be clear about either the specifics of its own reforms (of the CAP and the Structural Funds) or of the totality of the concessions that it was prepared to make to meet the real needs of the applicant states

In 1995 pressure on the EU both from the applicant states and from those, like Russia, who are not in line for membership, to clarify the details of its enlargement strategy increased and was complicated both by a further deterioration in relations between the US and the EU over Europe and by frictions within the EU. In particular all the relevant parties were anxious to know the details of the EU's anticipated enlargement timetable as well as which states are likely to join first. At the Madrid European Council in December (In the little of a Mediterranean troika of EU Presidencies that saw France, Spain and Italy seek to downgrade the EU's obsessions with its eastern neighbours and concentrate more on those to the south) the EU nevertheless succeeded in postponing decisions about the next steps in the enlargement process. Chancellor Kohl unsuccessfully tried to persuade his EU partners that pledges should be given to Poland, Hungary and the Czech Republic that their accession negotiations should begin at the same time as those for Cyprus and Malta - six months after the completion of the IGC. Kohl was looking for membership for the EU's most immediate neighbours by around the year 2000 but also sought to delay further enlargement (to include the Baltic States, Romania, Bulgaria and Slovakia) until much later. This German pressure was considered premature by many of the other Member States at Madrid and the Scandinavian States in particular resented the attempted sidelining of the Baltic States. For its part, France supported the Romanian case whilst Austria argued for Slovenia (just as currently France is trying to get Romania into the first group of new NATO members. whilst Italy has taken up Slovenia's cause.

The result was a fudge with the Commission requested to produce a global report on enlargement as well as individual reports on each applicant (for the summer of 1997) but with no formal decision taken about the order of membership. All the applicant states including

the CEECs are currently participating in the EU's pre-accession strategy which has four main features; the European Agreements; a so-called 'structured dialogue'; the implementation of measures listed in the Commission's 1995 White Paper on the measures that the CEECs and the Baltics will have to take to prepare their economies to operate within the EU single market and the PHARE programme.

The White Paper on the single market was nicknamed the 'Wait' paper by those CEECs impatient with the EU's prevarication. The impact of CEEC enlargement on the EU was the subject of several reports presented by the Commission in 1995. Reviews of the common agricultural policy, the structural funds and the Community budget all made the point that extension of the current arrangements to the CEECs was out of the question because of the enormous costs involved and, given that the EU could not just abandon these policies, that long adjustment periods would be therefore required. It was recognition of these realities that led some in 1995 to suggest that the CEECs and the Baltics might be offered partial membership in the immediate future followed by full membership at a later date. The idea was that the applicant states immediately join the CFSP and the Justice and Home Affairs (JHA) pillars but to postpone membership of the EC until suitable adjustments on both sides had been made.

Despite the constant complaints from the CEECs that the EU has been less than generous in its pre-accession strategy (the structured dialogue was described as a structured 'monologue'!) there was some evidence in 1995 that the CEECs were not taking full advantage of the concessions that had been made. In some farm products less than 50 per cent of the quotas granted had been filled with the result that the EU seized the opportunity to reduce by half its planned increase in such quotas. Perversely there was some evidence of goods being traded outside the quotas i.e. being exported to the EU at prices that reflected the full tariffs.

Once the 1996 IGC got under way it was always likely that the CEECs would find the process, with its apparent indifference to their own situation, somewhat frustrating. Despite the efforts of the Irish Presidency to improve the nature of the structured dialogue by making both the structure and the dialogue more effective, CEEC frustration with what was increasingly seen as, a delaying process continued. For instance, growing delays at CEEC-EU frontier crossing points were a source of on-going tension in the meetings of Transport Ministers. The International Road Transport Union was in the forefront of those who complained about the impact of delays on the quality of agricultural cargoes and about the EU's failure to negotiate an extended cabotage regime to include the CEECs. However their problems in getting a hearing were indicative of the forces at play more generally with the EU much more sensitive to the interests of its member states and of producers in particular sectors than those of its consumers or of the CEECs themselves. On a more positive note, the structured dialogues did begin to pay extra attention in 1996 to matters covered by the second and third pillars of the TEU. Many of the EU's CFSP statements were issued in the name of the EU and the CEEC applicants and there was enhanced cooperation on issues such as a political asylum, the fight against organised crime, drug trafficking and other third pillar concerns.

The EU Member States themselves continued to argue about who should be allowed to join first and when they could be admitted. France, despite its symbolic advocacy of Romania and Bulgaria, appeared to be moving closer to the German position (which argued for early entry for Hungary, Poland and the Czech Republic). In October, President Chirac visited Poland and pledged support for early entry.

This support came after a meeting in Warsaw of the so-called 'Weimer triangle' of Germany, Poland and France: a meeting which reinforced the suspicions of other EU Member States that the Franco-German partners intended to develop a privileged relationship with the largest of the EU applicant states. The Nordic EU states, for their part, were anxious to put forward the case for early inclusion of one (probably Estonia), and perhaps all, of the Baltic States.

In May 1996, the Commission presented a well received paper on regional cooperation to the summit meeting of the Council of Baltic Sea States (CBSS) in Visby, attended by four EU states (Denmark, Finland, Germany and Sweden), four EU applicants (Poland, Latvia, Lithuania and Estonia), Iceland, Norway and Russia. The Baltic States also received the somewhat unwelcome support (from the overall EU perspective) of the United States which tended to advocate their EU membership as way of consoling them for not been given early NATO membership.

At the beginning of 1996 the Commission sent all the CEEC applicants detailed 165 page questionnaires to be completed and returned by July. These were supposedly to provide the basis for the individual reports on membership (avis) that the Commission is due to present to the Council once the IGC is concluded in the summer of 1997. Although the CEECs were congratulated on their speed and efficiency in returning these documents, the Commission then expressed concern that the replies revealed serious CEEC deficiencies in areas such as public administration, agricultural reforms, environmental standards and telecommunications. CEEC representatives were perhaps entitled to express surprise that seven years after the Berlin wall fell and as NATO prepared to admit Poland and others to the Alliance, the EU was still busily engaged in creating and examining pre-admission forms!

The PHARE Programme received further criticism in 1996, with complaints from companies about the costs of tendering for contracts and about discrimination (against tenders from companies whose executives were not EU nationals) in allocating funds. More seriously, the European Investment Bank and an influential OECD committee expressed reservations about the amount of PHARE money (75 per cent) that was being channelled via EU consultants operating in the CEECs. They argued that resources should be redirected towards support for seed and development capital and loan guarantee schemes for small and medium size enterprises in the CEECs where growth of small businesses has been faltering since 1994. The Bank for Reconstruction and Development (EBRD) was also criticised for its failure to provide finance to small enterprises involved in projects below 5m ECU.

This paper is being compiled in the Spring of 1997 with the IGC at last showing signs of being brought to a conclusion of sorts. This summer the Commission is scheduled to produce four groups of documents relating to the relationship with the CEECs. Together they have become known as Agenda 2000. They will cover the Commission's individual opinions on each applicant country (the avis), the Commission's view of the impact of enlargement on the EU itself with special reference to the CAP and the Structural funds), the Commission's proposals for the next Budgetary Perspective which should include its enlargement assumptions and a 'document ensemble' which is meant to bring all the various strands together and to form the basis of the Commission's strategic advice to the Council. In the past the Commission's advice on all the matters under review has not been accepted by the Council and it will be interesting to see what survives from this attempt at 'strategic planning'.

What is certain is that to date the EU has not distinguished itself in this area. Although resources have been found for the CEECs they have not been as great as was promised or expected. Promises of market access have been reduced by the demands of sectoral interests and the EU member states. The EU has constantly prevaricated about both the timetable for CEEC enlargement and about the process itself. It still remains unclear whether accession talks will begin with all applicants at the same time and then proceed at differing paces or whether some will begin talks before others who will then have to be compensated for being relegated to the second or third ranks of applicant. Any CEEC representative could be excused for being at best puzzled and at worst dismayed by the failure or inability of the EU member states to use the IGC process to properly prepare the EU for a deepening of its relations with its eastern neighbours. CEEC representatives might also feel that their relative success (with the exception of Bulgaria) in successfully managing the first difficult stages of their transition to democratic market economies has been one of the main reasons for the 'relaxed attitude' of the European Union. Perhaps the EU and its member states have failed to date to produce a coherent strategy for the CEECs because they do not feel that they have ?

Russia and the other former Soviet States

In the late 1980's the EU had already begun a reconsideration of its relationship with the Soviet Union and its client states. This was partly inspired by their reaction to the 1992 programme but was mainly the result of a Soviet desire, evident from 1985 onward, to forge a new relationship with all the potential inhabitants of Mikhail Gorbachev's celebrated 'Common European Home'. The EU, was under pressure from Moscow to consider a framework agreement both with the Soviet Union and Comecon. The EU member states, were, however, divided in their reading of Gorbachev's intentions. Britain in particular, despite Mrs Thatcher's evolving role as an intermediary between Reagan/Bush and Gorbachev, worried that the Soviets were merely pursuing their age old policy of attempting to divide the Atlantic Alliance and detach the West Europeans, in particular West Germany from the US. West Germany was the EC member state which responded most positively to Soviet advances and as a result France demonstrated its traditional concern about a neutralist West Germany 'escaping' from the restraints of the EC and NATO in its search for reunification.

These first signs of division between Britain, France and Germany - the major players in the EU's EPC/CFSP - were to be reinforced by subsequent developments so as to raise significant doubts about the ability of the EU to develop a coherent and substantial policy towards the Soviet Union in the new environment. At the end of 1988 Gorbachev's UN speech, in which he announced major unilateral force cuts, was received cautiously by Mrs Thatcher who urged that it be "kept in perspective" but with enthusiasm by Herr Genscher who argued that the anticipated deployment of short range nuclear weapons by NATO should now be delayed (Genscher was accused of 'renting a room in the common European home before the plans for the building had been drawn up'). The subsequent row primarily between the UK and Germany over this planned deployment was the precursor of much greater differences between the two states (and between them and France which also viewed Germany's enthusiasm with concern) which were to prevent the emergence of a coherent policy towards Moscow. Moreover the row was not confined to the big Three. Whilst British policy reflected American concerns, other EC member states joined the

Germans in questioning whether the new circumstances required new thinking in the West as well as the East. The result was that until the NATO Summit in 1989 the West Europeans were unable to respond collectively because of their particular national fetishes.

The Western failure to respond effectively was essentially a failure of leadership. The newly elected George Bush apparently needed time for thought in early 1989, despite his long association with the White House, and it was not until he completed his post-inaugural contemplation that the West came up with a response. The disappointment was however the failure of the EC member states to fill the vacuum - as they had done in the 1980/81 transition from Carter to Reagan. Thus the Western failure was essentially a European failure once the major criteria for dealing with the Soviet Union became political rather than military. It was surely up to the Europeans to come up with a constructive response to the idea of a 'Common European Home'? However instead it was the Americans, supported by their new 'partners in leadership' in West Germany who pulled the West together by offering the Soviets a response, which many, in hindsight saw as too little too late for Mr Gorbachev.

In April 1989 a political dialogue with the Soviet Union was begun and the EC ambassadors in Moscow started to receive regular briefings from the Soviet Foreign Ministry. We have seen above how the PHARE programme was developed to help the CEECs. Interestingly the three Baltic states were also eventually made a part of the PHARE programme but aid to the rest of the former Soviet states was organised in a different forum known as TACIS (Technical Assistance to the Commonwealth of Independent States). The European Commission did not seek and was not given overall responsibility for managing all G24 aid to the former Soviet states (as a result it is extremely difficult to calculate the exact extent of Western support for Russia as the figures published by the European Commission, the IMF and the national donor governments have proved near impossible to reconcile). If by distinguishing in name and form between aid to the CEECs- who can aspire to membership - and aid to former Soviet states - who can't - the EU was attempting to clarify policy then the inclusion of the Baltic states in the PHARE programme served to confuse the issue. One thing was made clear from the start and that was that the Soviet Union and its successors (other than the Baltics!) would not be considered for EU membership. Commissioner Andriessen stated as much at an EC Foreign Ministers meeting in January 1992 and this view was further endorsed in February by Chancellor Kohl when he suggested that the former Soviet states should develop their own separate unity and form a bridge between Europe and Asia.

Aid both within the PHARE and TACIS programmes is subject to political and economic conditionality which involves a degree of cooperation between the EC and EPC/CFSP processes. The aid process has also highlighted the conflicting economic and political dilemmas that the EU faces in trying to develop a coherent policy whilst trying to balance the political advantages of economic and financial generosity, in the shape of aid, assistance and improved trading terms, with the economic costs both to the governments of EU member states and to industrial and commercial forces within the Community who fear that they will lose out to competition with the East. In terms of Community policy-making this produces a continuous conflict between West European foreign offices and in particular Soviet and former Soviet desks who see the advantages of economic incentives and who work together in the EPC/CFSP process and trade, industry and agricultural ministries who feed into the COREPER/EC process who fear the short term economic consequences - an old dilemma for EC/EPC co-

ordination but a definite obstacle to be overcome if a coherent and effective policy towards the former Soviet Union is to emerge.

The West's approach to German unification further illustrated the divisions within the Community that inhibited the development of a new policy towards the Soviet Union. Britain, whose credibility when it came to defining European interests had been sorely questioned by Mrs Thatcher's activities, seemed to prefer the maintenance of the status quo. After the emergency European Council meeting in Paris, called by President Mitterrand to ensure a European input into the upcoming US-Soviet Summit in Malta, Mrs Thatcher repeated her previous assertion that the question of borders (between East and West Germany) was not on the agenda and that the conduct of European affairs within the NATO/ Warsaw Pact framework had suited Europe well and should be preserved.

This certainly accorded with what the Soviets were saying and served an agreed EU interest in reassuring the Soviets that the West would not take advantage of the changes in Eastern Europe, but it inevitably led to friction with the Germans and with the French who saw further integration as the way of living with German unification if it could not be contained by other means. In Moscow, to the extent that they were of interest, the signals coming from the EU and its member states must have been confusing at the end of 1989 and the beginning of 1990.

Again from the perspective of Moscow, the Western approach to German unification in 1990 would have seemed confused at the EC level but effectively dominated by West Germany and the United States. Whilst Britain and France sought to preserve the status quo with a 4+2 formula designed to reinforce the position of the four occupying powers, the United States was willing to allow the Germans to make their own arrangements (2+4) and it was the United States who orchestrated the NATO Summit in London in June 1990 which came up with enough (a joint peace declaration with the Warsaw Pact, an invitation to Gorbachev to address NATO and the revision of nuclear strategy) to enable Gorbachev - or more importantly his military critics - to live with a united Germany inside NATO. The Ottawa and London meetings were crucial to the eventual German settlement and they both illustrated the continued dominance of, and European dependence on, the US, despite beliefs and aspirations to the contrary, with regard to policy towards the Soviet Union.

Once the question of German unification was settled the Paris summit of the CSCE was convened in November 1990 at which all the participants reconfirmed and developed the principles first established in Helsinki in 1975. There was much optimism that Paris was a major turning point in the evolution of Europe and that the Charter of Paris would form the basis of the new European order. To the extent that the EU had a policy towards the Soviet Union it seemed to be based on the assumption that Mr Gorbachev should be supported with technical and financial assistance (although there was a considerable difference of opinion between Germany and the UK about the scale of that aid) in his continuing bid to reform and democratise the Soviet Union whilst keeping it intact. There was broad agreement that the states of Eastern and Central Europe should be encouraged in their progression towards democracy and market economies without threatening the security of the Soviet Union and that the Soviet Union should be encouraged to constructively participate in the UN and elsewhere towards the construction of a wider world order.

To this end in 1990 the EU had agreed at the Dublin summit in June to draw up proposals for short term credits and long term support for structural reform in the Soviet Union and in December in Rome it was decided to grant food aid of up to ECU 750 million and technical assistance of ECU 400 million. The EU had already, in February of 1990, concluded a 'first generation' trade and cooperation agreement with Moscow which established most favoured nation status for EU-Soviet trade but which left in place a number of quotas restricting Soviet exports of textiles, coal and steel. It also provided a basis for political consultations between the EU and the Soviet Union.

The first indications that the integrity of the Soviet Union itself might be under challenge came with a deterioration of the situation in Lithuania and in March 1990 the Twelve issued a statement calling on both Moscow and Vilnius to engage in an 'open and fair dialogue' and to show maximum restraint in their handling of the situation.

However, the optimism about future dealings with the Soviet Union that was so apparent in Paris at the end of 1990 was soon to be dashed by events in early 1991. A foretaste of the problems that lay in store for Mr Gorbachev within the Soviet Union came with the resignation of his Foreign Minister Eduard Shevardnadze who had expressed concern that Gorbachev might be back-tracking on reforms under pressure from the Soviet military and Communist Party hard-liners (in particular Shevardnadze expressed concern about possible Soviet hesitations over the implementation of the CFE agreements that he had negotiated). This problem of supporting a moderate leader forced to act in an immoderate fashion by hard-line opposition was to arise time and time again in the EU's dealings, first with Gorbachev and the Soviet Union and later with Yeltsin and Russia.

The EU, whilst issuing a statement regretting Shevardnadze's resignation were nevertheless clear that all their eggs were in the Gorbachev basket. This led them to resist the attempts of the Russian President Yeltsin to visit Brussels in his own right. For in backing Gorbachev the EU seemed also, regardless of their sympathy for the stirrings in the Baltics, to be supporting the idea of preserving the integrity of the Soviet Union and resisting the idea that it might itself be split up.

The policy discussed above was immediately challenged in January of 1991 when the situation began to deteriorate in the Baltic States. As Soviet forces were sent into action in Lithuania, the EU called once again for a peaceful dialogue and referred to the 'legitimate aspirations of the Baltic peoples'. Referring to the CSCE obligations, so recently renewed in Paris, and disappointed by a Soviet refusal to allow the CSCE to discuss the situation in the Baltics, the Twelve threatened the withdrawal of the only recently agreed assistance to the Soviet Union. The problem for the EC was that whilst some states emphasised the attack on human rights and the right of self determination, others worried about giving ammunition to the hard-liners and therefore further undermining Gorbachev at a time when the Soviet Union had still to ratify the 2+4 agreements and initiate the agreed process of troop withdrawal from Eastern and Central Europe. This was also a time when the Soviet Union appeared to be contemplating searching for new agreements with the East and Central European states with the idea of creating a buffer to replace the collapsed Warsaw Pact - a buffer which the West saw as potential 'finlandisation'.

Nevertheless the EU did decide to try and exert economic pressure on the Soviet Union over the fate of the Baltic States and froze some

aspects of the Soviet assistance programme. Once referenda had been held in the Baltic States and confirmed the will of the majority to leave the Soviet Union the Twelve repeated their call for a peaceful dialogue and argued that the will of the people could not be disregarded. The Baltic situation raised several problems for the EC 12 in addition to those mentioned above. Whilst the case for supporting Gorbachev seemed sound it was not clear that there was much that the EU could actually do to impact on events inside the Soviet Union. That being the case there was an attraction to emphasising the human rights aspects of the Baltic situation with some states keen to proclaim their support for Universal Self Determination (this was not popular with the Spanish or the Italians for obvious reasons). This idea was not compatible with the continued existence of the Soviet Union. However the real policy debate on this matter seemed to be carried out in the US rather than Europe with some arguing that Gorbachev was a lost cause and others that the memory of the American civil war should lead the US to support the maintenance of the Soviet Union against demands for secession..

When the Baltic states seized the opportunity occasioned by the August coup to declare their independence the Twelve were quick to recognise the 3 new states and soon agreed to their incorporation as beneficiaries of the PHARE programme. As we stated above, despite their status as former Soviet states the Baltic States have effectively been treated by the Community as if they were part of Eastern and Central Europe. This may cause the EU some problems in the future - the success of the nationalists in the December 1993 Russian parliamentary elections led to nervous Baltic requests for full membership of NATO and closer relations with the EU.

The EU's reaction to the events of August 1991, which effectively marked the end of Gorbachev and the beginning of Yeltsin, as well as the beginning of the end of the Soviet Union, was, perhaps understandably, hesitant. Although a meeting of Foreign Ministers was called within hours of the coup's announcement and although action in the form of a suspension of food aid and technical assistance (this action was revoked two days later when the Twelve "learnt of the collapse of the coup with profound relief and satisfaction") was agreed on, the Twelve were clearly uncertain as to whether they should continue to support Gorbachev or seek some sort of accommodation with the coup's instigators. Once Gorbachev was restored it was clear that he had lost all authority to Yeltsin and that therefore the days of the Soviet Union were numbered. Although the Foreign Ministers of the Twelve met during the coup in emergency session and declared their concern both for the unconstitutional act and for the fate of the Baltic States, the major Western actors were the Americans, Germans, British and French and they seemed mainly to talk to each other via Washington.

Once the coup was over and Yeltsin predominant the EU had to face the problem of whether to continue to support the maintenance of the 'Union' or go with the Soviet Republics (it was clear that whatever they chose would make little difference inside the Soviet Union - the problem was to pick winners and the Twelve had already made the mistake of rejecting Yeltsin in favour of Gorbachev).

By the time the break up of the Soviet Union happened at the end of 1991 it was expected and the EU, following a US lead, met twice in December to successfully agree a set of 'Guidelines on the recognition of new States in Eastern Europe and in the Soviet Union'. - the application of these principles eventually to all the

former Soviet states was a lot less painful than their application in the case of the former Yugoslavia, where Germany's unilateral decision to recognise Croatia threw the EC's common stance into chaos. The Twelve worried collectively about the control of nuclear weapons and nuclear expertise in the former Soviet states of Russia, Ukraine, Belarus and Kazakhstan and sought, where possible, to link the prospects for, and content of, any partnership and cooperation agreements with, for instance, the Ukraine, to ratification of the START 1 Treaty and accession to the Non Proliferation Treaty. When the Ukraine did eventually sign its partnership and cooperation agreement concern was also expressed by the EU about the safety of the Chernobyl nuclear plant. A Franco-German initiative sought to use EU leverage and EBRD funds to co-ordinate efforts to decommission the remaining reactors at Chernobyl and to develop safer and alternative energy sources in the Ukraine. Despite the EU's efforts however it has to be said that the major initiatives designed to resolve the 'nuclear problem' in the Ukraine came from the US and culminated in the Clinton brokered deal to remove all former Soviet missiles from Ukrainian territory which President Clinton, President Kravchuk and President Yeltsin signed in Moscow on 14 January 1994

Despite the poor long term investment that unquestioning support for President Gorbachev had proved to be, the EU soon made support for Yeltsin the main guiding principle for its policy towards Russia. The EU produced statements supporting his referendum call in early 1993 as well as his action against the Parliament in the Autumn and the EU generally sought to make concessions in the negotiations over the Partnership and Co-operation Agreement in a bid to bolster President Yeltsin. However when domestic politics were less dramatic in Russia then the EU tended to backtrack or to pursue shorter term objectives. Thus in August, just before the action against the Parliament, the EU sought to restrict aluminium imports from Russia (they had increased 250% between 1989 and 1992), an action which produced a host of complaints from Russia about the Community's general unwillingness to open up markets and treat Russia not as a state trading country but as market economy.

In March of 1993 the Commission was given an enlarged mandate by the Council which introduced the possibility that the Partnership and Co-operation Agreement under negotiation might eventually evolve into a free trade arrangement. This is the economic equivalent of NATO's Partnership for Peace in that it represents a significant blurring of the distinction that had been established between those states with Europe Agreements which could look forward to full membership and those who could not. The idea of a free trade area (which is also to be found in the Agreement with the Ukraine) is similar to the past arrangements between the EC and EFTA and the Russians clearly saw that as a useful and hopeful precedent.

Despite the new mandate, negotiations with Russia slowed as the Copenhagen European Council approached. The Danish Presidency had certainly hoped to round off the European Council with an invitation to Mr Yeltsin to come to Copenhagen for a formal signing ceremony. Sir Leon Brittan appears to have put a stop to this because there were too many outstanding disagreements - about energy prices, the place of human rights, aluminium etc. - which were too serious to paper over. For its part, Russia kept up its demands for similar treatment to the Central and Eastern European states and continued to accuse the Community of erecting 'a new iron curtain' to exclude Russia.

However, once Yeltsin took action against the Parliament and his position again became delicate, the Union and its Member States were

quick to back him with immediate support from Britain, France and Germany, a supportive common position from EPC and EU willingness to once again speed up the negotiations for the Partnership Agreement. In the end Mr Yeltsin did get to visit Brussels (the first Russian leader to do so since Peter the Great!) around the time of the December European Council meeting but only to sign a political declaration not the Agreement he wanted. The Agreement was held up until 1994 by a row over access to Russia for Western banks and the safety of Russian nuclear fuel as well as the aluminium disagreement. President Yeltsin finally signed the Agreement (just a few days after the Ukraine had concluded a similar Agreement) at the June European Council meeting in Corfu, shortly after Russia had become the 21st member of NATO's Partnership for Peace and shortly before he attended the Naples meeting of the G7 - making it the G8 for the first time.. EU leaders would argue that this represented a considerable advance for their declared policy of embracing Russia. Certainly the Partnership Agreement amounts to a major progression in consolidating the growing relationship with Russia.

Already in 1993 Russian exports to the EU accounted for 50% of total exports and with a value of \$17.4bn considerably outweighed imports from the EU valued at \$13.5bn. By this Agreement the EU committed itself to supporting Russian accession to the GATT and the WTO, removing all quotas on Russian exports (except steel and textiles!) and regulating trade up to 1998 when a decision will be taken about embarking on the creation of an even more ambitious free trade area. The combination of this greater objective along with a number of safeguard clauses should mean that the EU will continue to try and continue its present 'stick and carrot' approach in its overall policy towards Russia with an attempt to link trade concessions and offers of aid and credits to the EU's political objectives. The problem that remains is the inability of the EU member states to be that clear about specific as opposed to general political objectives.

Ever since the break up of the Soviet Union the EU Twelve have produced common positions on the numerous conflicts that have broken out within and between the Newly Independent States of the former Soviet Union. The EU has shared with the United States the dilemma of reconciling a desire to support President Yeltsin, especially against the demands of the extreme nationalists headed by Vladimir Zhirinovskiy, with a reluctance to give Russia carte blanche in an area that it would like to feel came within its special interest. In the United States Russia's growing diplomatic assertiveness from Bosnia to the Gulf to North Korea as well as with regard to the 'near abroad' lead to a major challenge to Clinton's 'Russia first' policy from the Republican Party and from powerful individuals such as Henry Kissinger and Zbig Brezinzski. In Washington there was a confused, often ill-informed but very public debate about how best to deal with Russia. it is not possible to record or report on such a debate in European Union policy circles even though developments were obviously being closely monitored in national foreign offices.

Over the past few years Russia has had cause to intervene in disputes in Ngorno-Karabakh, Georgia, Moldova, Tadijstan and it has been involved in serious disputes with the Ukraine, Belarus and Kazakhstan. The response of the EU to what might be seen as a re-assertion of Russian influence over the territory of the former Soviet Union, has been to issue a number of statements, all of which refer to CSCE principles, regret the use of force but are usually supportive of Russian attempts to intervene and keep the peace. The net result is a policy which seems to accept, even welcome, a growing Russian influence over the former Soviet States. Having drawn an implicit distinction between those states that can aspire to EU

membership and those who can not, the EU, and especially Germany, has an interest in the maintenance of both political and economic stability in the former Soviet states. Given the unwillingness of the EU to undertake peacekeeping activities or to contemplate the stronger economic links provided by full membership it may well be a rational policy to promote the further enhancement of the CIS and the legitimisation of Russian peacekeeping activity.

Some might argue that this is happening already whether the EU likes it or not. Russia has already won approval, at a CIS summit chaired by President Yeltsin, for its role as peace-keeper and border guard. The Central Asian states as well as Georgia and Armenia agreed formally that Russian troops should police their borders together with their own forces and Ukraine and Moldova signed a memorandum which went in the same direction. Furthermore in recent elections pro-Russian leaders have been elected in both Ukraine and Belarus. Russia's consistently stated desire to create a European security system based on the CSCE but with NATO and the CIS mandated by a ten state ruling CSCE Committee to police their respective 'spheres of influence' is a clear threat to NATO/EU domination of European security arrangements.

EU governments are already beginning to feel the influence of Russia in the 'near abroad' as they are forced to listen to the complaints of their businessmen about Russian interference in the deals that they are seeking with the former Soviet states. For example in Azerbaijan, where BP has been leading a consortium of Western oil companies anxious to exploit the large oil reserves in the Caspian sea, Russia has stepped in and insisted that in return for assistance over the war with Armenia in Ngorno-Karabakh, Lukoil, the Russian state oil company be cut in on the deal with a 10% stake.

Whilst the growth of Russian influence in the 'near abroad' is probably inevitable, the way that influence is exercised is still to be determined and the EU obviously has an interest in a CIS built as much as possible on voluntary co-operation. Mr Sergia Karaganov, deputy head of Moscow's European Institute and a Yeltsin foreign policy advisor has recently argued that "Russia faces a choice: that between the recreation of a Union and the imposition of an empire". The EU is clearly opposed to the latter but its interest in the former has yet to be made clear.

1995 proved to be a difficult year in the evolution of the EU-Russian relationship, with the EU anxious not to isolate Russia but keen also to send warning messages after Russia's violent intervention in the dispute in Chechnya. Negotiations for an interim trade accord - part of the 1994 partnership and cooperation agreement - were suspended until July, when an agreement was signed, as a direct result of the war in Chechnya. Russia for its part accused the EU of delaying this agreement for protectionist reasons. It was certainly the case that, while the Scandinavian Member States urged caution in dealing with Russia and Britain and Germany pushed for an early agreement for security reasons, France and Belgium voiced mainly commercial concerns about the planned accord.

The EU decision to resume and conclude trade negotiations in July was made conditional on Russian acceptance of OSCE observers in Chechnya, but was also influenced by concern at Russia's adverse reaction to EU and NATO enlargement plans which did not include Russia as well as to Nato's bombing of Serbian positions in Bosnia. Completion of an interim trade accord and the promise of consideration of a free trade area in 1998, along with an extended political dialogue, were seen as ways of reassuring Russia and propping up Mr Yeltsin. in the face of

a nationalist backlash. To this end an EU-Russia Summit was held in September at which Mr Santer talked of building a 'real partnership'.

In 1995 the EU signed partnership and cooperation agreements with Kyrgyzstan, Belarus and Kazakstan, initialed similar agreements with Georgia, Armenia and Azerbaijan and opened negotiations with Uzbekistan. In October the EU extended 200 million ECU in balance of payments assistance to Ukraine but linked this to Ukrainian adherence to an agreed timetable for closing the Chernobyl nuclear power station. Within the EU dissent was expressed mainly by the Spanish Presidency about the way that contracts under the TACIS scheme were awarded. Spain and one or two other states felt that too many of the contracts were awarded, under conditions that were less than transparent, to Britain, France and Germany. This is not the first time that TACIS money has come under critical scrutiny but the Commission claims that its management procedures have been modified in response to earlier criticism from the Court of Auditors.

The Russian presidential election of 1996, in which Boris Yeltsin was re-elected despite his ill health, ensured a high degree of EU sensitivity to Russian concerns in the early part of the year. Just as concerns about Chechnya were played down in the CFSP so the European Commission decided to postpone a planned business promotion to the southern republics of the former Soviet Union. It was feared that the 100 truck convoy, which was planning to visit Georgia, Armenia, Azerbaijan, Turkmenistan, Uzbekistan, Krygyzstan and Kazakstan, might upset Russia by emphasising these states direct links with the EU at a time when Russia was seeking to reassert its own influence in the area.

Nevertheless the EU was able to continue its development of formal links with the states of the former Soviet Union. An interim trade accord with Russia (designed to bring into immediate effect some of the provisions of the 1994 Partnership and Cooperation Agreement) was signed in February and an Action Plan for Russia was adopted in May. Despite this progress, the EU was disappointed by several Russian trade developments that it saw as being opposed to the spirit of the trade accord.

The EU's dealings with the Ukraine paralleled those with Russia in that an interim trade accord was signed and was then followed up with a Commission Action Plan. Partnership and Cooperation Agreements with Azerbaijan, Uzbekistan, Georgia and Armenia were all concluded in 1996, along with interim trade accords for these states as well as for Kyrgystan and Kazakstan.

The EU's assistance programme for the New Independent States and Mongolia (TACIS) was critically reviewed by the EP which was, concerned about democratic lapses in some of the recipient states. The programme received further adverse publicity when Michael Emerson, the EU's former envoy to Moscow , sought early retirement amidst allegations of misuse of TACIS funds. In June, the Council adopted a new regulation providing a TACIS financial package of 2.224m ECU for the period 1996 to 1999. In response to earlier criticisms of the programme, the regulation provided for greater transparency, less bureaucracy and a stiffening of the political conditions attached to TACIS aid. It also sought to encourage cross-border infrastructure projects between the former Soviet states as well as between Russia and Finland and between the former Soviet states and the CEECs.

This year relations between Russia and the EU have been overshadowed by the determination of the US to broker a deal that will enable the

Russians to accept the enlargement of NATO. To this extent the relationships between the EU and the former Soviet states have been sidelined somewhat with the US increasingly perceiving the EU as a tool to be used in its own design for a new European order - the suggestion that the EU 'hurry up' its inclusion of the Baltic States in order to soften the blow of their exclusion from the first wave of NATO enlargement is a classic example of this tendency (as is the US enthusiasm for a more sympathetic EU consideration of the position of Turkey.)

Conclusions: The EU policies and new divides in Europe

It is the main contention of this paper that the EU has failed to produce a clear and coherent policy for either the CEECs or Russia and the other former Soviet states. In the case of the former Soviet Union it may well be the case that the member states have drawn the correct conclusion that they can have little impact on political developments and so the less said the better but it may also be the case that the EU, as with its policy towards the CEECs is fatally handicapped by its complex procedures and the parallel existence of diverging national foreign policies? Was it not unfortunate that in 1993 when President Yeltsin faced his problems, the US could deliver a new but still authoritative President for a Clinton-Yeltsin summit whilst the best that the European could manage were meetings with the Danish and Belgian presidencies? Is it not inevitable that the EU will always fail to deliver a 'strategic vision' because there is no central focus for a debate on policy towards either Russia or the CEECs such as has been clearly and publicly going on in Washington since the middle of 1994..

Some would argue that a coherent EU policy is incompatible with the continued pursuit, organisation and implementation of national foreign policies. Despite the new CFSP arrangements and further attempts to ensure 'consistency' in external policies there remains a tendency for EU trade and aid policies to always revert in practice to the lowest common denominator and to stances primarily designed to protect short term interests. The problem with developing an EU policy towards Russia and its neighbours is that it involves long term thinking and probably the acceptance of short term economic costs for long term political gains. At present policy is being made as much by default as design. To the extent that the EU has been forced to clarify its intentions vis-a-vis the Central and Eastern European states it has also been transmitting messages to Moscow and the capitals of those other states that would appear to be excluded from contemplating eventual EU membership. To the extent that the EU responds to Russian pressure it increases the angst of the CEECs.

The danger for the EU is that for some member states, in particular Germany, the development of a coherent policy, supported by the considerable resources of the EU is a matter of some urgency. If the EU is not able to raise its head above internal squabbles over voting rights in the Council or the portfolios of Commissioners or the next IGC in 1996 then Germany will be forced to increasingly make its own arrangements with Russia and its neighbours. As one seasoned commentator on European affairs has recently written " Russia is the really big issue facing Western Europe and it demands a European strategy. But Europeans are doing what they have done for 50 years: hoping the Americans will take care of it.

This paper has claimed that the EU, with its incremental, short term, prevaricating and occasionally contradictory policies towards the CEECs and the Former Soviet states, has failed to produce a strategic response to the new situation in Europe and that it has failed to

play the role that it and others anticipated in the construction of the new European order. The title of the paper also suggested that the policies of the EU have played their part in the creation or highlighting of new divides in Europe. Drawing on some of the empirical material presented in this paper three such divides can be identified.

- the policies of the EU have given rise to a clear distinction between those European states which are to be eventually included in the European Union and those who are not destined for eventual membership. This new divide was in effect created early on when the EU distinguished between those states that would receive PHARE funding and those that would receive TACIS funding. All those who received PHARE aid went on to get Europe Agreements and the promise of membership. All those who received TACIS aid got Partnership and Cooperation Agreements and no promise of membership. The EU drew a line but did not appear to seriously contemplate the effect on the European order of its decisions. Inevitably, those states that were not included were excluded; they became destined to remain essential participants in the European order but not in the EU and so the aspiration to equate the EU order with the wider European order was forsaken. Admittedly the EU has done its best to blur this harsh reality with its promises of free trade arrangements for non members in the future but the divide is a real one that can not be ignored. The EU has made far less progress than NATO in recent years in seeking to manage relations its with both the included and the excluded
- although the EU with its 'structured dialogue' has sought to encourage cooperation within the CEEC/Baltic bloc of applicant states, its policies have inevitably pitted members of the bloc against one another. They have been forced to compete with one another for the EU's attention, aid and investment and for a better access to the EU market for their specific products. EU prevarication about the timing and nature of the next enlargement has forced each applicant. to seek special partners and advocates within the EU. Most CEEC/Baltic applicants are concerned about the lessons that can be drawn from the Mediterranean enlargements of the 1980s when a staged enlargement lead to Greece gaining admission and then making things very difficult from within the EU for the Spanish and Portuguese applications. Romanians and Bulgarians (and more recently Slovaks) have good reason to fear the Poles, Hungarians and Czechs should they enter the EU first. EU generated divisions are less apparent amongst the former Soviet states although there are plenty of other forces potentially threatening the unity of the CIS. If anything the EU has encouraged a degree of re-integration in the Former Soviet Union as the 'excluded' look to one another for mutual comfort, reassurance and bargaining power but this merely serves to put further emphasis on the divide between the Former Soviet states (excluding the Baltics and the rest.
- finally, and most significantly, the EU's development policies towards its eastern neighbours have created and highlighted a number of internal divisions - some would argue to such an extent that the 'safety' of the EU regime itself can no longer be taken for granted. The EU has been, and to a certain extent, still is divided between those who advocate deepening over widening, those who advocate widening over deepening and those who believe that the two are interdependent and compatible with one another. The development of the East potentially divides the EU into those member states who favour this and those who favour greater

attention to the Mediterranean area (a potential North-South divide within the EU). The EU is divided between those who would Assist the East's development by increasing direct aid and those who would prefer to concentrate on granting eastern access to the present EU market. Whilst most member states and all EU institutions accept that a fundamental reform of the EU's institutions and substantive policies is required of the CEECs and the Baltic states are to be admitted there is no consensus on how these reforms should be planned or implemented. In this debate the small states are increasingly being set against the large as the large express concern about the growing predominance of the small. Supporters and beneficiaries of the CAP and the Structural Funds are set against those who have always wanted to change these policies and who are keen to utilise the enlargement imperatives to this end.

The EU's development policies towards both the CEECs and the Former Soviet states have not as yet formed the basis for a stable order in the new Europe. That the order is itself relatively stable can be better explained by the policies and gradual re engagement of the United States. At the end of the cold war many hoped that Europe was now free of both divisions and potential hegemonial control. The EU has played its part in the creation of some new divisions in Europe but it show no sign of exerting hegemonial control over the evolving European order. Despite much angst and the investment of considerable resources the EU remains as much a product of its environment as a shaper of that environment.