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An International Political Economy Approach to the Neighbourhood Policy. The ENP from the Enlargement and the Mediterranean Perspectives

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Abstract

Scholars have widely used the enlargement process as a foil for assessing both the nature and the potential influence of the ENP. In this paper, I attempt to show that the ENP-enlargement comparison is flawed by the fact that the two policies pursue different finalité – association and integration respectively. The paper then privileges the comparison with the Euro-Mediterranean policy. Drawing on the ENP-EMP comparison, the paper argues that the ENP marks the shift away from policy-change to policy-level. Two implications are drawn from this finding. The first is substantive in that it points to a pragmatic international role for the EU. The second is methodological in that I argue that adopting an IPE approach to the study of the ENP bears important analytic advantages.

Keywords: *ENP; EMP; enlargement; differentiation; policy-level.*

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1. Introduction

In March 2003, the European Commission went public with an initiative – which is now well-known as the European Neighbourhood Policy (ENP) – whose aim is the creation of a "friendly neighbourhood". That is, the ENP aims at establishing "an area of shared prosperity and values based on deeper economic integration, intensified political and cultural relations, enhanced cross-border cooperation and shared responsibility for conflict prevention between the EU and its neighbours" (Commission 2003: 9). The *rationale* behind the initiative is clearly rooted in the enlargement process. Indeed, the ENP official documents spell out the link between the accession of new members and the need to strengthen EU-neighbours relationship.

The close connection between the ENP and the EU enlargement – whereas the former is a sort of outcome of the latter – has pushed the most part of commentators to analyse the neighbourhood policy against the model of the enlargement policy. The ENP-enlargement comparison has led to some interesting insights. For instance, it has allowed scholars to appreciate the decisive influence of DG enlargement officials in drafting the new policy (Kelley 2006) or to investigate the ambiguity of EU identity (Smith 2005). Nevertheless, the comparison is problematic in two respects. First, the comparison is based on a mistaken understanding of the *finalité* of the two initiatives. Whereas the enlargement pursues the objective of integrating other states into the Union, the ENP pursues the objective of associating and stabilizing partner states (Missiroli 2003). Second, not only is the comparison with the enlargement analytically questionable. The policy implications drawn from the comparison are problematic either. Indeed, a number of scholars have argued that the new policy is unlikely to work because of the lack of the membership incentive – the 'insufficient incentives' argument. Nevertheless, as I show at greater length below, there is no strong evidence to lend support to this argument.

Moving from the ENP-enlargement comparison, in this paper, I single out the main features of the neighbourhood policy by way of comparison with another neighbourhood policy, namely the Euro-Mediterranean Partnership (EMP). By doing so, I argue that we can

better appreciate the elements of continuities/discontinuities in the relationship between the EU and its neighbours and we can better assess the implications of a policy designed to associate and not to integrate.

Sketching the ENP-EMP comparison, I draw attention to the principle of differentiation that appears in the documents of the ENP but it does not in those of the EMP. Furthermore, borrowing from the debate on international financial institutions' (IFIs) conditionality, I argue that the ENP marks the shift from the logic of *policy-change*, according to which EU-neighbours relationship is a function of policy changes implemented by the neighbour country, to the logic of *policy-level*, according to which the level of institutional and political capacity of the neighbour country shapes the nature of its relationship with the EU. Two implications are drawn from my argument. The first is a reassessment of the 'insufficient incentives' argument. I critically engage with the argument that the ENP's lack of membership seriously impairs the potential influence of the neighbourhood policy. Second, I suggest that adopting a political economy approach to the study of the ENP may help take in due consideration the complex interrelationship between international and domestic variables that shape the extent of EU's influence over its partners.

The paper is organized as follows. In the next section, I review the literature on the ENP – the way in which scholars have used the enlargement to identify the main features of the ENP and to assess its potential effectiveness. After having questioned the ENP-enlargement comparison, in the third section, I introduce the EMP and I proceed by comparison to the analysis of the ENP. In particular, special attention is devoted to the principle of differentiation and the shift from *policy-change* to *policy-level*. In the fourth section, I elaborate on the two implications that follow from the analysis of the EMP-ENP comparison. Section five concludes.

2. Studying the ENP at the shadow of enlargement

The launch of the ENP has catalysed considerable scholars' and practitioners' attention. Being inscribed in the wider context of

European Foreign Policy (EFP), the study of the ENP has mainly been informed by two sets of questions. The first set of questions investigates the rationale behind the choice to open EU frontiers to cross-border flows of goods, service, capital, and people. Openness is the dependent variable and a range of explanatory factors have been suggested to account for it. For instance, from the EU Commission's functionalist perspective, 'interdependence' between the EU and its neighbours justifies closer cooperation. Scholars with a realist bent argue that openness is a function of power politics in that the EU shapes "its 'near abroad' in ways amenable to the long-term strategic and economic interests of its member states" (Hyde-Price 2006: 226-227). Finally, constructivists emphasise the importance of norms and role conceptions to make sense of EU relationship with its neighbourhood (Del Sarto 2006).[1]

The second set of questions investigates the relative weight of factors that have contributed to shape the neighbourhood policy. Here, the ENP policy is the dependent variable – the outcome to be explained. Drawing on this governance approach, the ENP has been explained through factors as new member states' influence in drafting the policy (Lynch 2003); "perceptions of interdependence and institutional roles and capacities" (Lavenex 2004: 681); EU institutional actors and EU past experiences / policies (Kelley 2006). One of the common features of this literature is that most of these contributions implicitly or explicitly rely on the comparison with the enlargement policy to draw conclusions both about the nature of the ENP and about its potential effects. That is, the enlargement process is regarded as the reference point, the standard, against which to assess the policy and its potential achievements. For instance, "there is clearly optimism that the better reference point for the new neighbourhood policy will be enlargement and not the past plethora of other EU democracy promotion efforts" (Kelley 2006: 41).

However, I found the comparison between the neighbourhood and the enlargement policy problematic and, in the consequences derived from it, even mistaken. The problem with this comparison lies

[1] For warrant of space, the literature presented here is necessarily selective and simplified. In particular, it does not do justice of more nuanced and sophisticated accounts available in the literature

in the fact that it overlooks a crucial difference between the two policies. Whereas the enlargement's goal is integration with the Union, the neighbourhood's goal is association with the Union. Specifically, the latter aims at "fostering regional cooperation and broad partnerships" while the former aims at "bringing neighbourhood countries into the EU through a bilateral approach based on strict conditionality" (Missiroli 2003: 10).

That the ENP does not pursue integration has led some scholars to label the ENP as an "exclusionary" policy (Bretherton, Vogler 2006). A normative assessment of the ENP goes beyond the scope of this article. What is worth stressing here, though, is that a different logic underlies the two policies thus rendering the comparison questionable. This is especially evident if we review the main implication drawn from the ENP-enlargement comparison about the potential effectiveness of the ENP,[2] specifically, the argument that the ENP lacks sufficient, appropriate, incentives to promote change in the domestic political and economic systems of its neighbours (Balfour, Rotta 2005; Del Sarto, Schumacher 2005; Grabbe 2004; Lavenex 2004; Tocci 2005).[3] Indeed, a closer look at the 'insufficient incentives' argument reveals that such scepticism is vitiated by the comparison with the enlargement policy.

For instance, Kelley's (2006) explanation of why ENP incentives are insufficient – especially in fostering human rights and democracy – is clearly modelled on the enlargement experience in that the author posits that ENP countries start from lower levels as compared to 1993 accession countries. In a similar vein, Karen Smith (2005) posits that the ENP is not likely to solve EU problems with its neighbours because, among other reasons, the ENP does not

[2] The term "effectiveness" is problematic on its own. In particular, an empirical measure of what effectiveness implies is a matter of debate (Levy, Young, Zürn 1995). Without entering into the theoretical debate, in this paper, I am going to use terms such as EU effectiveness or influence simply to indicate the range of domestic transformations that occur in the partner countries and that can be associated with EU leverage and incentives.

[3] The incentives offered in the ENP include: the offer of integration into the EU's Internal Market; an intensified political cooperation; reduction of trade barriers and financial support; and technical and scientific cooperation.

eliminate the "ghost" of enlargement. The upshot of these considerations is that lacking membership the ENP is unlikely to work.

The problem in these arguments is that they apply the logic of integration that underlies the enlargement experience to a different context, forcing the insights drawn from the enlargement experience. If it is widely recognized that "The EU's most effective conditionality tool so far has been access to candidate status" (Grabbe 2002: 256), this insight has been widely elaborated and tested for countries involved in accession negotiations. I mean that this insight tells us that, weighting different incentives offered during the enlargement negotiations, membership – and not "aid, trade, and other benefits" (Grabbe 2002: 256) – carries the most causal explanatory value. Extending this insight to countries that are not offered the same range of incentives, however, may be misleading.

Hence, underestimating the different *finalité* of the two policies is not only analytically questionable. The empirical implications drawn from it – i.e. the "insufficient incentive" argument – are problematic either. Sticking to the comparison with the enlargement, indeed, obscures the operation of mechanisms different from the "strategy of reinforcement by reward, under which the EU provides external incentives for a target government to comply with its conditions" (Schimmelfennig, Sedelmeier 2004: 662). In order to appreciate and identify these different mechanisms at play in the ENP, in what follows I propose to compare the neighbourhood policy with a European policy with which the ENP shares the same *finalité*: The Euro-Mediterranean Partnership (EMP). Focusing on the ENP-EMP comparison, I bring into sharp relief the innovative features of the ENP, such as the principle of differentiation, and their bearings on the transformative influence of the EU in its neighbourhood.

It is worth stressing at this point that the principle of differentiation was not totally absent in the EU enlargement policy – in contrast, it was incorporated into the enlargement toolkit to complement its approach based on conditionality.[4] Nevertheless, even if the principle

[4] I thank Laure Delcour and Elsa Tulmets for having drawn my attention to the influence of the enlargement legacy on the ENP.

of differentiation is coloured by previous policy ideas and instruments, the salience attributed to it in the ENP calls for moving beyond the theoretical and empirical insights drawn from the enlargement experience (Tulmets, 2006).

3. The Euro-Mediterranean Partnership and the European Neighbourhood Policy

What are the main features of the European Neighbourhood policy as compared to a similar neighbourhood policy, that is, the Euro-Mediterranean Partnership? The two policies are similar in important respects. Both policies aim at creating a zone of peace and prosperity that include the Union and its partners. Both initiatives adopt a similar set of incentives that place the greatest emphasis on political dialogue, trade, and technical cooperation. The EU Commission's treatment of the interaction between the two policies further reveals the similarities between the two. Keeping in mind that the ENP followed the EMP and that the latter is more limited in geographical scope than its ENP counterpart, the Commission has clearly stated that the ENP does not replace the EMP. Rather, the two policies complement each other.[5]

Despite the similarities, the two initiatives differ in an important respect. The Euro-Med policy is informed by the notion of regionalism which is not replicated in the ENP. While the EMP emphasises "multilateralism" as the "prevalent" approach (Commission 2000: 15), which is also reflected in the EMP multilateral fora, the neighbourhood policy emphasises the principle of differentiation – according to which the level of cooperation and association with the Union is a function of bilateral relationships between the Union and each neighbour. Before thoroughly investigating the functioning and the implication of the principle of differentiation, an exposition of moderate length is required to bring into sharp relief the features of the EMP-ENP.

[5] An analysis of the consequences for the Euro-Med Partnership that derive from the adoption of the ENP is beyond the scope of this article. For an assessment see Del Sarto, Schumacher 2005.

3.1 The principle of differentiation. Shifting from Policy Change to Policy Level

The EU and the Mediterranean

The Euro-Mediterranean Partnership was launched in November 1995 when the Union and 12 Mediterranean countries signed the Barcelona Declaration (for the origins of the EMP, see Bicchi 2003).[6] The aim of the initiative was to establish "an area of dialogue, exchange and cooperation guaranteeing peace, stability and prosperity" (Barcelona Declaration 1995). While the Declaration details the principles and objectives of the Euro-Med Partnership, the annexed work programme details the instruments – bilateral, "regional and multilateral actions" – through which the Declaration is going to be implemented. Furthermore, three areas of cooperation are identified (1) a political and security partnership; (2) an economic and financial partnership; (3) a partnership in social, cultural and human affairs.

A number of scholars have drawn attention to the distinctive features of the EMP (see, for instance, the contributions in Gillespie 1997). Some scholars have drawn attention to the complementarity among the three pillars that constitute the partnership (Philippart 2003). Others have focused on a specific pillar (Schumacher 2005). For the purpose of my analysis, however, I am going to concentrate on a specific feature of the EMP, that is, its regional dimension (Adler 1998: 189; Attinà 2003).

Indeed, the principles of the Barcelona Declaration place the emphasis on a "multilateral framework" as the mechanism that complements the bilateral relationship between the EU and each Mediterranean partner – the Euro-Mediterranean Association Agreements.[7] The latter are inscribed within the multilateral framework

[6] Two of the original partners – Cyprus and Malta – are now EU members. The 10 Mediterranean partners are Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria, Tunisia and Turkey. Libya has observer status since 1999.

[7] By October 2004, after the conclusion of the Agreement with Syria, the grid of the Euro-Med agreements has been completed. An overview of these agreements

provided by the EMP. In sum, the bilateral dimension is an integral part of the regional dimension set forth in the Barcelona Declaration. This is evident in the institutional configuration of the Partnership where specific bodies have been set as a guarantee of the initiative's regional dimension.

According to the official EU website, the Euro-Mediterranean Committee for the Barcelona Process was set up to serve as "an overall steering body for the regional process".[8] The committee, which is chaired by the EU Presidency, consists of the EU Member States, Mediterranean Partners, and European Commission representatives. Participation of a representative from each partner country is also assured in the Euro-Mediterranean conferences that take place at the level of Foreign Ministers, sectoral Ministers, experts, and representatives of civil society. The institutional scheme of the EMP also includes the periodical meetings among European and Mediterranean ministers, and the Euro-Mediterranean Parliamentary Assembly, established in December 2003 (for a more detailed analysis of the EMP institutional framework, see Philippart 2003).

Turning to the analysis of the ENP, it is possible to detect a sort of decoupling between the regional and the bilateral dimension that has marked the EU Mediterranean experience. The ENP does not mandate the creation of regional bodies (Smith 2005: 772). Furthermore, its logic of functioning is different. Let us turn then to the European neighbourhood policy to substantiate this point.

The EU and the neighbourhood: differentiation and policy-level

The content of the ENP has been made public in March 2003 with the release of the Communication "Wider Europe" (Commission 2003).[9] In this document, the Commission provides the first details of a policy whose aim is "to work with the partners to reduce poverty and create an area of shared prosperity and values based on

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is available from: http://ec.europa.eu/comm/external_relations/euromed/med_ass_agreemnts.htm

[8] http://ec.europa.eu/comm/external_relations/euromed/multilateral_relations.htm

[9] ENP partners are Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestinian Authority, Syria, Tunisia, and Ukraine.

deeper economic integration, intensified political and cultural relations, enhanced cross-border cooperation and shared responsibility for conflict prevention between the EU and its neighbours" (Commission 2003: 9).[10]

Keeping the EMP in mind, the overall goal of the ENP does not significantly differ from the previous Mediterranean Partnership. Both initiatives privilege a complementary approach that encompasses political, economic, and cultural cooperation. Turning to the means through which these goals should be attained no significant difference emerge either. Political dialogue and economic cooperation constitute the building blocks of the relationship between the Union and its partners in both initiatives. Countries are encouraged to sign bilateral agreements with the Union (i.e. Action Plans) that specify the content and the extent of the relationship with the EU, in a similar way as the Euro-Mediterranean Association Agreements do.

Despite the similarities, a closer inspection reveals an important difference between the ENP and the EMP. This difference pertains neither to the overall goals pursued by the two policies nor to the means used to attain those goals. Rather, the difference regards the logic of functioning that lies behind the neighbourhood policy. This difference is embodied in the principle of differentiation.[11]

A reading of the ENP documents shows that the EU Commission recognizes that its neighbourhood is made up of "different countries". Some countries are already longstanding partners (e.g. the Mediterranean countries). Others enjoy less developed channels of

[10] Since March 2003, a considerable number of EU Commission communications, EU Council conclusions, and Action Plans signed with neighbouring countries have refined the content of the ENP. Among the changes introduced over time, it is worth mentioning the extension of the ENP to the Caucuses countries (Armenia, Azerbaijan, and Georgia) and the adjustment of the set of incentives offered to the neighbours – with the drop of the offer of the free movement of people (Commission 2004).

[11] For warrant of space, another interesting difference will not be analysed here – i.e. the more active role the Union claims for itself in preventing and solving conflicts in the neighbourhood as compared to its role in the EMP. For the treatment of the issue see Moschella (2004) and Schumacher (2004).

cooperation with the Union. Furthermore, income differences, as well as other general economic differences, across the neighbourhood are noticeably acknowledged.[12] Drawing on these premises, the Commission draws the logic of functioning of the neighbourhood policy as follows:

> "While the EU should aim to ensure a more coherent approach, offering the same opportunities across the wider neighbourhood, and asking in return the same standards of behaviour from each of our neighbours, differentiation between countries would remain the basis for the new neighbourhood policy. The overall goal will be to work with partner countries to foster the political and economic reform process, promote closer economic integration and sustainable development and provide political support and assistance" (Commission 2003: 16)

What does exactly the principle of differentiation entail? The principle of differentiation claims that each partner decides the degree of association with the Union based on its institutional and political capabilities. This principle will be implemented by means of Action Plans – i.e. political documents that detail the overarching strategic policy targets negotiated between the Union and each partner. Based on hub-and-spoke relationships (Emerson 2003), the ENP has been redefined as "a policy for neighbours rather than a neighbourhood policy" (Smith 2005: 771).

The ENP documents further specify the mechanism through which the process of economic association with the EU will operate.

> "In return for concrete progress demonstrating shared values and effective implementation of political, economic and institutional reforms, including in aligning legislation with the *acquis*, the EU's neighbourhood should benefit from the prospect of closer economic integration with the EU" (Commission 2003: 4).

The language here appears to point to the mechanism of the "strategy of reinforcement by reward" (Schimmelfennig, Sedelmeier 2004). Nevertheless, a closer inspection reveals a different mechanism. Specifically, it is the mechanism of the conditionality of *pol-*

[12] This is not to say that the Union was previously unaware of these differences. The point I am making here is that such awareness has produced a different logic in the ENP.

icy-level – aid is conditional upon the level of each partners' institutional and political capacity – and not the conditionality of *policy-change* – aid is provided on the condition to change a set of domestic policies (Collier 2000). In other words, the nature and scope of the relationship between the EU and its partners is not conditional upon the ultimate achievement of specific reforms. Rather, the content of the relationship is made conditional upon the level of institutional and political capacity of each partner thereby suggesting "a policy with variable geometry" (Tulmets 2006).

The words partnership and national ownership, then, are put front and centre. "The EU […] should stand ready to work in close partnership with the neighbouring countries who wish to implement further reforms and assist in building their capacity to align with and implement parts of the acquis communautaire" (Commission 2003: 10) The EU Commission (2003: 16) also carefully distinguishes the process of monitoring the benchmarks included in the Action Plans from " 'traditional' conditionality […], in order to ensure national ownership and commitment". Furthermore, the strategy paper released in 2004 states that: "[T]he EU does not seek to impose priorities or conditions on its partners" (Commission 2004: 8).

The principle of differentiation thus marks the shift away from conditionality, which is the conventional feature in many instances of EU's external relationships (Smith 1998), to partnership. This shift has deepened over time. Comparing the EU Commission documents in 2003 and 2004, for instance, Kelley (2006: 36) notes that, "while the Commission's 'Wider Europe' communication [2003] used the word 'benchmark' or 'target' 14 times, sometimes in bold typeface, the strategy paper [2004] uses each of these words only once, but mentions 'incentive', a softer concept, more frequently".

4. The policy implications of the ENP

Is the ENP likely to work? This is one of the most debated issues about the ENP. As I said in the first section, however, this question is usually posed against the model of the enlargement process. In other words, the complete version of the above question reads, Is the ENP likely to work in the absence of membership incentive?

Since I have already pointed to the flaws inherent in the comparison between the ENP and enlargement, I am not going to assess the implications of the lack of membership for a policy in which membership is not officially at stake. Rather, after having identified the main features of the ENP, and in order to assess the policy for what it is and not for what it should be, I am more interested here to assess the implications of the ENP's extant features. Specifically, I am interested in investigating the potentials of the logic of differentiation in inducing policy changes.

4.1 Is differentiation likely to work?

A premise is important here. The results of the ENP are not yet available – the ENP is a relatively new policy and it will take a couple of years to assess the impact of the Action Plans in the domestic policies of the neighbouring countries. In order to assess the potential impact of the ENP, I find expedient to proceed by comparison. As a starting point, I will thereby proceed on the track of the comparison with the EMP.

What lessons can we draw from the experience of the Euro-Mediterranean partnership that are relevant to the ENP? In terms of policy changes, the record is mixed in some areas (for an assessment of the economic partnership Nsouli 2006; for a more general assessment Philippart 2003; Schumacher 2004) and limited in others – the area of human rights and democracy is a case in point (Biscop 2005; Gillespie, Youngs 2002). Karen Smith (2005: 770) critically notes that "around the Mediterranean, the EU's attempts to influence politics seem […] ineffectual". Among other factors, she points to the non-application of political conditionality to account for the limited effect of EU influence in the region. We could guess that had conditionality been applied, EU influence would have been greater. The problem, however, is that the EU has been traditionally reluctant to apply conditionality. Karen Smith (1998) herself identifies a number of reasons for EU reluctance. For instance, the use of conditionality has been prevented by the fear of exacerbating the conditions that feed terrorist acts. Alternatively, commercial interests and historical ties with specific countries have prevented the use of conditionality. Algeria stands as a powerful example. "Even though elections were cancelled in Algeria in January 1992, the

Community and Member States only expressed concerns about the developments, and took no punitive action" (Smith 1998: 272). In general, it has been acknowledged that the methodology of the Euro-Mediterranean conditionality in supporting social and economic rights has been at best "uncertain" (Schmid 2004).

If the Union has been so reluctant in applying conditionality, there are good reasons to question the argument that conditionality would find application in the neighbourhood. Fears of destabilization or commercial interests could prevent the Union from applying conditionality in a similar way in which these factors have prevented the application of conditionality to its Mediterranean partners. Not only has conditionality been problematic in its application/non-application. Where applied, its results have been mixed either. In the case of accession countries, Heather Grabbe (2002: 266) notes that EU conditionality may not "fit" the economic-political conditions of some applicants – i.e. EU conditionality may divert national resources from developmental objectives and thus impairing implementation. Studying the effectiveness of EU policies in the area of democracy promotion, human rights, and the rule of law, Börzel and Risse (2004: 26-28) argue that the EU seems to follow "one single script". The effectiveness of this single script, however, turns out to be highly dependent on the policy environment of the target country (Vachudova 2005).

This brings us to the question of why and when is conditionality effective? Here, the insights developed within the IFIs may provide some guidance. The mixed record of IMF-World Bank programmes have sparked considerable debate and encouraged empirical studies that investigate the conditions under which external aid is effective. Despite the increasing scepticism about the capacity of IMF-World Bank adjustment programme in bringing about policy change (Mosley, Harrigan, Toye 1995), authoritative studies have nonetheless drawn attention to some factors that facilitate this process. Specifically, two factors – national ownership and the quality of domestic policy environment – seem crucial for the implementation of agreed policy changes.

First, ownership may be defined as "a willing assumption of responsibility for an agreed program of policies", by officials respon-

sible for policy implementation (International Monetary Fund 2001: 6). Empirical evidence shows that the likelihood of success for adjustment programmes is strongly related to the degree of ownership (for a review of the empirical literature: Boughton, Mourmouras 2004). Second, the quality of the policy environment – i.e. institutional capacity of the recipient country – increasingly appears to be a crucial variable for the implementation of IMF-World Bank programmes. There is solid evidence showing that while there is no general relationship between aid and growth and between aid and poverty reduction (World Bank 1997, 1998),[13] there is a positive relationship in countries with good policy environment. Burnside and Dollar (1997, 1998) provide further empirical support to this positive relationship. Their main finding is that aid has no measurable effect on growth and poverty reduction in countries with poor policy regimes. By contrast, if aid interacts with a good score of the "economic management" index, aid results effective in achieving its goals. What does a good "economic management" score include? It includes sound macroeconomic policies (economic openness, fiscal order, and containment of inflation) and viable domestic institutions – as legal systems able to protect property rights and combat corruption and administrative systems able to implement new policies.

The European neighbourhood policy seems having incorporated the insight that EU incentives are effective where they interact with good policy environments. That is, the EU recognizes that the causal relationship between aid and domestic change is complex and spurious. Aid does not automatically translate into policy changes unless the policy environment (legal, administrative, and political capacity) of the partner country is ready for the reform process. As the Commission (2003: 16) put it: "The EU should start from the premise that the institutions of state need to be capable of delivering full transition to comply with international political, legal and human rights standards and obligations".

There is considerable merit in the recognition of the importance of domestic factors in promoting domestic change – that is, in the recognition that policy change is mainly endogenous. However, this

[13] Growth and poverty reduction are the "targets" against which researchers evaluate the success / effectiveness of IMF or World Bank programmes

recognition also poses an interesting policy challenge for the international role of the EU. If partner countries that are not committed to policy change have incentives to renege on their commitments, and if the incentives offered by the EU are ultimately mediated by domestic factors, it may turn out that there is little room for EU international influence. This problem does not exclusively apply to the EU. International official donors – governments and IFIs – face the same dilemma. What should international donors do with countries with severely distorted policy environments – that is, the most part of countries in need of help? In the case of the EU this question is even more pressing given the debate about the role of the EU as a "normative power" that refers to the capacity and the mechanisms through which the Union promotes policy change abroad (Manners 2002; see contributions in Sjursen 2006).

By accepting the notion that policy change is mainly an endogenous process, the EU seems to reposition itself as a promoter of domestic change. Rather than advocating thorough policy changes, the ENP suggests that the bulk of responsibility for the success of the process of policy reform lies in the neighbouring countries themselves (see also Tulmets, 2006). The implications of this repositioning are not necessarily negative though. By reducing expectations of EU's influence – expectations on what the Union can achieve in the relationship with third countries – the EU may finally shrink the capability-expectations gap that has long been recognised as a burden on its external relationships (Hill 1993). In sum, rather than a worrying less ambitious international role, the EU places itself as a more pragmatic international actor.

Beyond the implications for the role of the EU, the recognition that policy change is mainly endogenous suggests a new method to study the EU and its relationship with third countries – as the ENP. Such a methodological implication calls for the adoption of an international political economy (IPE) approach.

4.2 An IPE approach to the ENP

Analyses of EU external relationships have been mainly carried out from two different perspectives. The first privileges the international level and focuses on the nature of the EU as an international

actor. In this perspective, analyses have been focused either on the features of EU activities beyond its border (Bretherton, Vogler 2005) or on EU internal characteristics that are projected abroad. "[T]he most important factor shaping the international role of the EU is not what it does or what it says, but what it is" (Manners 2002: 252).[14] The preponderant interest in the nature of the EU foreign policy has led some scholars to critically note that the crucial issue of assessing the impact of EU foreign policy has been relegated to a residual status (Smith 2006: 326).

Answering to this criticism, the second strand in the literature of EU foreign policy privileges exactly the impact of EU external relationships by focusing on the domestic environment of the countries with which the EU establishes a relationship. For instance, drawing on the experience of the enlargement process, scholars have undertaken a careful investigation of the domestic characteristics of the accession countries that interact with EU influence in promoting policy change (Grabbe 2001; Schimmelfennig, Sedelmeier 2004). Using the instruments of comparative politics, factors as the level of economic development, the structure of civil society, and the degree of political competition, have been thoroughly disaggregated and investigated as factors able to account for domestic change (Vachudova 2005).

While both perspectives deserve credit, they fall short of disentangling the relative weight of international and domestic variables in explaining domestic changes. As it has been noted:

> "In some countries, external and internal actors work in tandem to institute reforms […]. In others, external actors serve as a "push factor" in the reform process by either subtly "teaching" internal actors about the necessity of creating independent institutions or by playing a more determinative coercive role in pressing for institutional innovation; and in still others, internal actors strategically use external actors to legitimate or make palatable to the populace their own reform goal" (Grabel 2003: 45)[15]

[14] For other examples of a conceptualization of the EU as an actor that externalizes its internal governance see Bicchi (2006) and Lavenex (2004).

[15] About the IR literature on the role of external actors in promoting policy change see Ikenberry and Kupchan (1990), Finnemore (1993).

In sum, by keeping separate the research agenda that studies EU external relationships, that is, by endorsing a division of labour between IR and comparative politics, we fail to appreciate the complex interaction between the international and the domestic level.

I thereby suggest adopting an international political economy approach. Indeed, an IPE approach is well-placed to bridge the divide between studies that focus on EU incentives, on the one hand, and studies that investigate domestic factors, on the other (for an IPE approach to bridge the divide between IR and governance approaches, see Verdun 2003).

Why is an IPE approach so well-placed? The IPE research agenda has long been in the forefront to investigate the interaction between the international and the domestic level to explore processes of policy continuities and changes.[16] The insights developed within this research agenda may usefully be applied to the study of the ENP by bringing in sharp relief factors that mediate between EU influence and domestic change. For instance, a sort of consensus has emerged among comparative political economists that national differences persist despite common international pressure – i.e. globalization (Hall, Soskice 2001; Hollingsworth, Boyer 1997; Kitschelt *et al.* 2000). Applying this argument to the EU integration process, Erik Jones (2003) notes that regional integration has not cancelled national idiosyncrasies. The common thread of these studies is that institutions matter. Then, a detailed investigation of what institutions and what mechanisms account for divergent policy outcomes have been fully explored. Extending these insights to the ENP may open interesting avenues for further research. Indeed, if we accept the argument that the principle of differentiation is one of the main features of the neighbourhood policy, we cannot but appreciate the importance of institutional factors.

The EU has built the ENP on the assumption that national institutions matter and that they will be crucial for policy reforms in line

[16] The literature is huge and every reference is necessarily selective. Illustrious examples of IPE works that investigate policy change by integrating international and domestic factors are provided by Berman (1998), Helleiner (1994), MacNamara (1998), Polanyi (1944).

with the ENP guidelines. Therefore, keeping on debating whether the incentives the EU offers to its neighbours are sufficient to bring about policy change may turn out to be a sterile debate. This debate does not offer a complete picture to understand the complex dynamic between international and domestic factors through which policy change occurs. In contrast, elaborating on the insights developed by IPE scholars, as the insight on national distinctiveness, may provide well-developed theoretical toolkits and empirical cases to draw on to assess the potential influence of the ENP.

The IPE approach supported here, then, is conceived as a substantive contribution to the study of policy change rather than a methodological contribution based on the application of economic models to political phenomena (Lake 2006). An IPE agenda to the study of the ENP will allow to appreciate the actual features of the policy. Doing justice to the ENP's sensitivity to the importance of domestic institutional factors, an IPE approach offers a framework in which factors as the legacy of previous political regimes, political culture, political competition, government-society relationship, and bureaucratic quality may finally be integrated with international variables as the nature of EU incentives.

5 Conclusions

> "[T]he EU is the world's foremost example of regional integration, [it] has prided itself on boosting regionalism elsewhere in the world, and now claims to be supporting effective multilateralism everywhere. Not doing so in its own backyard seems a rather curious paradox" (Smith 2005: 772)

That the European Union as the foremost example of regional integration does not pursue the goal of regional integration in its neighbourhood may well be considered a paradox. Nevertheless, the paradoxical argument cannot be equated with the negative argument prevalent in the literature on the ENP. In this paper, I argued that the scepticism associated with the neighbourhood policy – i.e. its ability to promote domestic change in the neighbouring countries – is a function of a misleading comparison with the enlargement process.

Pointing to the flaws inherent in comparing the ENP and enlargement – because of their different *finalité* – I suggested comparing the ENP with a similar neighbourhood policy, the Euro-Mediterranean Partnership. By doing so, we can better identify the elements of continuity and change in the relationship between the EU and its neighbours. Drawing on the ENP-EMP comparison, I drew attention to the principle of differentiation as the main innovation introduced by the ENP.

Putting the European Neighbourhood policy within the broader framework of the European Foreign Policy, the argument advanced here has been that the ENP does not constitute a revolutionary change in EU external relationships. The ENP reflects European traditional foreign policy objectives – the promotion of security, stability, and common values – and adopts EU traditional foreign policy instruments – promise of aid and economic integration. The ENP is innovative neither in its goals nor in its instruments. Nevertheless, it is its emphasis on differentiation that makes the ENP distinctive from past experiences. Shifting from the logic of *policy-change* to *policy-level*, the EU redefines the mechanism of interaction with its neighbours by recognizing the importance of domestic capabilities in bringing about policy change.

Such a shift bears important implications both for the international role of the EU and for the method of studying EU external relationships. On the one hand, the EU repositions itself as an international actor that promotes domestic change abroad. Specifically, it seems that the EU is cutting out for itself a lesser ambitious role that the one traditionally advocated. This repositioning should not be read in negative terms though. By reducing expectations about its capabilities in influencing other states' domestic policies, the EU may finally shrink the capability- expectations gap that has long been recognised as a burden on its external relationships. On the other hand, recognizing the complex interaction between international (e.g. EU incentives) and domestic (e.g. state institutions and state-society relationship) factors, offers the possibility to reflect on the way to study EU external relationships. In this respect, adopting an IPE approach, which has long been at the forefront to investigate the interaction between the domestic and the international dimension, may help bridge the divide in the scholarship that tends to focus either on

the nature of the EU foreign policy or on its potential international effects.

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