

# European Neighbourhood Watch

Issue 94 • June 2013



*Thinking ahead for Europe*

*CEPS European Neighbourhood Watch monthly newsletter focuses on the EU's relations with its geographical neighbours: those in its midst, those included in the enlargement process, countries covered by the European Neighbourhood Policy and Russia. Each month the newsletter offers a round-up of the previous month's major developments with links to the full text of each corresponding news item, analysis or official document. These links are presented in chronological order. This overview is complemented by an editorial note that focuses on a current development or a more long-term trend pertaining to the EU's relations with its neighbours.*

## Table of Contents

**Editorial:** "Too cold to handle: EU accession talks with Iceland"

**General**

**Eastern Partnership**

**Russia**

**Southern Neighbourhood**

**Enlargement**

**Index of European Neighbourhood Watch Editorials**

## Editorial

### Too cold to handle:

#### EU accession talks with Iceland

Enlargement has often been hailed as the EU's most effective external policy. Indeed, the transformative power of the pre-accession process has brought remarkable reform and modernisation, especially in the countries of southern, central and eastern Europe. It has helped to expand the zone of peace and prosperity across much of the continent. But the politics of inclusion and harmonisation only work for countries that have a real interest in EU membership. The case of Iceland clearly shows the limits of the Union's power of attraction.

#### Blowing hot and cold

In its coalition agreement of May 21st, Iceland's new centre-right government decided to freeze accession negotiations with the European Union until Icelanders vote in a referendum on whether they want talks to continue or not. This approach reflects the current eurosceptic mood in Iceland, expressed in the parliamentary elections of April 27th, which inflicted on the pro-EU Social Democratic Alliance (13.5% of the vote) the biggest defeat of any ruling party in the country since independence from Denmark in 1944. The SDA/Left-Green coalition's combined share of the vote fell from over 50% to under 25%. The vote was favourable to the Independence Party (26.5%), which dominated Icelandic politics before 2009, and to the Progressive Party (24.4%), its main rival and partner in the new coalition.

Voters have thus returned the eurosceptic parties that led Iceland to its economic meltdown. While in power, they pushed to privatise the banks and liberalise the financial sector. Iceland's banking-sector assets grew from about 96% of GDP in 2000 to roughly 800% by the end of 2006, and were worth around ten-times its GDP on the eve of the crisis. The Independence Party was in office when Iceland's commercial banks collapsed in 2008 as a result of the global financial crisis, leaving the country with massive debts. The centre-right government collapsed in January 2009 and was replaced in the parliamentary elections of April 2009 by the country's first-ever left-wing coalition government, which had argued that joining the EU would provide long-term economic security for Iceland. It is this government that applied for EU membership on 16 July 2009, in the midst of a banking and economic crisis.

Formal EU accession negotiations began on 17 June 2010, the day on which EU candidate country status was formally granted by the European Council. Iceland then made steady progress in the accession process. By April 2013, 27 (out of 33) negotiation chapters had been opened; 11 had already been closed. The talks had not yet touched upon the sensitive chapters of energy, agriculture and fisheries, however. The latter, in particular, is something of an emblem for Icelandic voters, who fear that their fishing rights would be eroded by

*CEPS Neighbourhood Watch Editorial address*

CENTRE FOR EUROPEAN POLICY STUDIES (CEPS)

Place du Congrès 1,  
B-1000 Brussels, Belgium

phone: +32 2 229 39 11

fax: +32 2 219 41 51

website: [www.ceps.eu](http://www.ceps.eu)

e-mail: [hrant.kostanyan@ceps.eu](mailto:hrant.kostanyan@ceps.eu) *Subscribe!*

*Editorial team:*

**Steven Blockmans and Hrant Kostanyan**

demands from Brussels to grant EU fishing vessels access to Icelandic waters.

As a result of the \$2 billion IMF bail-out package extended to Iceland in 2009 and painful reforms taken to stabilise the economy, the island emerged from recession in late 2011. Many observers saw the country's spectacular recovery as an example for other Western European economies. But Icelanders have not enjoyed the tough love of devaluation, austerity and capital controls over the past four years. Public support for the government has decreased dramatically from 2011 onwards, as evidenced, *inter alia*, by the negative outcome of two referenda over drafts of a loan agreement proposed after heavy pressure from the Netherlands and the UK. The latter used anti-terrorism legislation against Icelanders to freeze their assets in Britain in an attempt to settle the Icesave dispute. Icelandic taxpayers were saved and public opinion was vindicated in a judgment of the EFTA Court of 28 January 2013, which cleared Iceland of all charges. The troubles of the eurozone have also undermined the left-wing parties' pro-EU arguments.

In the run-up to the elections in April, the outgoing government decided to put on hold negotiations over the "difficult" chapters relating to fisheries, agriculture, right of establishment and services and on the free movement of capital, and not to take political decisions related to the EU. However, lower-level, technical discussions continued. After the elections, the European Commission stated that it was prepared to continue with the same dual-track approach unless the new government gave notice otherwise. This has now been ruled out in the new coalition accord, which signals a return to Iceland's conservative political tradition.

### Better out than in?

The centre-right parties now say that Iceland would have been worse off as a member of the EU and that devaluation and capital controls have helped to bring recovery sooner than for the eurozone's basket-cases. The Independence Party believes the country's future is best served by staying in the European Free Trade Association (EFTA), of which Iceland has been a member since 1972. EFTA has served as a long-term alternative to EU membership, also for countries like Switzerland, Norway and Liechtenstein, without formally excluding a potential future accession to the EU. Like Norway and Liechtenstein, Iceland is also a member of the European Economic Area (EEA), which was established in 1994 to form a common economic space with EU member states. Moreover, its citizens enjoy the Schengen free movement regime.

As in Norway, the 'loss of sovereignty' argument has dominated public discourse in Iceland. This is astonishing, considering that EU accession would in fact grant Iceland voting status in the Union's decision-making machinery, while within the EEA framework it remains technically obliged to swallow the majority of EU *acquis* without any real participation in its adoption. However, the appeal the EU once held among countries seeking economic stability and access to free trade is diminishing as the Union fails to emerge from its crisis. The UK is openly questioning its allegiance to the EU, while other members, like Denmark,

have distanced themselves more clearly from the goal of euro adoption to protect their economies. Iceland now enjoys faster economic growth than the EU average. Eurosceptics ask why Icelanders would want to buy in to and occupy a wing of a building that is on fire.

Recent opinion polls suggest that most Icelanders are indeed against joining the EU. By the same token, however, a majority of those polled are in favour of continuing accession talks.\* These results and those of earlier polls show that Iceland's relationship with the EU is a deeply divisive issue within the country. Although no date for the referendum has been set, the new centre-right coalition may thus want to settle this matter as soon as possible. Should there indeed be a majority in support of continuing negotiations, then Iceland's accession process will become a complicated and muted affair in the hands of an anti-EU membership coalition government.

### Consequences of an Icelandic 'Nei'

Rejection of EU membership would be nothing new. Voters in Norway already delivered this verdict in a nationwide referendum in September 1972. They did so again in November 1994, when they were asked to confirm the EU Accession Treaty that was negotiated and signed in parallel with Sweden, Finland and Austria, which did proceed to membership in 1995. While painful for both the incumbent government and the EU, it has not otherwise hindered the development of EU-Norway relations. Neither has it closed the door to future potential membership of the country. After all, the EU membership clause of Article 49 TEU leaves open the possibility of re-application. Hence Enlargement Commissioner Štefan Füle's recent statement that "[t]he European Commission continues to be convinced that the EU accession of Iceland would be of mutual benefit and remains committed to accompanying Iceland on its path towards EU membership."

The current developments in Iceland cast a cool shadow over the EU's parade in welcoming Croatia as the 28th member state on July 1st. Iceland's decision to freeze its accession process may also have a negative impact on Montenegro, which risks losing a valuable advisor in its accession negotiations with the EU. More generally, and contrary to Olli Rehn's prediction that the prosperous and well-integrated North Atlantic country would join the EU together with Croatia in 2011, the sorry state of Iceland's accession process raises the question whether the EU is devoting enough effort to communicating the benefits of enlargement to a generally undecided but increasingly sceptical audience. The Icesave dispute highlighted a lack of sensitivity on the part of the EU to what was a very emotional issue for Iceland. Lessons could be drawn here – if and when EU accession negotiations resume.

*Steven Blockmans*

*CEPS Senior Research Fellow and Head of the EU Foreign Policy Unit*

\* Survey by the University of Iceland of 23 April 2013 (<http://www.ruv.is/frett/meirhluti-vill-halda-afra-vidraedum>).

## General

*Opening address by High Representative Ashton at the symposium on the Common Security and Defence Policy*  
Washington DC, 8 May 2013. [Link](#)

*Joint Statement by EU High Representative Catherine Ashton and EU Commissioner Maria Damanaki regarding Arctic Council decision on EU's observer status*  
Brussels, 15 May 2013. [Link](#)

*Speech by EU High Representative Catherine Ashton at the EU's Institute for Security Studies annual conference "European Security – taking stock and moving forth"*  
Paris, 23 May 2013. [Link](#)

*Remarks by EU High Representative Catherine Ashton upon arrival at the Foreign Affairs Council*  
Brussels, 27 May 2013. [Link](#)

*Remarks by EU High Representative Catherine Ashton following the Foreign Affairs Council*  
Brussels, 28 May 2013. [Link](#)

*Main results of the Foreign Affairs Council meeting, Brussels*  
Brussels, 27 May 2013. [Link](#)

## Eastern Partnership

*The EU meets Eastern Partnership foreign ministers ahead of November summit*  
Krakow, 17 May 2013. [Link](#)

*Speech by Commissioner Füle: Ambitions of EU and East Partners for the Vilnius Summit*  
Brussels, 28 May 2013. [Link](#)

*Speech by Commissioner Füle: A decisive year for the Eastern Partnership*  
Brussels, 28 May 2013. [Link](#)

## Armenia

*Europe Day marked by information and cultural events in Armenia*  
23 May 2013. [Link](#)

## Azerbaijan

*Speech by Commissioner Füle: How to bring the relations to a higher level*  
Baku, 3 May 2013. [Link](#)

*Remarks of Commissioner Štefan Füle: Building partnership based on interests and values*  
Baku, 3 May 2013. [Link](#)

*The Southern Gas Corridor between Azerbaijan and the European Union gets a step closer to reality*  
Baku, 17 May 2013. [Link](#)

## Belarus

*Statement by the Spokesperson of High Representative Catherine Ashton on a death sentence in Belarus*  
Brussels, 08 May 2013. [Link](#)

*Factsheet – The European Union and Belarus*  
Brussels, 29 May 2013. [Link](#)

## Georgia

*Local EU statement on the events connected with the Day against Homophobia*  
Tbilisi, 20 May 2013. [Link](#)

*Statement by the Spokespersons of EU High Representative Catherine Ashton and Commissioner Štefan Füle on the arrest of former Prime Minister of Georgia*  
Brussels, 22 May 2013. [Link](#)

## Moldova

*Joint Statement by EU High Representative, Catherine Ashton, and Commissioner Stefan Füle on recent developments in the Republic of Moldova*  
Brussels, 3 May 2013. [Link](#)

*Speech by Commissioner Füle: Moldova belongs to Europe*  
Chişinău, 18 May 2013. [Link](#)

*Press points by Štefan Füle Commissioner for Enlargement and European Neighbourhood policy following the meeting with President of Republic of Moldova Nicolae Timofti*  
Chisinau, 18 May 2013. [Link](#)

*Joint Statement by EU High Representative Catherine Ashton and Commissioner Štefan Füle on the election of the Prime Minister of the Republic of Moldova*  
Brussels, 31 May 2013. [Link](#)

## Ukraine

*Joint Statement by EU High Representative, Catherine Ashton, and Commissioner Stefan Füle on today's judgement by the European Court of Human Rights in the case of Tymoshenko v. Ukraine*  
Brussels, 30 April 2013. [Link](#)

*EU-Ukraine: Assessing progress and outstanding issues with S. Arbusov*  
Brussels, 30 April 2013. [Link](#)

*EU-Ukraine Conclusions on the Roundtable Gas Market Developments in Ukraine*  
Brussels, 3 May 2013. [Link](#)

*The European Union and the Ministry for Economic Development and Trade of Ukraine analysed the Deep and Comprehensive Free Trade Area (DCFTA), its objectives, scope and possible impact at an international conference*  
Kyiv, 21 May 2013. [Link](#)

*Ukraine: MEPs call for implementation of reforms*  
Brussels, 28 May 2013. [Link](#)

## Russia

*The European Union – Russian Federation human rights consultations*  
Brussels, 19 May 2013. [Link](#)

*EU-Russia Summit*  
Brussels, 19 May 2013. [Link](#)

## Southern Neighbourhood

*Remarks by EU Commissioner Štefan Füle on behalf of HRVP Catherine Ashton on asset recovery*  
Strasbourg, 22 May 2013. [Link](#)

*Funding for small and medium enterprises in the Middle East and North Africa*  
Amman, 24 May 2013. [Link](#)

*European Commission and CERN support major research facility in the Middle East*  
Brussels, 28 May 2013. [Link](#)

## Algeria

*Consultation de la Société civile algérienne en vue de la 2<sup>ème</sup> session du Sous-comité droits de l'Homme, dialogue politique et sécurité*  
15 May 2013. [Link](#)



## Egypt

*Statement by the spokesperson of EU High Representative, Catherine Ashton, on the detention of Ahmed Maher in Egypt*  
Brussels, 12 May 2013. [Link](#)

*Joint statement by Vice-President Kroes, European Commissioner for the Digital Agenda and Eng. Atef Helmy, Minister of Communications and Information Technology, Arab Republic of Egypt*  
Cairo 27 May 2013. [Link](#)

## Israel

*Statement by the Delegation of the European Union to the State of Israel on labelling of settlement products*  
21 May 2013. [Link](#)

*EU Twinning Project supports the development of the statistical system of Israel*  
27 May 2013. [Link](#)

*Statement by the Spokesperson of High Representative Catherine Ashton on renewed plans for Israeli settlements in and around East Jerusalem*  
Brussels, 31 May 2013. [Link](#)

## Jordan

*May of Culture 2013: Celebrating Europe Day in Jordan*  
02 May 2013. [Link](#)

## Lebanon

*Ambassador Angelina Eichhorst meets caretaker Prime Minister Nagib Miqati*  
Beirut, 8 May 2013. [Link](#)

*Commissioner Georgieva: Syria crisis - More emergency humanitarian aid for Lebanon and the region as the EU responds to escalating needs*  
Beirut, 13 May 2013. [Link](#)

## Libya

*Statement by EU High Representative, Catherine Ashton, on the latest developments in Libya*  
Brussels, 8 May 2013. [Link](#)

*High Representative Catherine Ashton appoints new Head of EU Delegation to Libya*  
Brussels, 21 May 2013. [Link](#)

*Green light for civilian mission to support border security in Libya*  
Brussels, 22 May 2013. [Link](#)

*EU Border Assistance Mission (EUBAM) in Libya, Factsheet*  
May 2013, [Link](#)

*Statement by President Barroso following his meeting with Mr Ali Zeidan, Prime Minister of Libya*  
Brussels, 27 May 2013. [Link](#)

*Remarks by President of the European Council Herman Van Rompuy after his meeting with Prime Minister of Libya Ali Zeidan*  
Brussels, 27 May 2013. [Link](#)

## Morocco

*Lettre d'information de la Délégation de l'Union européenne spécial statut avancé Maroc-UE*  
15 May 2013. [Link](#)

## Palestine

*Statement by the spokesperson of EU High Representative Catherine Ashton on recent developments in East Jerusalem and the West Bank*  
Brussels, 10 May 2013. [Link](#)

*Local EU Statement on the Independent Commission on Human Rights (ICHR) Report 2012*  
Jerusalem, 21 May 2013. [Link](#)

## Syria

*Statement by the Spokesperson of High Representative Catherine Ashton following the attempted assassination of Syrian Prime Minister Wael Al-Halki*

Brussels, 02 May 2013. [Link](#)

*Statement by the Spokesperson of EU High Representative Catherine Ashton on the recent massacre in Bayda, Banyas region, in Syria*

Brussels, 4 May 2013. [Link](#)

*Statement by EU High Representative, Catherine Ashton, on the joint agreement by the US Secretary of State J. Kerry and Russian Foreign Minister S. Lavrov to work towards convening an international conference to find a political solution to the conflict in Syria*

Brussels, 8 May 2013. [Link](#)

*Syria crisis: the EU responds to spiralling needs with more emergency humanitarian aid*

Brussels, 12 May 2013. [Link](#)

*Interview with Elmar Brok on Syria: "We have many reasons to be concerned"*

16 May 2013. [Link](#)

*Remarks by EU Commissioner Štefan Füle on behalf of HRVP Catherine Ashton on the situation of Syrian refugees in neighbouring countries*

Strasbourg, 22 May 2013. [Link](#)

*President Barroso discusses Syria crisis with leading UN officials*

Brussels, 27 May 2013. [Link](#)

*Foreign Affairs Council's conclusions on Syria*

Brussels, 27 May 2013. [Link](#)

*Foreign Affairs Council's declaration on Syria*

Brussels, 27 May 2013. [Link](#)

*Syria: EU economic sanctions to apply until 1 June 2014*

Brussels, 31 May 2013. [Link](#)

## Tunisia

*Increased education opportunities between Tunisia and EU*

Brussels, 14 May 2013. [Link](#)

## Enlargement

*Statement by High Representative Catherine Ashton on the next meeting in the framework of the EU-facilitated dialogue*

Brussels, 14 May 2013. [Link](#)

*Remarks by EU High Representative Catherine Ashton after the meeting with Prime Ministers Dačić and Taçi*

Brussels, 21 May 2013. [Link](#)

*Statement by EU High Representative Catherine Ashton at the end of the meeting in the framework of the EU-facilitated dialogue*

Brussels, 22 May 2013. [Link](#)

*Statement by High Representative Catherine Ashton on the implementation plan for the April agreement between Serbia and Kosovo*

Brussels, 27 May 2013. [Link](#)

## Albania

*Ambassador Sequi inaugurates the starting of the works for the construction of the new, EU-funded, pre-trial detention centre and prison in Shkodra, in support of respect of Human Rights in the penitentiary system*

23 May 2013. [Link](#)

## Bosnia and Herzegovina

*What Bosnia and Herzegovina needs to do to move on EU path*

Brussels, 22 May 2013. [Link](#)

## Croatia

*Remarks by EU High Representative Catherine Ashton at a Press Conference with the President of Croatia Mr. Ivo Josipović*  
Zagreb, 16 May 2013. [Link](#)

*Treaty of Croatia's Accession to the European Union – Ratification Process*  
May 2013. [Link](#)

## Iceland

*Message from Mr José Manuel Barroso, President of the European Commission, to His Excellency Mr Sigmundur Davíð Gunnlaugsson, Prime Minister of the Republic of Iceland*  
24 May 2013. [Link](#)

## Macedonia

*Štefan Füle's Speech: Discussing progress and shortcomings of the Former Yugoslav Republic of Macedonia*  
Brussels, 22 May 2013. [Link](#)

## Montenegro

*Commissioner Füle with Deputy Prime Minister Marković about reforms and challenges*  
Brussels, 28 May 2013. [Link](#)

## Serbia

*Open Europe in downtown Belgrade*  
11 May 2013. [Link](#)

## Turkey

*Statement by the spokesperson of EU High Representative, Catherine Ashton, on the bomb attack in Turkey*  
Brussels, 12 May 2013. [Link](#)

*Remarks by President of the European Council Herman Van Rompuy after his meeting with Prime Minister of Turkey Recep Tayyip Erdoğan*  
Ankara, 23 May 2013. [Link](#)

*Remarks by President of the European Council Herman Van Rompuy: "Turkey and the European Union today"*  
Brussels, 23 May 2013. [Link](#)

*EU-Turkey Association Council: press release*  
Brussels, 27 May 2013. [Link](#)

*Remarks by Štefan Füle, Commissioner for Enlargement and Neighbourhood Policy to the press following the EU-Turkey Association Council*  
Brussels, 27 May 2013. [Link](#)

*EU supports steps to bring peace and prosperity to South East Turkey*  
Brussels, 28 May 2013. [Link](#)

*Statement by the Spokesperson of High Representative Catherine Ashton on riots in Turkey*  
Brussels, 2 June 2013. [Link](#)

# Index of European Neighbourhood Watch Editorials

## *Issue n. 93, May 2013*

Facilitated dialogue in the Balkans vindicates the EEAS

## *Issue n. 92, April 2013*

Enlargement Agenda - Special focus on Macedonia, Serbia and Kosovo

## *Issue n. 91, March 2013*

Tunisia in turmoil: how should the EU react

## *Issue n. 90, February 2013*

Strengthening the strategic choice offered to the EU's southern Mediterranean neighbours

## *Issue n. 89, January 2013*

The EU's External Action towards the Middle East: Resolution required

## *Issue n. 88, December 2012*

Towards a Eurasian Economic Union: Integration and cooperation

## *Issue n. 87, November 2012*

A Nobel Peace Prize to revive the EU enlargement process

## *Issue n. 86, October 2012*

Free and fair? A challenge for the EU as Georgia and Ukraine gear up for elections

## *Issue n. 85, September 2012*

The EEAS and the Eastern Partnership: Let the blame game stop

## *Issue n. 84, August 2012*

Preparing for a post-Assad Syria: What role for the European Union?

## *Issue n. 83, June 2012*

History does not move in straight lines

## *Issue n. 82, May 2012*

Implications of the Eurozone crisis for EU foreign policy - costs and opportunities

## *Issue n. 81, April 2012*

Do the BRICS make a Bloc?

## *Issue n. 80, March 2012*

The Ukraine Question

## *Issue n. 79, February 2012*

Some European comments Putin's foreign and security policy

## *Issue n. 78, January 2012*

Putin's faltering return

## *Issue n. 77, December 2011*

The Arab Spring – Is it a Revolution?

## *Issue n. 76, November 2011*

The Responsibility to Protect and Regime Change

## *Issue n. 75, October 2011*

East goes right, South goes left

## *Issue n. 74, August-September 2011*

The political and legal logic for Palestinian statehood

## *Issue n. 73, July 2011*

The Timoshenko case and the rule of law in Ukraine

## *Issue n. 72, June 2011*

The Arab Regatta – a half year report card

## *Issue n. 71, May 2011*

Review of the Review – of the European Neighbourhood Policy

## *Issue n. 70, April 2011*

Bringing Democracy Support onto the Front-burner

## *Issue n. 69, March 2011*

Interculturalism between the twin hazards of multiculturalism and assimilation

## *Issue n. 68, February 2011*

Time for change: EU trade policy towards the Eastern Partners – The case of Georgia

## *Issue n. 67, January 2011*

Dignity, Democracies and Dynasties

## *CEPS Neighbourhood Watch Editorial address*

CENTRE FOR EUROPEAN POLICY STUDIES (CEPS)

Place du Congrès 1,  
B-1000 Brussels, Belgium

website: [www.ceps.eu](http://www.ceps.eu)

phone: +32 2 229 39 11

fax: +32 2 219 41 51

e-mail: [hrant.kostanyan@ceps.eu](mailto:hrant.kostanyan@ceps.eu) *Subscribe!*

Editorial team: Steven Blockmans and Hrant Kostanyan