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**How can the changes in the settings of
the European Neighbourhood Policy
affect the EU-Israeli cooperation?**

Diplomová práce

Praha 2020

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Abstrakt

Tato diplomová práce se zabývá otázkou, jak se změny v Evropské sousedské politice, konkrétně nově navrhovaný NDICI, promítnou do vztahů Evropské Unie a jejích členských států s Izraelem. Zdůrazněny jsou vlivy změn v nastavení NDICI, které se dotýkají politického nastavení spolupráce s Palestinskou samosprávou a nepřímo se tak týkají i Izraele. Práce identifikuje čtyři hlavní změny týkající se flexibility, rozvojové pomoci, metody blending a výkonnostně zaměřeného přístupu (performance-based approach). Tyto změny mohou mít nezamýšlený dopad na vztahy s Izraelem, obzvláště ve vztahu k bezpečnosti a politickému klimatu. Mohou poškodit vztahy Izraele s některými členskými státy nebo eskalovat násilí v Gaze. Práce ke svým závěrům dochází pomocí analýzy dokumentů vztahených k Evropské sousedské politice. Jedná se o případovou studii.

Abstract

This thesis deals with the question of how the changes in the European Neighbourhood Policy and especially the newly proposed NDICI affect its relations and those of the Member states to Israel. It emphasises the effects of the NDICI's changes in policy settings towards the Palestinian Authority and how those indirectly affect Israel. It concludes that the four main changes, flexibility, development aid, blending and a performance-based approach may have unintended impact on the relations with Israel, especially in regard to security and the political atmosphere. They can damage Israeli relations with some of the Member states or escalate violence in Gaza. The conclusions are reached through ENP related document analysis. It is a single case study.

Klíčová slova: NDICI, EU, Izrael, Palestinská samospráva, rozvojová pomoc, blending, nelegální Palestinské osady

Key words: NDICI, EU, Israel, Palestinian Authority, development aid, blending, unauthorized settlements

Rozsah práce: 114 143 znaky

Prohlášení

1. Prohlašuji, že jsem předkládanou práci zpracoval samostatně a použil jen uvedené prameny a literaturu.
2. Prohlašuji, že práce nebyla využita k získání jiného titulu.
3. Souhlasím s tím, aby práce byla zpřístupněna pro studijní a výzkumné účely.

V Praze dne 6. května 2020

Kryštof Houdek

Poděkování

Chtěl bych tímto poděkovat především svému vedoucímu práce, PhDr. Iře Kučerové, Ph.D., za odborné vedení a vstřícný přístup, bez něhož by tato práce nemohla vzniknout.

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Fakulta sociálních věd
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Diploma thesis project

How can the
changes in the
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European
Neighbourhood
Policy affect
the EU-Israeli
cooperation?



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Introduction

The diploma thesis is focused on the impact of the policy tools and the regime imposed by the European Union on its neighbourhood. The European Neighbourhood policy (ENP) forms the basic framework for the international relations of the EU with its partners. The European Neighbourhood instrument (ENI) serves as the basic tool for the conduct of the funding allocations within the framework of the programmes provided as a part of the ENP. Changes of the settings of the tool through, which the EU conducts its ENP, affect the cooperation with the countries who participate in the EU programmes. The diploma thesis seeks to explore the impact of the planned changes into the ENI on the case study of Israel. The work should inform European policy-makers on specific outcome of their decisions regarding ENP. The proposal of the planned changes has been published already.

The ENI is managed by Director General of Development and Cooperation and turns political decisions into the specific actions on the ground. In the current period (2014-2020) ENI replaced European Neighbourhood and Partnership Instrument (ENPI), which served as a tool for European foreign policy conduct till that time. ENI has 16 partner countries in the vicinity of the EU. It is a tool managing the international relations of the EU with most of its neighbours. ENI budget in the current period amounted to over 15 billion euro. In the upcoming period, the ENI is supposed to be transformed into the Neighbourhood, Development and International Cooperation Instrument (NDICI).

The thesis should describe the ENP and its tool ENI. It should briefly describe its history, outline its goals and evaluate its success. The Mid-term review of the ENI assistance should serve as the basis for the evaluation. The second chapter should

focus on EU-Israeli relations in broader context, as well as on the Israeli participation within the ENI funded programs. The third chapter should outline the NDICI and the changes, which it introduces. It should present the surrounding debate and describe the intended goals of the new proposal. The last chapter is going to analyse the impact of the changed settings on EU-Israeli cooperation. The results of the analysis are going to be compared with the intended goals of the proposal.

Research target, research question, research

hypothesis

The research is trying to establish possible impact of the proposed changes into the ENI on the Israeli-EU cooperation. The work is trying to evaluate the proposed changes on the background of the intentions, which motivated them.

Literature review

The literature sources should in the first place include primary documents of the EU. ENP and its goals are set in official documents of the EU. Research on ENI and proposals of policy changes should also draw on primary sources published by European Commission or European External Action Service. Other sources should include European Centre for Development Policy Management (ECDPM). The think tank concerns itself with cohesiveness of external action of the EU and impact of its policies on global development. Among other documents are Association Agreement

between Israel and the EU and other primary documents, on which the mutual cooperation is based.

Conceptual and theoretical framework

The diploma thesis is a case study.

On one side, the work should be framed in neo-debate. The state is the ultimate decision maker, who decides whether the cooperation is in its interest. Should the new settings of the financial instrument go against perceived interest of the state, it might consider turning the participation down. It might also pursue alternative ways to advance the cooperation as a substitute to the failed proposal or abandon the progress in mutual relations completely.

The other perspective is of the EU. The EU as an organization is trying to manage its relations with its neighbours. It has created a regime, under which the countries operate. The financial tool is directed at implementing certain European policies. Its goals are stated in its founding documents and they are oriented towards creation of certain environment. The neo-institutionalist claim, that institutions tend to preserve power relations should be put under scrutiny and the EU governance should be evaluated from this perspective.

Empirical data and analytical technique

The analytical technique should be loosely inspired by methodology utilized by the reports of the EU. Selected approach should maintain the cohesiveness of the criteria against, which the EU evaluates its success. The empirical data should primarily include documents of the EU, which establish the policy towards its neighbourhood and its intentions. The secondary literature should explore the debate over the conduct of external relations by EEAS.

Planned thesis outline

The thesis should have four parts, introduction and conclusion.

Introduction

- 1) ENP and its tool ENI.
- 2) EU cooperation with Israel within the ENI funded programs.
- 3) Planned changes into settings of ENI.
- 4) Impact of the changes on Israel.

Conclusion

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Abbreviations

BMZ – Federal Ministry of Economic Cooperation and Development

CFSP – Common Foreign and Security Policy

CSDP – Common Security and Defence Policy

DFS – Direct Financial Support

ECA – European Court of Auditors

EEAS – European External Action Service

EIP – External Investment Plan

ENI – European Neighbourhood Instrument

ENP – European Neighbourhood Policy

ENPI – European Neighbourhood and Partnership Instrument

EP – European Parliament

EU-IAA – EU-Israel Association Agreement

EUPOL COPPS - EU Co-ordinating Office for Palestinian Police Support

FTA – Free Trade Agreement

MENA – Middle East and North Africa

MEPP – Middle East Peace Process

NCM - National Compensation Mechanism

NDICI - Neighbourhood Development and International Cooperation Instrument

NDP – National Development Plan

PA – Palestinian Authority

PLO – Palestine Liberation Organization

ROF - Results-Oriented Framework

ROO – Rules of Origin

SPP – Special Privileged Partnership

USSC – United States Security Coordinator

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Introduction

The diploma thesis is divided into four chapters. Preceding the chapters is the theoretical anchor and methodological note.

The first chapter is devoted to the settings of the European Union's foreign policy and to conditions under which this policy is conducted. It explains that the European external policy in its neighbourhood is driven by desire for greater stability and security in those countries. The EU treats its partners as future members. It seeks prestige and credibility through anchor of its policies in the multilateral framework of the UN. Its policy is a product of cooperative bargaining between its Member states. Its strategy is to maintain stability via financial aid while keeping its prestige.

The second chapter describes mutual relations of the EU with Israel. The subsections focus on direct relations with Israel, the EU policy towards the Palestinian Authority and European positions towards the Middle East Peace Process. The chapter describes the relations with Israel as highly developed, yet further development is hindered by the political conflict. As a consequence, the EU does not have many levers against Israel. The Rules of Origin might be partially motivated politically but their impact on Israel is negligible. The Special Privileged Partnership is not seriously intended to motivate Israel to follow the EU policy either. However, the EU influence over Israel is larger when one takes into account the EU's relations with the Palestinian Authority. The European strategy in the PA is state-building. It is motivated by the vision of stable and secure peace, not necessarily democracy. The EU police mission is serving to that purpose, while the PA is suppressing its rival Hamas as well as any other opposition. The primary purpose of the EU is to protect the prospect of the two-state solution. Therefore, the EU strategy for the Middle East Peace Process is to support Fatah against Hamas. Fatah needs to have credibility in the eyes of the Palestinian people, while the EU is moderating its stance in order to preserve the MEPP. The Hamas' control over Gaza is contrary to EU interest because the Islamic movement is opposed to the MEPP and creates conflicts with Israel. While the EU believes the MEPP would solve the entire conflict, it does not share Israel's scepticism. That is why the EU is entering the conflict in Area C by funding unauthorized Palestinian settlements. The EU and, more generally, its Member states view the Palestinian settlement project as crucial to securing the two-state solution.

The third chapter focuses on the changes to the current financing document. It describes Germany's "Marshall Plan with Africa" and the External Investment Plan, which stand at the origin of the changes. The changes took its specific shape as a response to the Arab Spring. Their main contribution is the focus on Development aid and private capital. These changes are intended to bring stability into the European wider neighbourhood, including Africa. The Member states are moderating their stances in order to leave a space for common European policy. The policy is currently using an incentive-based approach. The European Neighbourhood and Partnership Instrument was inflexible due to its long-term state-building approach. The same flaws persist in the European Neighbourhood Instrument. Four focal points in the new proposal for the Neighbourhood Development and International Cooperation Instrument are identified as flexibility, blending, the performance-based approach, and the development aid. The higher flexibility is achieved by merging multiple financing documents into one, so that the money can be transferred where needed more easily. The merged funds constitute all the money provided to foreign governments by the EU. Blending is the tool intended to bring private foreign capital to the targeted partner countries. Performance-based approach is supervising the progress of the negotiated reforms of the partner countries. The focus on development aid divides future fund provisions into envelopes, which are topic specific and increase the demands on the partner countries.

In the final chapter, these changes are applied to the context of current EU-Israeli relations. First, the European Commission and the European External Action Service were criticised by the European Court of Auditors for lack of performance indicators and clear strategy for reduction of PA's dependency on European aid. This resulted in lack of progress of jointly agreed reforms of the PA governance. In response, the Commission and the EEAS adapted its policies despite reservations. The adopted changes affected the PA's strategy and resulted in political and social unrest in Gaza. The changes introduced in the NDICI aim in a similar direction and threaten to create similar unrest. Second, the changes introduced in the NDICI may have an unexpected impact on the political relations of Israel and some of the Member states as well as threaten Israeli economic security. As such, the changes may provide the EU with stronger leverage over Israel.

Theoretical background and methodology

Methodology

The following thesis is a single case study of impact of the main European financial document on the ground. The research establishes potential unintended consequences of the newly proposed legislature of the EU on its relations with Israel. The underlining theoretical framework of the thesis' postulates is rooted in neo-institutionalism: the EU as an organization is an actor in its own right and its institutions matter a great deal in EU foreign policy making. The policies of the Member states are embedded in an institutionalist framework, which shapes their design. The research is structure-oriented, emphasizing the context of the EU policies in determining their outcome.

The thesis is focusing on downsides of the current policies of the EU. Goals and intentions serve as a benchmark against which they are evaluated. However, the criteria are often set by the EU institutions themselves. The main sources of evaluation of the EU policies are the EU evaluative documents. To estimate possible unintended consequences of the new legislature, thorough examination of the past policies is conducted. Their downsides are then applied on the new policies and analysed in the context of EU relationship with Israel. Future potential impact is assumed based on document analysis of previous failures of similar policies. In case of introduction of new or relatively new policy tools, their assumed effectiveness is adopted from the EU documentation. Their potential unintended impact is estimated based on contextual analysis of their interaction with the political realities on the ground.

The theoretical model has a predictive nature. The conclusions of the thesis merely state the potential of the changes and do not estimate their probability. The case-study of Israel is used to understand the potential discrepancy in European foreign policy making. Due to its specific nature, the construction of theoretical scenarios cannot be taken at face value. The probability of each scenario can be openly debated. The specific scenarios are not an integral part of the theoretical model. They only serve demonstrative purpose. The theoretical analysis is built up step by step before the final section, which demonstrates the shortcomings of current policies. Due to its specific nature, there cannot be any definite statements on the flaws of current EU political model. The purpose of the thesis is to draw attention to potential

downsides of current political legislation and bring desirable improvements under consideration.

The option of the single case study is useful in providing insight into causal mechanism of how international institutions work. Its detailed descriptive inferences are more capable of comprehending the complex reality, where “depth is prized over breadth.”¹ Although external validity might be lower than in comparative research, it is helpful for revealing the mechanisms and perhaps more importantly the limits of EU policy making. The case of the NDICI and its effects on Israel can be described as crucial as its polarizing effects are especially hard to anticipate. For that purpose, a predictive model is applied. Although predictive models are often judged by the accuracy with which they predict the future, as acknowledged by Clarke and Primo, that is not their only purpose and one can go “beyond prediction and judge whether or not a model is useful for variety of other purposes.” According to them “proper evaluation must begin with a determination of the model’s intent.”² A model should be judged on many aspects, most importantly on what we can learn from it. In this case, while there is not definite prediction in the conclusion, it is still useful as it helps understand the more general policy-making in the EU and its flaws as well as identify unforeseen consequences of the particular policy.

Research question and hypothesis

The research question is essentially looking for coherent EU policy. Is there a holistically conceived strategy behind the new NDICI proposal? How do the changes fit into the present strategy towards Israel? The hypothesis assumes that there is going to be a divergence between goals of the main financial document and the materialization of the policies on the ground. The thesis claims that the main financial document of the EU is created with the wider view of the EU objectives in mind. The NDICI is not specifically designed to deal with Israel. Hence, the application of the document might have unintended consequences.

¹ John Gerring, “*What is a Case Study and What is it Good for?*” *American Political Science Review*, Vol. 98, Is. 2, (May 2004), 352.

² K. A. Clarke and D. M. Primo, “*Modernizing Political Science: A Model-Based Approach*,” *Perspectives on Politics*, Vol. 5, No. 4, (2007), 743-744.

Theoretical background

The crucial theoretical question is concerned with the actorness of the EU. The literature identifies several distinctive theoretical approaches to the study of the EU's foreign policy. The main divergence sits between intergovernmentalism and supranationalism.³ The intergovernmentalism in its purist form denies the EU any agency of its own and instead views its policies as a sum of foreign policies of the Member states. Another approach concedes to the EU the agency in Common Foreign and Security Policy and its subchapter Common Security and Defence Policy. The third view includes in its considerations also external relations of the EU with third countries, including development policy and international aid.⁴ Opponents of the third view argue that the mere existence of relations between the EU and the third countries does not constitute a foreign policy. Crucial is the strategic use of this network of relations to achieve policy goals.⁵ A somewhat syncretic approach represents a concept of supranational intergovernmentalism developed by Howorth. Howorth correctly noted that the nature of the EU decision-making symbiotically combines the influence of the Member states with that of the EU institutions. The concept undermines the traditional division of analysis on supranationalism and intergovernmentalism.⁶ The decision-making in the EU is a product of patterns going across this division. This paper takes the position that, in spite of stated objections, the third view is best suited for the analysis of the EU foreign policy. In line with its objectives, the concept opens the door for theoretical reflection of other influences affecting the EU policy making. It is expected that the shared authority and dualistic centre of gravity of EU decision-making is going to function as a source of incoherence affecting coherent EU strategy.

The underlying assumption of the thesis is that the power relations of the EU Member states are preserved within the current EU decision-making bodies. The EU policy is still considered to be a product of a broad consensus of the Member states. The political documents are written in a general language so that various differing interests and positions can be included. The documents allow each Member state to pursue its interest within the larger framework of the EU. General EU policies are determined by "*lowest common*

³ Jolyon Howorth, "Decision-making in Security and Defense Policy: Towards Supranational Intergovernmentalism?" *Cooperation and Conflict*, Vol. 47, No. 4, 2012, 434.

⁴ Nikola Tomic, "*Coordinative Discourses in Brussels: An Agency-oriented Model of EU Foreign Policy Analysis*," *Perspectives on European Politics and Society*, Vol. 14, No. 2, 2013, 225.

⁵ *Ibid.*, 226.

⁶ Howorth, "Towards Supranational Intergovernmentalism?" 434.

denominator.” It is a product of *cooperative bargaining* in which the Member states prioritize cooperation over full control over the policy-making process.⁷ Yet, it cannot be ignored that throughout its existence the EU produced a series of distinct commonalities in its approach to the outside world. It has a common approach, which was not born overnight, in particular to crisis management.⁸ It has a distinctive common approach to conflict resolution, too. This approach creates the background and the bottom-line for the individual policies of the Member states. The EU is an actor and a tool in the same time. As such it has a specific design and its own *modus operandi* through which it conducts its policies. The script established by the EU for the CSDP goes virtually unchallenged. The few exceptions taken by powerful member states on key international issues are an exception from the rule.⁹ The same can be considered broader reality of the EU policy-making.

As a result, the policy of the EU, produced by the EC and the EEAS, is constrained by intergovernmental oversight. The second assumption is that the institutions are instinctively trying to preserve themselves. The EU’s *raison d’être* is to formulate policies on behalf of the Member states so it can present itself as a unified actor. For this purpose, the EU places an emphasis on its prestige and credibility in the formulation of its policies. It seeks a source of legitimacy, which would justify the institution’s existence. This emphasis has a dual role. First, it facilitates easier cooperation within the multilateral framework of the Member states. Second, it has a policy-driven function as a component of soft power.

The institutions seek a source of legitimacy, ultimately courting to European public. Only popular narrative can provide the EU with legitimacy needed for such actions such is further integration.¹⁰ This creates a paradox of European leadership. The EU is expected to efficiently conduct foreign policy. On the other hand, its responsibilities are shared among several institutions, hampering its effectivity. Furthermore, the EU lacks legitimacy necessary to justify its position *vis á vis* Member states.¹¹ This leads to conflicting role expectations and as we shall see to discrepancy in the EU foreign policy.

⁷ Jan Zdrálek, “*The Evolution of EU Foreign Policy Towards Israel: Wars in Gaza 2008/2009 and 2014,*” (Bachelor diss., Charles University, 2016), 52-53.

⁸ Howorth, “Towards Supranational Intergovernmentalism?” 435.

⁹ *Ibid.*, 448.

¹⁰ Chris Bickerton, “*European Foreign Policy: From Damage Limitation to Collective Legitimation,*” International Studies Association, Conference Paper, Feb 2007, 23, 27.

¹¹ Lisbeth Aggestam and Markus Johansson, “The Leadership Paradox in EU Foreign Policy,” *Journal of Common Market Studies*, Vol. 55, No. 6, 2017, 1205.

To explain the effects of the legitimacy-seeking on the EU foreign policy, one should look at the Principal-Agent theory. In the area of foreign aid, the EU is expected to address international humanitarian and security crises by conducting large-volume activities. The EU is also providing credibility to the long-term commitment of its principals and reduces the threat of non-compliance.¹² On the other hand, by the Council Regulation the Member states established, that the provision of humanitarian aid must not be conditioned by political considerations. By this regulation, the Member states are trying to limit the behaviour of their agent. At heart of this limitation is fear of misuse of delegated power to enhance its own interest. The agency might have its own interest consisting of maximization of its competences or budget. The latter of the two concerns is controlled by the ECA. These limitations might clash with ambitious and complex tasks of the Commission. Some of the provisions such as apolitical provision of aid might pose contradiction to political goals set by the Member states.¹³

The EU legitimacy-seeking led to a specific strategic approach towards the UN. The EU promotes effective multilateralism, which does not have reaching its own specific goals nor those of the UN as its primary objective. The primary objective is the multilateral cooperation itself. The cooperation within the UN is intended to allow the EU to speak with a single voice after achieving common understanding among its Member states.¹⁴ A single voice in the UN Security Council is crucial for the credibility of the EU and its foreign policy, albeit it often does not result in any patent and purposeful activity. In the General Assembly and other UN bodies, the EU successfully present itself with single, coordinated and coherent positions.¹⁵ This relationship led the EU to align its foreign policy goals and strategies with those of the UN. For instance, the EU has become a leader in promoting its environmental standards globally through multilateral agreements.¹⁶ As will be discussed later, the standards, which the EU promotes, are informed by the targets set by the UN or other international organizations. The global targets of the EU are reliant on the political setup of the UN. This structural influence of the legitimacy-seeking is a source of patent discrepancy in the EU foreign policy making. On one hand, the EU has its own specific political interests in regard

¹² Helen Versluys, "Explaining Patterns of Delegation in EU Humanitarian Aid Policy," *Perspectives*, No. 28, Summer 2007, 65-67.

¹³ *Ibid.*, 67-68.

¹⁴ Daniele Marchesi, "*The EU Common Security Policy in the UN Security Council: Between Representation and Coordination*," ISA Convention, San Francisco, 26-29 March, 2008, 6.

¹⁵ *Ibid.*, 8.

¹⁶ Carolyn M. Dudek, "*Transmitting Environmentalism? The Unintended Global Consequences of European Union Environmental Policies*," *Global Environmental Politics*, Vol. 13, No. 2, May 2013, 111.

to particular countries. On the other hand, its global strategic focus is de facto outsourced from outside of the EU structures.

1) The ENP and the ENI as its financial tool

The European Neighbourhood Policy is an instrument of foreign affairs of the EU. Launched in 2003/2004, the ENP plays an essential role in the Foreign and Security Policy of the EU. It aims at bringing the EU and its neighbours closer together. In other words, it is intended at increasing the EU's influence in its vicinity. It serves as a platform for the development of bilateral economic and political relations between the EU and 16 of its neighbours. A decade earlier, the EU attempted to bring peace and stability to its borders via multilateral framework of Euro-Mediterranean Partnership. The little achievement of the platform vacated space for the ENP. The Union for the Mediterranean revived the stumbling initiative and sustained multilateral framework for governing mutual relations of the EU with its surroundings.¹⁷ The ENI has become the main financial tool for the ENP. The budget of the ENP for the financial period of 2014-2020 was EUR 15 billion. Since 2011, when the ENP went through a review process in wake of the Arab Spring, the funds are officially redistributed in line with the principle "*more for more.*" According to this principle, the EU develops stronger ties with those neighbours that make bigger progress towards democratic reform. The goals of the ENP are informed by the EU's strategic document titled "*the Global Strategy.*" The production of the document was part of yet another review process, launched by the European External Action Service in 2015. The review was a response to aspirations for greater level of cooperation envisioned by the partner countries. The EU alike wanted to deal with the consequences of the Arab Spring and bolster the resilience and stability in its neighbouring regions. The security has become an imperative. The new ENP takes into account specific conditions of each partner country. The tailor-made approach informs the EU's cooperation with the partner countries on security matters. The application of the principle of flexibility should ensure better response of the EU to rapidly evolving political circumstances.¹⁸

¹⁷ Anders Persson, "*The EU and the Israeli-Palestinian Conflict 1971-2013: In Pursuit of a Just Peace,*" (Lanham: Lexington Books, 2015), 56.

¹⁸ "*European Neighbourhood Policy (ENP),*" European Neighbourhood Policy (ENP) Policy - Activity, European External Action Service, last modified December 12, 2016, https://eeas.europa.eu/diplomatic-network/european-neighbourhood-policy-enp/330/european-neighbourhood-policy-enp_en.

The flexibility should be part of the main financing instrument of the ENP, the European Neighbourhood Instrument, as well. The ENI is using an incentive-based approach, providing incentives in form of funding for multiple programmes. The ENI aims at rewarding the best performing countries via increase of funding, if the progress on the implementation of the jointly agreed reforms is perceived to be genuine. The focus of the reforms is directed towards improvement of human rights, democracy and good governance. The ENI came into force in 2014, replacing the old European Neighbourhood and Partnership Instrument, which was governing the financial matters of the ENP until the time. The tool was updated in order to clear away the existing deficiencies. The new ENI was set up to be more flexible, faster and increasingly policy-driven. The allocation of the funds should have become more selective to achieve the best efficiency. The primary objective for which the ENI was designed was the achievement of successful democratization via support for social and economic reforms.¹⁹

What determines the particular character of the ENP towards a specific country from a legal perspective is either an Association Agreement or a Partnership and Cooperation Agreement. The most current progress of mutual cooperation and the materialization of the relationship is embedded in joint Action Plans and partnership priorities negotiated with the partner country. The agenda is usually set for three or five years ahead.²⁰ In 2014, as a response to a changing environment and new emerging challenges, the Commission alongside with the EEAS launched a formal review process of the ENP. As a part of the process, the EEAS published progress reports evaluating how the EU and partner countries implemented the reforms and policies. The reports examine to what extent the EU and its partners managed to achieve jointly agreed objectives. Therefore, the documents measure success of the ENP for each of the partner countries.²¹ Besides political and technical cooperation, the EU also uses financial support to advance its agenda. The ENI serves as a main source of finances. Its goals and priorities are described in multiannual programming documents published for each of the partner countries separately. The documents also provide an indicative allocation of

¹⁹ “*The European Neighbourhood Instrument (ENI)*,” Policy, EU Neighbours, accessed December 26, 2019, <https://www.euneighbours.eu/en/policy/european-neighbourhood-instrument-eni>.

²⁰ “*Implementation of the European Neighbourhood Policy in 2014*,” Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, European Commission and European External Action Service, March 25, 2015, 3, http://eeas.europa.eu/archives/docs/enp/pdf/2015/joint-communication_en.pdf.

²¹ “*The European Neighbourhood Policy*,” Fact Sheets on the European Union, European Parliament, accessed December 26, 2019, <https://www.europarl.europa.eu/factsheets/en/sheet/170/the-european-neighbourhood-policy>.

financial resources.²² Furthermore, not all finances are provided by the ENI. The EEAS is using other instruments for redistribution of its funds as well. In fact, there are 11 other instruments forming the financial architecture of the EU external action.²³

In terms of assets, the ENP is promising to the partner countries an access to the market of goods and services, shared regulatory framework and other minor benefits such as dispute settlement mechanisms. To a certain point, the EU conditions the access to the Internal market by legislative and regulatory approximation.²⁴ The cooperation with the EU also presents an opportunity to share practice in various fields. The partner countries are eligible for various bilateral as well as multilateral programmes. The ENP supports multiple civil society organizations thematically connected to rule of law and justice, culture, youth, climate change and environment. Through the support of these programmes, the EU is channelling its funds, and hence its influence, to the partner countries.²⁵ In its origins, the ENP is a child of the European enlargement model developed for the now eastern part of the EU. The EU treats countries in its neighbourhood as future members. It expects them to assimilate to the legal and regulatory norms in exchange for deeper economic integration. This model promises as a reward share in decision-making and power at the end of the process. However, the end of the process is assumed to be a membership in the Union. This, in many cases, is not the intention of the partner countries, nor an option envisioned by the EU itself. Without satisfactory alternative, the partner countries are partially stripped of their autonomy, the more they accept the *acquis* of the EU.²⁶

Structured environment of the ENP

The context in which the ENP takes place, has a strong importance. Specifically, the conditions under which the EU conducts its policies towards Israel are at focal point of this work. Two major factors are at play when it comes to the EU and its southern bordering

²² “*Financing the ENP*,” European Neighbourhood Policy (ENP) Legal Bases / Legislation, European External Action Service, last modified August 18, 2015, https://eeas.europa.eu/diplomatic-network/european-neighbourhood-policy-enp/8410/financing-enp_en.

²³ “*Questions and Answers: The EU Budget for External Action*,” Memo, European Commission, June 14, 2018, https://ec.europa.eu/commission/presscorner/detail/en/MEMO_18_4124.

²⁴ Sieglinde Gstöhl, “*The European Neighbourhood Policy in a Comparative Perspective: Models, Challenges, Lessons*,” (Abingdon, Oxon: Routledge, 2017), 4.

²⁵ “*Israel*,” European Neighbourhood Policy and Enlargement Negotiations, European Commission, accessed December 26, 2019, https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/countries/israel_en.

²⁶ Gstöhl, “*The European Neighbourhood Policy*,” 26-27.

region, the Middle East and North Africa. First, a dominant trend in the current period is the Arab Spring. Israel is only one part of the conundrum in an ambient neighbourhood. The wider picture confronts the EU with issues of major importance. MENA is source of energy supply and important trading partner. Yet, it can also become a source of instability, terrorism, or illegal migration. Second, the EU is not in charge of its own security. It is considered a legacy of the Cold War that the USA are covering European military expenditures. The price for that is a lack of primacy in its own security and foreign affairs.

The Arab Spring

The series of popular uprisings in late 2010 took the EU by surprise. The Arab Spring shook the entire region long time considered stable by the political analysts. In some neighbouring countries, the protesters forced their President to step down. Other countries managed to curb the upheaval in relatively moderate fashion. In a few cases, the violence developed into a full-scale war. In Libya, the vast distances and society divided along tribal allegiances resulted in protracted conflict. The Syrian civil war forced millions of refugees of their homes.

The absence of rule of law in large areas along the EU border caused an unprecedented migration crisis. The smuggling networks exploited the vacuum left by the disintegrating governmental structures and began to flourish. Waves of refugees flooded the EU. The predominantly male composition of the migration wave caused fear in large portions of society. The cooperation with Libya on repatriation of illegal immigrants has collapsed as the state decomposed to warring factions. The fugitive Syrians joined by other migrants breached the borders and entered Greece. The migrants then embarked on the so called “*Balkan Route*.” Conflict erupted between the Member states. The German chancellor Angela Merkel decided to go around the Dublin Regulation and let the migrants enter the country. This move relieved some pressure from the countries along the *Balkan Route*, but it posed only a temporary solution. Germany only reluctantly assumed leadership. However, the initiative it proposed was met with strong resistance. The quota system was supposed to redistribute asylum seekers across the EU Member states. Yet, many of the Member states, especially in the eastern part of the EU, were strongly opposed to such a solution. Originally, the quota scheme was forced through by a majority vote. Yet, the resistance was very strong with all the countries of the Visegrád Group openly declaring themselves against the initiative. Germany

finally succumbed to the opposition and essentially gave up all major attempts to solve the crisis internally.

Outwards, the Germany managed to strike a deal with Turkey aiming to discourage migrants from attempting to cross the border to the EU illegally. The EU as a whole responded with the launch of the Partnership for Democracy and Shared Prosperity with its neighbours across the Mediterranean Sea. The result of the latter was the review process of the ENP, which followed soon after. The “*more for more*” approach aimed at promotion of sustainable democracy with an emphasis added on an accompanying economic development. The southern partners should have developed their relations with the EU as much as desired. To encourage further economic integration and satiate the masses protesting across the Arab world, the EU offered financial assistance, enhanced mobility and easier access to its markets. The EU also stepped up its support for civil society in order to educate the public and promote democracy.²⁷ However, the security has become the precondition for economic development.²⁸ The primary shared interest of the EU is a stable neighbourhood.

EU peacebuilding in context

Most of the activities practiced by the EU can fall under the vague umbrella of “*peacebuilding*.” In the EU context, the term does not have a precise definition. No official EU strategy uses this term, nor is it present in any of its founding treaties. However, the term is used widely by the EU’s executive apparatus.²⁹ It well illustrates the way EU officials are looking at their neighbourhood. The EU sees as its primary goal to tranquilise the surrounding environment. It seeks to stabilise the bordering areas, which are the source of instability and excessive threats in a form of terrorism, unsolicited migration etc. In the same vein, the overall approach of the EU towards its neighbourhood could be described as a “*statebuilding*.” Again, the term is not widely present in the official EU documents. However, it is used to describe the successful use of the approach by the EU in the case of Central and Eastern Europe. It is also used to describe the current efforts of the EU in the Western Balkans, where it plays a crucial role. Finally, it is used to describe the EU efforts in the Israeli controlled West Bank and on the territories under the Palestinian National

²⁷ Gstöhl, “*The European Neighbourhood Policy*,” 5.

²⁸ EEAS, “*European Neighbourhood Policy (ENP)*.”

²⁹ Persson, “*In Pursuit of a Just Peace*,” 49.

Authority. The ENP cared about statebuilding from its beginnings. The EU focuses on strengthening democracy and the rule of law. It emphasizes independent judiciary and fight against corruption and organized crime. It supports human rights and fundamental freedoms. It promotes a strong and independent media sector. It combats harsh practices such as torture and opposes abuse of power. It emphasizes core labour standards. It supports civil society. The strategic documents emphasizing statebuilding, although without mentioning it, predate the ENP. Stable and successful governance is seen by the EU as crucial to its security in its relevant vicinity.³⁰

However, the EU peacebuilding efforts do not exist in a vacuum. They, too, are subject to a relevant context. The EU foreign policy is formally guided by the values of the UN. The UN is commonly referenced in many EU documents. The UN goals are considered by the EU as its own. The Member states of the EU also provide more than their share in terms of financial resources for the UN Peacekeeping Budget. The EU clearly seeks to pursue its interests within and in full support of the UN architecture.³¹ More broadly, the EU in general promotes multilateral framework and promotes its values through the international organizations. For the EU, it is a matter of legitimacy and paradigm in the same vein. The EU is a multilateral organization itself and as such it is dependent on the multilateral framework in conducting its foreign policy. In the same time, the EU sees itself as a normative power. It is based on five fundamental values, which it publicly set out to export: peace, liberty, democracy, human rights and the rule of law. At least that is the essence of its official proclamations. In the nucleus, behind the positively loaded rhetoric, is the core of the EU's soft power. Being the largest alliance of democratic countries produces automatically soft power of its own. The soft power manifests itself in an export of norms and practices in order to influence other countries to act independently, yet in the spirit of the exported norms.³² Such approach is of course possible only due to prestige and certain credibility. If the norm-exporting actor appears to be insincere in his quest for the promotion of said values, he cannot expect others to adopt them. If his actions may be interpreted as inconsistent and his behaviour as hypocritical, it can hardly hope for a successful proliferation of his norms.

In this context, particularly painful for the EU is its apparent underperformance. Now, it is irrelevant whether it is appropriate, or not, to expect the international grouping aka an

³⁰ Persson, "*In Pursuit of a Just Peace*," 55-56.

³¹ *Ibid.*, 46-47.

³² *Ibid.*, 53-54.

independent sovereign actor called the European Union to perform better. The important notice is, that the EU acts and most importantly speaks as a unified actor and from this perspective it is “*punching below its weight.*” There is a wide consensus that the EU owes its low effectiveness in international relations to its distinctive structure.³³ Behind the façade of the international organization are still twenty eight Member states. It is truth, that some of them hold more power than others due to their size, population and other, harder to measure, criteria. Yet, perhaps because of their superior position, they were not entrusted with such a decision-making power. The institutions through which they govern, are not mandated to execute determined, decisive policies, elaborate to detail. Therefore, it is often the principle of lowest common denominator, which is best suited to describe the essence of the EU foreign policy.

Then, in reality the outcome of the political and security situation on the ground is heavily influenced by other actors of international affairs. Among other powers, which increasingly hold sway on international politics, the United States still play a prominent role. Despite the strong alliance between the two powers, their positions on international affairs distinctively vary. Yet, the American dominance in the relationship is a legacy of the Cold War. The European states enjoy free American military protection in exchange for weaker say in the matters of their own foreign and security affairs. The cooperation between the two entities, thus, usually follows a specific design. The US is in charge of the political initiative of its making. It provides the main bulk of the military deployment, when deemed necessary. For the EU, the financial assistance remains, alongside logistical and symbolic support, the main part of their contribution.³⁴

In such situation, when the EU is dependent on its prestige in conducting its security and foreign policy, and in the same time it does not fully participate in the decision-making and does not hold a final sway over the outcome of the political situation on the ground, it is no wonder that its rhetoric is full of lofty proclamations and promises. It is obvious why the EU is sensitive to accusations of hypocrisy and double standards. Its primary policy in the region is reliant on its prestige and credibility. Its primary interest, however, is the security. It was the most visible faux pas, with which the heads of the EU were confronted during the Arab Spring. The masses of protesters in the streets of Cairo and other Arab cities were invoking freedoms and values loudly promoted by the EU. Yet, the stakes of the EU were

³³ Persson, “*In Pursuit of a Just Peace,*” 45.

³⁴ *Ibid.*, 48.

until the time on the side of the authoritarian regimes. In the eyes of the EU, the regimes fulfilled their primary duty, that is to keep the neighbourhood region calm and stable. Their lack of progress in pro-democratic reformation was not of a pressing concern. This can be best illustrated by the lack of attention, which the EU officials and policy-makers devoted to the intelligence report issued for the European Council by its civil intelligence unit. The report practically predicted the Arab Spring three years in advance.³⁵ At the time, all the attention of the EU was directed towards the Middle East Peace Process and the situation in the Balkans and in Lebanon. The string of Arab states was considered a guarantee of stability and an ally in combating terrorism and religious extremism. There was no sense of impending danger. From the proclamations of the EU officials from that time we can observe no initiative of their own. They were comforted with complete alignment with the US leadership.³⁶

2) The EU interplay with Israel

Hardly any analysis of external relations between Israel and another actor can be conducted without taking into account relations of the said actor with the Palestinian Authority. It is no different in the case of the relations with the EU. In fact, the EU attitudes towards PA are crucial for the understanding of its relationship with Israel. EU always considered the Israeli-Palestinian conflict to be a matter of its own long term security. Its resolution is expected to bring stability to the wider region of the Middle East. As such, the conflict threatens the EU's economic interests as well as energetic security. The EU is a major external trading partner to the countries in the region. The EU also purchases significant part of its energetic consumption from the Middle East. In addition, the conflict threatens to cast oil into the flames of radicalized Muslim communities in Europe. For these reasons, the resolution of the conflict is seen as a strategic priority by the EEAS. The EU covered the majority of the expenses connected to the MEPP since the beginning of the Oslo Peace process in 1993 and it keeps up its financial support every year.³⁷ The EU policy on this level is a product of the EC and the EEAS, but it is a subject to intergovernmental oversight. The EEAS and the EC are those who negotiate the policy and report about it to the Member states. The EC seeks to create a unified position, on which all the Member states can agree. There are

³⁵ Rubén Arcos and José-Miguel Palacios, "The Impact of Intelligence on Decision-making: the EU and the Arab Spring," *Intelligence and National Security*, Vol. 33, No. 5, 2018, 740.

³⁶ *Ibid.*, 745-746.

³⁷ Rory Miller, "Europe's Palestine Problem: Making Sure the EU Matters to Middle East Peace," *Foreign Affairs*, Vol. 90, Is. 5, September/October 2011, 8-12.

mechanisms put in place by the Member states in order to keep the EU in check. The EU has to report about the development on the ground and let the Member states approve its policies. Additionally, the policies of the Commission and the EEAS are subject to certain rules and standards, fiscal for instance, periodically reviewed by other institutions such as the European Court of Auditors. Therefore, the EC and the EEAS have to adjust their policies, so they fit the prescribed framework and in the same time they are acceptable to the Member states. However constrained the manoeuvrable space is, the formulation and application of the policies is solely in their hands.

The EU relations with Israel

The relations between the EU and Israel remain to be the most developed in the region. The EU has become Israel's number one trading partner. The intense cooperation exists across wide range of sectors. The EU and Israel cooperate on the economic, trade, development, administrative and scientific/research level. The Joint Action Plan sets out perspectives for mutual cooperation. In general, the perspectives aim at deeper economic integration into the EU's common market. The source of the financial support for this integration is set to be a predecessor of today's ENI, the ENPI.³⁸ The funds currently provided by the ENI have the primary objective to approximate Israeli norms and standards in public administration to those of the EU via so called "*Twinning projects*." These projects average EUR 1,8 million per year, the majority of the amount provided via ENI for Israel. Several other million euro flows to Israel through its participation in regional programmes such is the European Peacebuilding Initiative. The overall funding by the ENI is limited due to Israeli advanced level of economic development. Yet, Israel is also eligible for funding from other financing instruments. Its civil society organizations can apply for financial support from the European Institute for Democracy and Human Rights with annual budget of EUR 2,5 million. Finally, the major contribution flows to Israeli scientists through the Horizon 2020 Research Programme, with an estimated annual budget of EUR 150 million.³⁹

The EU-Israeli partnership is anchored in the EU-Israel Association Agreement. However, this level of partnership is not finite and clear final form currently does not exist.

³⁸ "EU/Israel Action Plan," European External Action Service, 2005, https://eeas.europa.eu/sites/eeas/files/israel_enp_ap_final_en.pdf.

³⁹ EC, "Israel."

The EU presses unification of norms and standards. Yet, the final decision on how the future relationship should look like lies in Israeli hands. The current agreement is a standard document emulating other similar treaties signed between the EU and its partners in the Mediterranean region. Both Israel and the EU expressed will to increase cooperation, and intensify mutual relations.⁴⁰ The upgrades of the agreement were often delayed due to political tensions between Israel and the EU. These tensions were directly linked to the Israeli-Palestinian conflict.

The EU-IAA agreement includes the so called “*Rules of Origin.*” The ROO define a scope of products covered by the agreement based on the territory where they have been produced. However, The EU-IAA does not specify what constitutes the territory of Israel. While Israel strategically refrains from defining its borders, the EU considers as Israeli legal border the Green line, the former armistice line agreed upon in 1949. Hence the opinion of the European Commission, that the Israeli products made in its settlements on the occupied territories should be subject to full customs duty as the EU-IAA, does not apply to them.⁴¹ This would in itself link the issue to the Israeli-Palestinian conflict. Israel suffers some consequences due to having parts of its production base outside of its core territory.

The claim by the EU is that it is just a “*technical matter.*” Advocating its position, the EU appeals to “*public international law.*” Officially, the EU is not taking any actions against Israel and it maintains its formal position of neutrality. It is just technocratically, though strictly applying international law. However such understanding of international law is somewhat an avant-garde, there is a strong argument to support it. The EU concluded free-trade agreement (FTA) relating to the same territory in question with the Palestine Liberation Organization. This effectively bars the EU from interpreting the EU-IAA in the way, which would overlap with the ROO clause in the FTA signed with the PLO. In that case, the EU would contradict itself.⁴²

However, given this argument, an inconsistency appears in another EU policy. Morocco is enjoying more liberal interpretation of its own FTA in relation to the occupied territory of Western Sahara. Apparently, this is caused by an absence of a conflicting treaty,

⁴⁰ Sharon Pardo, “*Integration Without Membership: Israel and the European Union,*” Contemporary European Studies, January 2009, 38.

⁴¹ Neve Gordon and Sharon Pardo, “*The European Union and Israel’s Occupation: Using Technical Customs Rules as Instruments of Foreign Policy,*” Middle East Journal, Vol. 69, No. 1, Winter 2015, 78-79, <http://dx.doi.org/10.3751/69.1.14>.

⁴² Ibid., 80-81.

which would claim the territory of Western Sahara. Nonetheless, Western Sahara is an occupied territory. Thus, the argument of strict adherence to international law is invalid. Furthermore, the widespread perception in well-connected media outlets is quite diverging from the official EU position. The Guardian as well as the Telegraph informed, that the EU's step was explained as an attempt to punish Israel's settlement policies in the occupied territories.⁴³

The ROO finally went into effect in 2005 alongside the “*technical arrangement*,” which moderated the impact of the labelling laws.⁴⁴ However, virtually the same issue reappeared in 2015, when the EU authorities took an issue with the same arrangement, drawing up new guidelines for labelling of products made in Israeli settlements. The Israeli government clearly understood these steps in political connotations and cut the ties with the EU institutions in protest.⁴⁵ The ties were swiftly renewed, but the bitterness in the mutual relations remained. In 2017, Israeli Prime Minister Benjamin Netanyahu complained to his Central European counterparts about Brussel's insistence on conditioning the upgrade of the EU-IAA by advancement in the MEPP.⁴⁶

Special Privileged Partnership was offered to both Israel and to the future Palestinian state, if they manage to strike a deal.⁴⁷ This “*carrot*” was first presented to Israel in 2013. It offers increased access to the European markets, facilitation of trade and investments, promotion of mutual business relations and enhanced cultural, scientific and security cooperation. The proposal is presented as a closest possible partnership short of membership. The rather generic language is considered to be an open invitation for Israel to design its relationship with the EU. The SPP was not expected to generate any substantial effect by the EU officials themselves.⁴⁸ The mainly economic nature of the SPP predestines it to fail. The EU-Israeli relations area is not primarily affected by economic considerations. Israel is a

⁴³ Gordon and Pardo, “*Technical Customs Rules*,” 80-81.

⁴⁴ *Ibid.*, 79.

⁴⁵ “*Israel suspends contact with EU bodies over labelling of West Bank produce*,” The Guardian, November 29, 2015, <https://www.theguardian.com/world/2015/nov/29/israel-suspends-contact-eu-bodies-labelling-west-bank-produce>.

⁴⁶ Raphael Ahren, “*In hot mic comments, Netanyahu lashes EU's 'crazy' policy on Israel*,” The Times of Israel, July 19, 2017, <https://www.timesofisrael.com/in-overheard-comments-netanyahu-lashes-eus-crazy-policy-on-israel/>.

⁴⁷ “*Implementation of the European Neighbourhood Policy in Israel Progress in 2014 and recommendations for actions*,” Joint Staff Working Document, European Commission and European External Action Service, March 23, 2015, 2, http://eeas.europa.eu/archives/docs/enp/pdf/2015/israel-enp-report-2015_en.pdf.

⁴⁸ “*A Special Privileged Partnership with the EU as an incentive for Israeli-Palestinian peace*,” Summary of a policy-planning workshop, Friedrich Ebert Stiftung and Mitvim – The Israeli Institute for Regional Foreign Policies, June 2016, 2, <https://s3-eu-central-1.amazonaws.com/fes-org-il-wp/wp-content/uploads/2016/12/04231302/Special-Privileged-Partnership-With-the-EU-English.pdf>.

developed country and the economic benefits, which the EU is able to propose, do not play a great role. Furthermore, the trade, scientific and security cooperation with the EU are already highly advanced. The recent conflict over customs duty of the Israeli settlements is nothing but a proof of it. It had only minor impact on Israeli economy. The National Compensation Mechanism established by the Israeli government to mitigate the impact of the EU ROO can serve as an indicator. The NCM was established to compensate companies affected by the EU ROO, and its budget gradually decreased to numbers not overreaching EUR 2 million.⁴⁹ Additionally, the EU ROO make an assertion that the Israeli settlements are economically detached from the rest of the country. This decision effectively legitimizes the rest of Israeli economy for trade with the EU.⁵⁰ So, the effect of the ROO as a “*stick*” is effectively undermined. On the same scale, the failure of the economic regulation to function as “*sticks*” indicates the failure to use economic incentives as “*carrots*.” Finally, the successful use of incentives in peacebuilding situations by the EU was accompanied by the reasonable prospect of at least EU membership in the future.⁵¹ Under such circumstances, the EU attempts to influence Israel to satisfy its interests has failed so far.

The EU relations with the Palestinian Authority

While the EU has developed a strong trade relationship with Israel, its focus in relations with the PA concentrated on statebuilding. The new EU-PA Action Plan explicitly proclaims statebuilding as its central approach.⁵² The Europeans have financed key reforms of governance focusing on regulatory framework, civil service integration and a fiscal reform in order to strengthen the PA. They attempted to improve living conditions in Gaza by focusing on investment as well.⁵³ As a part of its statebuilding effort, the EU also increased its security cooperation with the PA. It launched one civilian CSDP mission and one border assistance mission.⁵⁴ The EU has supported the reforms of Palestinian Prime Minister Salam Fayyad,

⁴⁹ Gordon and Pardo, “*Technical Customs Rules*,” 83.

⁵⁰ *Ibid.*, 87.

⁵¹ Persson, “*In Pursuit of a Just Peace*,” 7.

⁵² “*European Union-Palestinian Authority Action Plan*,” Political Chapeau, European External Action Service, 2013, 1, https://eeas.europa.eu/sites/eeas/files/pa_enp_ap_final_en.pdf.

⁵³ “*Report on the Implementation of the European Neighbourhood Policy Review*,” Joint Report to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, European Commission and European External Action Service, May 18, 2017, 7, https://eeas.europa.eu/sites/eeas/files/2_en_act_part1_v9_3.pdf.

⁵⁴ *Ibid.*, 19.

introduced in 2009. It optimistically praised the earliest results of institution-building efforts by the PA government.⁵⁵

The old Action Plan, signed in 2005, dealt with two main issues. First was the institutional reform, which has as its final goal achieving democracy. Second, the economy of Palestine should have become independent and self-sustaining, so that Palestine can become a sovereign state. Palestine should have been less dependent on trade with Israel in exchange for increased trade relations with the EU and other countries in the region. Little was achieved in terms of democracy, yet some progress was notable when it comes to the economic reform. In the process, the EU has become Palestine's biggest sponsor.⁵⁶ Fayyad had a similar viewpoint on the situation, and it was under his government when the economy of Palestine improved. He promoted institutional reforms and he was trying to attract foreign investment. Thanks to his work, he secured this vital source of income for the PA.⁵⁷

His task was also to prevent Hamas from taking power in the West Bank and his conciliatory policies were a thorn in the eye of the Islamic movement.⁵⁸ Fayyad was in charge of the Palestinian security forces and their reform was also part of his agenda. It constituted a part of his plan to create a functioning state before the political dialog could commence. The security reform, which he promoted, was under the patronage of international donors. The American USSC and European EUPOL COPPS assistance missions wielded heavy influence over the process of the security forces' reform. On the background of these missions, the Palestinian security forces unleashed a violent campaign against other resistance groups and, most importantly, against Hamas. The essence of the campaign was to achieve a monopoly on violence through disarmament, amnesty and violent crackdowns. The important component of Fayyad's reform was modernization and training of the police corps.⁵⁹ This was the area of the security reform, in which the American and the European missions mainly contributed. They provided technical assistance, supported the justice system and trained a number of police officers. However, their main achievements in the eyes of the EU were building of confidence between the Israeli security authorities and the Palestinian security forces, and

⁵⁵ EEAS, "EU-PA Action Plan," 1.

⁵⁶ Janita Jaya, "Palestine: A Unique Case?" *European Policy Review*, Vol. 2, No. 1, 2018, 97.

⁵⁷ "Fayyad fears for economic achievements," *Al Bawaba*, September 5, 2011, <https://www.albawaba.com/business/fayyad-fears-economic-achievements-390888>.

⁵⁸ Nathan Thrall, "Our Man in Palestine," *The New York Review of Books*, October 14, 2010, <https://www.nybooks.com/articles/2010/10/14/our-man-palestine/>.

⁵⁹ Alaa Tartir, "The Evolution and Reform of Palestinian Security Forces 1993-2013," *Stability: International Journal of Security & Development*, Vol. 4, No. 1, (September 18, 2015), 11-12, <http://dx.doi.org/10.5534/sta.gi>.

facilitating mutual dialogue.⁶⁰ The mission was considered successful by the EU. It was prolonged several times and it is active to this day. Meanwhile, the Palestinian security forces consumed up to thirty percent of all the foreign aid pouring into the country. The PA created a massive security apparatus employing more than two percent of its population.⁶¹ The positive evaluation of the EUPOL COPPS mission by the EU starkly contrasts with the day-to-day conduct of the reformed security forces. The Hamas affiliated public servants were dismissed, their NGOs shut down and new money laundering regulations were imposed to prevent the organization's financing. The Palestinian security forces frequently intimidated, detained, humiliated or tortured their political opponents. Concurrently, the PA suppressed freedom of speech and suppressed opposing protests. Violations of human rights were on daily order and the security forces frequently ignored the law, arresting and detaining without court order.⁶² The Palestinian security forces established an authoritarian regime with tacit approval by the EU and the United States. On one side, the PA strengthened its position, stabilized its rule over the West Bank and build effective public institutions. On the other side, it effectively estranged itself from the EU's proclaimed goals of democracy and human rights.

However, the EUPOL COPPS was not cancelled, providing clear meaning to the EU's obliviousness to the human rights violations and authoritarianism of the PA. A precedence to the EU's current behaviour can be found in its reaction to the elections in the PA in 2006. The victory of radical Hamas presented the EU with a crucial choice. However, not all cards were in its hand. The Fatah-PA's security forces' leadership also had an important say.

Full assumption of power by Hamas would signal an end to the MEPP. Hamas did not recognize Israel and opposed negotiations with it. It was, and it still is, an active terrorist organization and it did not intend to cease its armed struggle. After the elections, the EU and the United states threatened to cut off its contributions to the PA. The EU alongside the United States and the rest of the Middle East Quartet conditioned its provision of financial assistance by Hamas's renouncement of violence and recognition of Israel. It also insisted on Hamas committing itself to the MEPP by recognizing all previous agreements between Israel and the PA. Hamas refused to do so.⁶³ Nonetheless, not all hopes were lost yet. The EU and

⁶⁰ EC and EEAS, “*Report on the Implementation of the ENP*,” 19.

⁶¹ Alaa Tartir, “*The Limits of Securitized Peace: The EU's Sponsorship of Palestinian Authoritarianism*,” Middle East Critique, Vol. 27, No. 4, (November 6, 2018), 366-367, <http://doi.org/10.1080/19436149.2018.1516337>.

⁶² Tartir, “*The Evolution and Reform*,” 12.

⁶³ Paul Morro, “*International Reaction to the Palestinian Unity Government*,” CRS Report for Congress, May 9, 2007, 2, <https://fas.org/sgp/crs/mideast/RS22659.pdf>.

the United States still hoped that sanctions could be averted, if the moderate Fatah would be part of new the government. However, the tensions mounted between the two antagonising organizations. Occasional violent incidents fostered the atmosphere of mistrust. The Fatah partisans, leading the PA's security forces, were afraid of purge by their rivals.⁶⁴ The armed forces of both organizations remained separated and the Fatah-dominated PA's security forces refused to cooperate with the Hamas led government.⁶⁵ After it had become clear that Fatah would not be part of the new PA government, the USA and the EU halted its assistance for the PA.⁶⁶ Following further peripeties and violence, the rupture between Hamas and Fatah had split the territories along its physical borders. Gaza remained in the hands of Hamas-led government. Yet, the entirety of the West Bank fell to Fatah, led ever since by President Abbas.

Hamas was a democratically elected force in the PA. The majority of Palestinians opted for violence instead of negotiations. Yet, the EU clearly favoured the continuation of the MEPP. It chose to support the party which opted for peaceful resolution of the conflict and negotiations with Israel. The EU bailed out the PA apparatus, while avoiding the Hamas-led government prior to the division of the territories. The PA was in danger of collapsing, if international aid would not be supplied.⁶⁷ The EU, alongside with the United States, refused to fund Hamas, which it considered a terrorist organization. But the choice against one, was automatically a choice for the other. The PA apparatus was under the control of the members of Fatah. By avoiding Hamas, the EU made a decision to prop up the regime ruling from the position of authority. It preferred stability on the expense of democratic principle. It artificially kept the MEPP alive and the situation on the ground stable.

A direct consequence was an increasing authoritarianism of the PA over the West Bank. The EU is supporting its security apparatus and it is building up its forces. The activities of the EU on the territories have a primary objective to maintain stability and keep in power a force committed to the MEPP. The allocation of finances on the ground is serving the primary objective of keeping the MEPP up and running.

⁶⁴ "Chronological Review of Events Relating to the Question of Palestine," Monthly Media Monitoring Review - January 2006, United Nations - Division for Palestinian Rights, February 8, 2006, <https://unispal.un.org/UNISPAL.NSF/0/06DED8BA1297EAAD852570FB004D733E>.

⁶⁵ Tartir, "The Evolution and Reform," 10.

⁶⁶ Morro, "International Reaction," 2.

⁶⁷ Ewen MacAskill, "US opens the door for Europe to save Palestinians from funding disaster," The Guardian, May 10, 2006, <https://www.theguardian.com/world/2006/may/10/israel.usa>.

The EU and the MEPP

A combined factor of political leadership of the United States and its reliance on prestige and credibility to advance its interests vis-a-vis the Arab states, led the EU to adopt a position of support for the two-state solution. The dependency on Arab oil slowly but surely drifted the European position away from Israel, but the dependency on American protection have never allowed the EU to abandon it entirely.

The EU positions on the conflict are still guided by Venice Declaration of 1980.⁶⁸ The Venice Declaration caused a significant uproar in its time. It was a climax of contemporary EU-Arab rapprochement and it deepened the mistrust Israel held towards the European states. It declared EU support for the resolution of the conflict through a peace process, and condemned the construction of Israeli settlements in the occupied territories. The EU supported PLO as a partner in negotiations with Israel. This was especially controversial because in the time, the PLO was engaged in multiple terrorist activities against Israel and openly called for its destruction.⁶⁹

The EU stands firmly behind the current PA leadership, the PLO with Fatah at its head. This is considered a precondition for the MEPP to succeed. The PLO is a committed partner for the negotiations, who is willing to promote the EU's interests, and it is able to maintain stability in the area. In firm opposition to Fatah and the PLO is radical Hamas, which is committed to armed struggle. Hamas is the main opposition party, which exerts some influence over the Palestinian population and competes over their hearts and minds with Fatah. It represents an ideological alternative to the MEPP. Therefore, in its proclamations, the EU takes a more pro-Palestinian stance since it strengthens Fatah's position in its competition with Hamas. This results in an overall more pro-Palestinian approach of the EU. It lends Fatah credibility in the eyes of the Palestinian people.

Precedence for this stance can be found in the Berlin Declaration of 1999. By the end of the 90's, the EU already called for an independent Palestinian state, thus openly declaring its support for the two-state solution.⁷⁰ It is now believed that the Berlin Declaration was an attempt by the EU to keep the MEPP on track. The Berlin Declaration at its time, again,

⁶⁸ EEAS, "EU-PA Action Plan," 3.

⁶⁹ Persson, "In Pursuit of a Just Peace," 80-82.

⁷⁰ EEAS, "EU-PA Action Plan," 3.

worsened the relations with Israel by its pro-Palestinian nature. The Declaration was intended to bolster the position of Yasser Arafat and dissuade him from unilaterally declaring a Palestinian state, a step, which was believed, would derail the MEPP.⁷¹ In the same vein, the EU supports reconciliation between Hamas and Fatah. The situation in which the Gaza is ruled by Hamas and separated from the West Bank is unsustainable. Furthermore, it excludes the Gaza Strip from the MEPP and destabilizes the area by creating tensions with Israel.⁷²

The EU's stance on the conflict essentially assumes that the Palestinian state would function properly, and peace would ensue. The establishment of the Palestinian state is believed to end the conflict. For this reason, the EU does not have much patience for Israeli security concerns. It is believed that proper functioning of the PA and mainly calm security situation are the necessary precondition for Israel to join in the negotiations. That is why the EU is sustaining the Palestinian security apparatus and it is subsidising Palestinian economy. This is why it is trying to build up effective institutions, which would be able to provide services to the population. It is showing to Israel that the future Palestinian state would be viable, it could provide all the services to its citizens and it would be able to effectively execute armed control over its territory and keep the security situation stable. In turn, the EU wants Israel to grant the PA greater autonomy over its affairs in Areas A and B, the areas, which, according to the Oslo Accords, fall under full administrative control of the PA.⁷³

Additionally, the EU is committed to *“actively support additional steps identified towards Palestinian statehood (...) including steps that would facilitate the social and economic development of Area C.”*⁷⁴ Area C, according to the Oslo Accords, falls under full Israeli sovereignty. Apparently, this line in the EU-PA Action Plan is referring to the EU-funded unauthorised constructions in the West Bank. It turns out that the EU is coordinating its activities with the PA. Since it is the largest donor of foreign development aid, this seems only natural. The fruitful cooperation started during the tenure of prime minister Salam Fayyad. The coordination of policies can be traced up to the 2011-2013 National Development Plan released by Fayyad's government. The document, with subtitle *“Establishing the State, Building our Future,”* is concerned with national-building policies typical for *“Fayyadism.”* Apart from fiscal and macroeconomic policies and issues of general governance, the document makes notice of an economic development in Area C as well. The

⁷¹ Persson, *“In Pursuit of a Just Peace,”* 85.

⁷² EEAS, *“EU-PA Action Plan,”* 3.

⁷³ Ibidem.

⁷⁴ Ibidem.

plan emphasizes a need to upgrade a public infrastructure and services in the area.⁷⁵ In the section dealing with government expenditures, the plan specifically says that “*significant investment will be needed to reclaim and prepare land and other natural resources (especially in the so-called ‘Area C’)*.”⁷⁶ Here, the NDP is ignoring prescripts established by the Oslo Accords by operating on soil designated under full Israeli authority. What is more interesting, the NDP is referenced by multiple EU official documents concerning the provision of aid to the PA. Press release of the European Commission from September 2012 is referencing the NDP. It announces large-scale support of EUR 100 million for the PA in 2012, including a package of support for Area C. The support amounting EUR 7 million is intended for the development of land and infrastructure. The funding explicitly mentions as its goal to support the Palestinian presence in the area, which the Commission views as vital for the two-state solution.⁷⁷ Another EU document, the Humanitarian Implementation Plan, acknowledges that the PA participates in planning and zoning of Area C. It foresees that the success of the endeavour will end up rewarding the PA with more authority over the territory. In the same time, the document portrays the PA concern with the area as a matter of a humanitarian assistance.⁷⁸ The document itself is allocating up to EUR 35 million to the PA on humanitarian grounds.⁷⁹ The coordination of policies between the EU and the PA makes the former seemingly complicit in breaching the Oslo Accords of the latter.

The issue of the EU-funded structures in the West Bank was first revealed to the public in 2015. Israeli-based NGO *Regavim* filed a report documenting the raise of illegal construction across the West Bank. The report places the onset of the trend somewhere between the years 2006 and 2012.⁸⁰ The report revealed the EU attempts to directly enter the

⁷⁵ “*National Development Plan 2011-13: Establishing the State, Building Our Future*,” Palestinian National Authority, April 2011, 28, http://info.wafa.ps/userfiles/server/pdf/National_Plan_for_the_years_2011-2013.pdf?_cf_chl_jschl_tk_=86434a52addaccfbee4e68556b4388b8a1ec0684-1576329734-0-ASYxXnVBlnOVNk75XMy6bhZgkxGpni7Fw6Ymp_LXUmikUGvIohISnJhSg9o0IzpBwx9QHJQPpv6TZq7mvczpuvCqS737AF5EowhHjdOx4vMliAykaX8ktr59yBxxp6Jv99nihDL4JpIxivDPecUnbuKGRWcUOWqerOTOiAia5sJAFJE5ju7blJgEAKHP6HX-Hg3UGnzNEq3gqeOxo_Amjh67Q2JUIBQXLhVNvLtqHFy47w0zS5Ssvgo8aoYwhxFKdl1sbxpegvd7jzTic9j8ofQSQJv9mn7-FEBw2Bi5CsKEX-LDLsf4lauzUpe2c9ZVPdroHLFWC2T_Vwi9fvzKYvuzM8n0RpCcDUanaoLBw5C7.

⁷⁶ PNA, “*National Development Plan*,” 77.

⁷⁷ “*The European Commission Announces New Large-scale Support the Occupied Palestinian Territory*,” Press Release, European Commission, September 14, 2012, https://ec.europa.eu/commission/presscorner/detail/en/IP_12_964.

⁷⁸ “*Humanitarian Implementation Plan (HIP): Occupied Palestinian Territory*,” Year: 2013, European Commission, last modified October 10, 2012, 4, <https://ec.europa.eu/echo/files/funding/decisions/2013/HIPs/oPt.pdf>.

⁷⁹ *Ibid.*, 8-9.

⁸⁰ “*Illegal EU Building in Adumim Region*,” *Regavim*, February 2015, 8, <https://www.regavim.org/wp-content/uploads/2015/02/EU-Illegal-Building-Adumim-Area-report-A4.pdf>.

Israeli-Palestinian conflict by launching settlement policies of its own. More than four hundred illegal constructions have been identified in seventeen localities, revealing a large-scale project. The structures fly the EU flags and display the EU stickers as well as logos of Oxfam, the NGO assisting the EU in the projects. Official EU agents were photographed on the place.⁸¹ Newly built-up localities include area E1 and its vicinity, which is crucial for the two-state solution, suggesting a political motif behind.⁸² The EU spokesperson in Brussels denied the allegations and proclaimed, that the EU is ready to provide expertise on the construction in the area to the PA in the future, (apparently meaning after the transfer of the authority over the Area C by Israel to the PA). However, a locally based spokesperson for the EU in the West Bank and Gaza confirmed, that the construction is indeed taking place in Area C. The NGO Oxfam confirmed the construction, too, justifying it on humanitarian grounds.⁸³

In 2012, the Council of the EU clarified in its Conclusions on the MEPP that it is concerned about the development in Area C. The actions of the Israeli authorities in the area collide with the preferred two-state solution of the EU. The EU is ready to fund the development in Area C. It is dedicated to maintaining the Palestinian presence there, which it sees as crucial for the two-state solution.⁸⁴ On the ground, the conflict concerns local Bedouin communities. Gradual abandonment of the nomadic lifestyle led the communities to settle on the land. Then, the communities on the ground became a subject of the land dispute between Israel and the PA. Their shelters lack relevant permits and are demolished, while the population is being offered alternative settlement location by the authorities. The main concern of the EU in the dispute is the viability of the two-state solution.⁸⁵ The EU financial resources go directly into funding of the unauthorized shelters. The EU seemed to clear up its position on existence of the structures since 2015, when the individual EU officials contradicted each other. The office of the EU representative for the West Bank and Gaza started issuing reports documenting the demolitions of the EU-funded structures by the Israeli authorities. It even indicated the losses, which the EU suffered as a consequence. Between

⁸¹ Jake Wallis Simons, "European Union is 'breaking international law by funding illegal West Bank building projects,'" Daily Mail, February 5, 2015, <https://www.dailymail.co.uk/news/article-2874883/EU-funding-illegal-building-West-Bank-says-report.html>.

⁸² Regavim, "Illegal EU Building," 3.

⁸³ Simons "'European Union is 'breaking international law.'"

⁸⁴ "Council Conclusions on the Middle East Peace Process," 3166th Foreign Affairs Council Meeting, Council of the European Union, May 14, 2012, 2, https://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/foraff/130195.pdf.

⁸⁵ "EU Blasts New West Bank Settlement Homes, Upcoming Demolition of Bedouin Village," The Times of Israel, May 31, 2018, <https://www.timesofisrael.com/eu-slams-new-west-bank-settlement-homes-upcoming-demolition-of-bedouin-village/>.

2015-2018 it was over EUR 1.2 million, while the demolitions represent only a fraction of the total number of illegal structures in the area.⁸⁶

The unauthorized construction of the EU in Area C is problematic from two perspectives. The first is legal, the second political. From the legal perspective, the EU (as well as the PA) is violating international law. Specifically, by violating Israeli sovereignty in Area C, the EU is in direct breach of the Oslo Accords, to which it is a signatory.⁸⁷ That is in itself creating a political scandal as the EU claims to adhere to international legal norms and derives its authority on behalf of the Member states from the many legal documents, which proclaim its general respect for international law. However, this problem is mainly a political one. The EU institutions do not assume power on their own, completely unauthorized by the Member states. In the Global Strategy, nowhere does it say that the EU is going to take sides in regional conflicts. In the ENI, nowhere does it say that financial support is going to be used for steering land disputes in the EU neighbourhood. Yet, the EU-PA Action Plan is openly speaking about maintaining Palestinian presence in Area C. The EU got an authorization for the current form of the EU-PA Action Plan from all the Member states, which in general support the two-state solution. The Member states also gave the EU a blank cheque for using the EU instruments to enforce their will on the ground. The political decisions are presented as state-building. The financial contributions are presented as development aid. Under the pretext of partnership for peace with all the parties involved, the EU is in fact trying to enforce its vision of the MEPP on the ground.

3) Planned changes into settings of the ENI

The programming period of the ENI ends in 2020. In the context of preparation of the overall Multiannual Financial Framework post-2020, a new financial instrument for the ENP has been proposed. In June 2018, the Commission published a proposal for a new financing instrument to replace the ENI. The new document was titled "*the Neighbourhood, Development and International Cooperation Instrument.*" In the spring of 2019, the European

⁸⁶ "Six-Month Report on Demolitions and Confiscations of EU Funded Structures in the West Bank Including East Jerusalem," July-December 2018, European Union - Office of the European Union Representative (West Bank and Gaza Strip, UNRWA), March 1, 2019, 2-3, https://eeas.europa.eu/sites/eeas/files/six-months_report_on_demolitions_of_eu_funded_structures_in_the_west_bank_including_east_jerusalem_july-december_2018.pdf.

⁸⁷ Simons, "European Union is 'breaking international law.'"

Parliament approved the instrument in its first reading.⁸⁸ Currently, the NDICI is going through standard legislative process to be approved at some point in 2020. The proposed material originates as much on the EU level as on governmental one. As it will be shown in the following section, the EU is proposing changes based on design devised by a Member state Germany. It is doing it so, in order to serve as useful tool to Member states and react to development in international arena. It absorbs the main tenets of the German proposal and passes it on to other Member states and the Parliament for adjustments. The EU also courts the public by incorporating criteria set by the UN and the OECD. The final product thus originates mainly outside of the EU level. It is designed by the EC and the EEAS, but the criteria and tools are borrowed from the Member states and the international organizations.

Germany's "Marshall Plan with Africa"

The new budget proposal for the ENP is closely related to the German initiative delivering development aid to Africa. The so called "*Marshall Plan with Africa*" was proposed at the beginning of 2017 by the German Ministry for Economic Cooperation and Development (BMZ). The plan has become a centrepiece of German Foreign Policy. It is a sign of bigger role Germany wants to play in the EU Foreign politics. Although dubbed according to the US plan which helped to kick-start Europe after the WWII, the plan is in fact trying to reintroduce a scheme from 1980's. According to the plan, the companies investing in Africa are going to enjoy tax breaks in order to be able to write off their losses. The "*favourable tax treatment*" is intended to moderate the high initial investments risks connected with the African business environment.⁸⁹

The motivation behind the plan is a product of large and complex trends and factors. Overall, it is a mix of geopolitical interests, which led Germany and the EU to turn to Africa. The explanation, connected to the name of the initiative, suggests that the European countries might not be primarily motivated by a genuine desire to promote economic growth and development. US interest in Africa was constantly fed by fear from unchecked spreading of

⁸⁸ Beatrix Immenkamp, "*A New Neighbourhood, Development and International Cooperation Instrument*," Briefing – EU Legislation in Progress 2021-2027 MFF, European Parliament, November 2019, 1, [https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/628251/EPRS_BRI\(2018\)628251_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/628251/EPRS_BRI(2018)628251_EN.pdf).

⁸⁹ "*German firms promised 'Marshall Plan' tax breaks for African projects*," Business News, Reuters, July 8, 2018, <https://www.reuters.com/article/us-europe-migrants-africa/german-firms-promised-marshall-plan-tax-breaks-for-african-projects-idUSKBN1JY0SE>.

communism. The same way, the current influence of the EU in Africa is contested by geopolitical interests of China. Chinese investments are present across the continent. For the EU, Africa represents an important asset in the geopolitical struggle, because of the growing demand for its mineral resources and raw materials, especially valuable in the modern digital era. An alternative explanation identifies the 2015 migration crisis as the main motivator behind the recent turn. African population is projected to grow rapidly in the future. Furthermore, a climate change threatens to render the agricultural production in some areas on the continent impossible. Subsequently, Africa's economic and political instability can send millions of migrants towards the shores of Europe.⁹⁰

Germany's "*Marshall Plan with Africa*" is being officially defended as an instrument for tackling migration.⁹¹ It is not clear, what the official criteria are. The BMZ emphasizes democracy and human rights. In the same time, the Finance Ministry collaborates with authoritarian governments. Furthermore, the provided financial resources are insufficient for the goal they are supposed to achieve. According to several relief organizations, Germany and the EU alike are focusing primarily on the countries of migrant origin and transit.⁹² The BMZ reserved 20% of the Germany's assistance to the "*reform-minded*" countries in order to forge *incentive-based* partnership.⁹³

European response to the Arab Spring: the EIP and the ENI

The lack of coherent criteria for German development aid contrasts with the staunchly pro-democratic reform language of programming documents of the EU financing instruments. It illustrates the nature of the EU development aid policy framework. The EU creates policy programmes, shielded by the lowest common denominator policies. They emphasize goals, such as the human rights or the economic development, which all Member states of the EU can publicly subscribe to. The EU provides partial financial support for the programmes and the rest of the budget is financed by the Member states and other voluntary contributors. The Member states themselves decide to which area the money goes, and under what criteria. This

⁹⁰ "*Marshall Plan and Compact With Africa: A Critical Comment on the New EU-Africa Partnerships*," Africa Europe Faith and Justice Network, December 2017, 1, <http://aefjn.org/wp-content/uploads/2017/12/The-Marshall-Plan-with-Africa.pdf>.

⁹¹ Reuters, "*German firms promised 'Marshall Plan' tax breaks.*"

⁹² Daniel Pelz, "*Aid groups say Germany overlooking African countries in need*," Deutsche Welle, April 4, 2019, <https://www.dw.com/en/aid-groups-say-germany-overlooking-african-countries-in-need/a-48207931>.

⁹³ J. Peter Pham, "*Germany's 'Marshall Plan' for Africa*," Atlantic Council, January 23, 2017, <https://www.atlanticcouncil.org/blogs/new-atlanticist/germany-s-marshall-plan-for-africa/>.

explains the gap between the rhetoric and the effects of the policies on the ground. The EU provides a unifying platform for all policies, and the EU Member states themselves decide where to place the emphasis. The EU under this framework acts as a force multiplier, helping each of the Member states to coordinate its policies with others and borrow some power from the financial resources of the common budget. This framework has a moderating effect on the stances each of the Member states advocates as evidenced by accompanying change of rhetoric.⁹⁴ It is a direct consequence of *cooperative bargaining* between the Member states. Each of the Member states is more likely to silently tolerate minor divergences from its preferred policy options in areas of secondary interest. The Member states refrain from harsh rhetoric and prefer cooperative approach in order to keep the primary common policies afloat. The partners prefer consistency and coherence of common policies.⁹⁵

The EU followed Germany with its own EU External Investment Plan introduced on the European summit with the African Union in November 2017.⁹⁶ Similarly, the EIP uses public money to lower the investment risks. The plan is intended not only for Africa, but also for the countries in the EU Neighbourhood. The previous approach to development assistance was considered insufficient, and now the EU aspires to join its efforts with the resources of the private sector. The goals of the EIP aim in general at supporting sustainable development and strengthening business sector in the targeted countries. One of the goals is also tackling of the irregular migration. The financial components of the EIP are currently covered by the European Fund for Sustainable Development. One of the components is a financial guarantee. The guarantee can refund as much as one hundred percent of losses. This method is expected to leverage an overall investment of more than ten times of the dedicated amount. The guarantee is combined with another component, the so called “*blending*.” Blending utilizes both grants and loans to encourage investors to enter the market. This method is also expected to have similar effectiveness to the guarantee and to attract several times more funds than the amount devoted by the EU.⁹⁷

The EU’s response to the Arab Spring entailed principle “*more for more*” aiming at democracy promotion and economic development. This approach translates in the financing

⁹⁴ Zdrálek, “*The Evolution of EU Foreign Policy*,” 52-53.

⁹⁵ *Ibid.*, 52-53.

⁹⁶ “*Investing in Youth for Accelerated Inclusive Growth and Sustainable Development*,” Declaration 1 (V), African Union – European Union Summit 2017, November 29-30, 2017, 2, https://www.consilium.europa.eu/media/31991/33454-pr-final_declaration_au_eu_summit.pdf.

⁹⁷ “*EU External Investment Plan*,” Policies, European Commission, last modified December 26, 2019, https://ec.europa.eu/europeaid/policies/financing-development/eip_en.

documents as an incentive-based provision of aid in exchange for the progress in political development. Development aid and increased access to the EU markets are traditional instruments of the EU foreign policy. The cooperation with partner countries is supposed to be conditioned by progress towards democratic reform, regulatory and legislative approximation and any other goals of the ENP.⁹⁸ Initially, the EU increased its funding for the region. The countries undergoing civil wars and political violence suffered greatly from the upheaval. The damage was done not only to the domestic production and property. Foreign investments and tourism also decreased and great damage was done to the trade. The EU strategy appeared to be addressing exactly those issues. However, the committed funding was not being disbursed in full extent. The ENPI and other financial instruments of the ENP were not able to engage with the Arab countries and deliver new funds.⁹⁹ This was brought about in the first place by the political instability, which the EU encountered on the ground. As the main focus of the ENP is on state-building, the reforms promoted on the ground focus on judiciary, rule of law and support for good governance.¹⁰⁰ These reforms have largely long-term character and tend to neglect short-term issues. As a result, the EU was unable to provide new funds to the countries in the time of political turmoil. The various officials on the ground were not interested in the EU programmes, which would take years to deliver first results. Increased number of conditions attached to the funds, which in reality could not be met on the ground in the time of political transition, further decreased the number of new applicants for the European money. Therefore, the disbursement of additional EU aid to its Arab partners was severely hindered.¹⁰¹

For the financial period of 2014-2020, the new financing document was drafted to manage the financing of the ENP. The ENI kept the incentive-based approach and its long-term direction at institution building. The External Evaluation of the ENI from mid-2017 describes a gap in the EU short and medium term strategies' absence of response capacity. The financial instrument lacks flexibility. The southern region is overflowed with migrants and refugees and continues to pose a threat due to its structural instability. This trend is predicted to continue. The ENI does not have the capacity to react to arising tensions and to manage conflicts. It does not have strategies to address future crises. In the same time, all the financial resources are consumed by the long-term strategy of development for middle-

⁹⁸ Federica Bicchì, "The Politics of Foreign Aid and the European Neighbourhood Policy Post-Arab Spring: 'More for More' or Less of the Same?" *Mediterranean Politics*, Vol. 19, No. 3, 2014, 323.

⁹⁹ *Ibid.*, 325.

¹⁰⁰ Persson, "In Pursuit of a Just Peace," 56.

¹⁰¹ Bicchì, "The Politics of Foreign Aid," 328.

income countries including Palestine. The report notes, that the development aid does not exceed 0.5% of the GDP in most of the countries except for Palestine and a few others.¹⁰² The document further criticises the ineffectiveness of the incentive-based approach. It is noted, that the limited financial incentives were insufficient in promoting structural reforms in middle-income countries. Especially the human rights and democracy sector is neglected to the extent that less than five countries are participating in the umbrella programmes, further reducing the incentives of partner countries to take the risk of advancing politically sensitive reforms. The report proposes to go beyond the current umbrella programmes and revise the criteria for allocation of funds. Additionally, the ENI makes an insufficient use of blending. The Member states have not committed enough funds to the cause.¹⁰³ Overall, the External Evaluation of the ENI emphasizes the gap between the ambitions and modest performance on the ground. The available financial resources are simply not up to the task. The EU medium and short term interests were sacrificed completely. The long-term strategy is delivering only modest results if any.¹⁰⁴

The NDICI

With the ENI mandate nearing its end, the new NDICI was drafted. Its exact form is not yet clear as the document needs to pass second reading in the EP first. However, we can make an overall idea from its current form.

Flexibility

The proposal addresses the issue of flexibility. The ENI is not the only financial instrument covering various payments for the ENP countries, although it is the most important one. There are another eleven instruments alongside the ENI. The NDICI is proposing to simplify its structure by merging seven of them into one. The instruments managing most of the resources concern development aid. The NDICI will now be in charge of approximately three quarters of the external action budget. It will allow for transferring funds according to need to address unexpected challenges. Most of the money directed for the governments of

¹⁰² Max Hennion et al. “*External Evaluation of the European Neighbourhood Instrument (ENI)*,” (2014 – mid 2017) Final Report, Consortium led by Particip GmbH, June 2017, 9, https://ec.europa.eu/europeaid/sites/devco/files/eni-eval-final-report-vol-i-main_en.pdf.

¹⁰³ Ibid., VII-VIII.

¹⁰⁴ Ibid., 39.

the partner countries will be distributed in line with the NDICI guidelines. Only the Humanitarian Aid and Pre-Accession Assistance are the last major funds provided outside of this framework. The instrument will allow for transferring unutilized funds for emergency purposes from one geographic area to another.¹⁰⁵

Blending

The NDICI builds on the EIP and expands the capacity of its previously independent financial instruments. The new merged financial package should now be significantly larger. The previous allocations for blending and guarantee did not exceed EUR 5 billion under the ENI.¹⁰⁶ The current proposal represents a major shift towards the use of innovative financing methods. The External Action Guarantee, which covers these methods, will in total have a capacity of EUR 60 billion.¹⁰⁷ With the NDICI the blending receives a separate bracket with substantial financial allocation. The artificial barrier between the individual instruments will be removed. That should make the use of blending more effective. The efficient use of blending promises to attract multiple times larger amount of capital in private investments in addition to the European funds.

Performance-based approach

The NDICI aspires to become a breakthrough document in one particular way. The criteria for allocation of resources have been redistributed the same way since the consolidation of the ENP. The partner countries were supposed to be prompted by incentives to cooperate with the EU on the institutional reform and undergo transition to democracy. More reforms were supposed to bring more funds. However, under the new legislation the incentive-based approach has been replaced by the so called performance-based approach. The change should bring more accountability into the relation with the partner countries. While the currently used incentive-based approach was trying to persuade the countries, and in particular their undemocratic governments, to greater cooperation and motivate them to reforms by prospect of financial benefits, the proposed approach goes beyond. The EU countries long perceived the Mediterranean region to be stable, and it might have made them

¹⁰⁵ “*Questions and Answers: the EU Budget for External Action*,” Memo, European Commission, June 14, 2018, https://ec.europa.eu/commission/presscorner/detail/en/MEMO_18_4124.

¹⁰⁶ EC, “*EU EIP*.”

¹⁰⁷ EC, “*The EU Budget*.”

comfortable with the lack of progress in the joint Action Plans. The authoritarian regimes have been the guarantors of stability and the EU kept paying them for their service. Yet, the Arab Spring pushed the EU to action. Now, the autocratic regimes have been free riding on the EU development aid with no accountability. When the myth of authoritarian stability was broken, the lack of progress in the Mediterranean region became painfully visible. The performance-based approach is an answer to this shift of paradigms. It is supposed to separate those who genuinely pursue the reform from free-riders. The countries with satisfactory results will have access to ever larger pool of financial resources. The performance-based approach will be supported by 10% of the budget.¹⁰⁸ For this purpose, the NDICI sets clear criteria. A score based on the progress shown by the selected indicators is then assigned to the partner countries.¹⁰⁹ The score indicators aim at an evaluation of the performance across the board. This will allow for comparison of progress between partner countries, making it more difficult to avoid genuine reforms in process. This system requires the local EU offices to carefully monitor and evaluate the performance.¹¹⁰

Development aid

The “*Marshall Plan for Africa*” inspired the criteria to large extent. Among the focus on security, governance, institutional reforms and norm and regulatory approximation, there is also strong emphasis on development, gender equality or combating climate change. In fact, the strong emphasis on development physically manifests itself in form of envelopes in the EU budget for the specific policy areas. In order to achieve Sustainable Development Goals set by the UN and to fulfil the commitments made in the Paris Agreement, 25% of its budget is allocated only for fighting climate change.¹¹¹ Later, this percentage was raised by the European Parliament to 45% of the budget.¹¹² Another 20% is allocated for human development, including women’s rights.¹¹³ 10% of the budget is designated for addressing

¹⁰⁸ “*Proposal for a Regulation of the European Parliament and of the Council Establishing the Neighbourhood, Development and International Cooperation Instrument*,” European Commission, June 14, 2018, Article 17, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2018%3A460%3AFIN>.

¹⁰⁹ European Commission, “*Neighbourhood, Development and International Cooperation Instrument*,” Annex VII.

¹¹⁰ Egbert Sondrop et al. “*Contracting Health Services in Afghanistan: A Feasible Option to Reach the Poor?*” in *EU Development Policy and Poverty Reduction: Enhancing Effectiveness*, ed. Wil Hout (Farnham: Ashgate Publishing Limited, 2007), 190.

¹¹¹ European Commission, “*Neighbourhood, Development and International Cooperation Instrument*,” 28.

¹¹² “*NDICI: the European Parliament raises the bar on EU’s development cooperation*,” International Trade Union Confederation, April 16, 2019, <https://www.ituc-csi.org/ndici-the-european-parliament?lang=en>.

¹¹³ European Commission, “*Neighbourhood, Development and International Cooperation Instrument*,” 13.

root causes of irregular migration.¹¹⁴ Increasing amount of the EU budget for the ENP is restrained by a specific thematic criterion. That means that in order to obtain funding from the European resources, the partner countries will be encouraged to select programmes from the promoted policy areas. It can also exclude countries from receiving funds for the programmes in policy areas less relevant for them.

Specific performance-based indicators are not necessarily an expression of the European will per se. The quest for legitimacy within the multilateral framework led the EU to the arms of the OECD. The EU is trying to align its instrument with the criteria for Official Development Assistance of the OECD. 92% of the funding through the NDICI is designated to fall into OECD category.¹¹⁵ It was the OECD Development Assistance Committee who called upon the EU to reduce the number of budget items and streamline the approval procedure for its programmes.¹¹⁶ Similarly, the indicators of performance are established in coherence with the Sustainable Development Goals of the UN.¹¹⁷

4) Impact of the changes on Israel

In order to resolve the question of how the changes in the setting of the European Neighbourhood Policy could affect the relations of the EU with Israel, we have to look at the shortcomings of the current policies. Appended by the provisions of the new proposal, the subsequent picture should display how the strategy informing the wider international policies intermingles with the specific goals designed for a particular country.

Security impact: the European Court of Auditors versus the Commission and the EEAS

The European Court of Auditors released a report examining a period between 2008 and 2012. The audit examined the management of the Pegase Direct Financial Support, the biggest programme and the most important financing instrument of the EU providing large-scale funding to the PA. The audit called for major overhaul of the EU's spending. The audit revealed that the Pegase DFS had no performance indicators established. Not only did it make

¹¹⁴ European Commission, "*Neighbourhood, Development and International Cooperation Instrument*," 30.

¹¹⁵ *Ibid.*, Article 3.

¹¹⁶ *Ibid.*, Explanatory Memorandum, 3.

¹¹⁷ *Ibid.*, Annex VII.

the evaluation of the instrument's effectiveness more difficult, it was also in defiance of the ENPI regulation.¹¹⁸ The PA received money without any conditions apart from the eligibility criteria. The civil servants of the PA in Gaza stopped attending work after a public sector strike in 2008. The EU kept supporting the PA, despite little progress in civil service and pension reform. This resulted in European finances supporting non-working staff of the PA in Gaza.¹¹⁹ In the eyes of the ECA, this approach contradicted the incentive-based logic of the ENP, the principle "*more for more.*" However, the Commission and the EEAS selected this approach intentionally in order to ensure stable and predictable income to the PA. As a consequence, only limited progress has been achieved in terms of reforms.¹²⁰ Furthermore, the audit claimed that the EU's contributions to the PA's budget freed up the PA's own resources to fund its security apparatus and personnel not eligible for funding from the Pegase DPS under normal circumstances.¹²¹ Next, the audit criticised the absence of a clear strategy on reduction of PA dependency on European aid. This problem becomes increasingly visible when the decline of the donors, mostly Member states, coordinating their aid through the Pegase DFS, is taken into account.¹²²

From the ECA's evaluation became clear that the EEAS and the Commission did not align with the PA only its priorities, but also, allegedly, its performance indicators.¹²³ The ECA report was followed with a series of recommendations designed to fix all the flaws. The Commission and the EEAS complied with most of them unconditionally. However, they defended unconditionality of their support for the PA on political grounds as a deliberate decision. To appease the EAS's objections, the Commission introduced a Results-Oriented Framework in 2015. The ROF serves as a monitoring tool for the evaluation of the projects. Finally, the payments to Gaza from the European resources were suspended. Yet, the Commission and the EEAS complied with the recommendations of the ECA only four years after the report came out in 2017.¹²⁴

¹¹⁸ "European Union Direct Financial Support to the Palestinian Authority," Special Report, European Court of Auditors, No. 14, 2013, 17, https://www.eca.europa.eu/Lists/ECADocuments/SR13_14/SR13_14_EN.pdf.

¹¹⁹ *Ibid.*, 23.

¹²⁰ European Court of Arbiters, "*Financial Support to the PA*," 20-21.

¹²¹ *Ibid.*, 24.

¹²² *Ibid.*, 17.

¹²³ *Ibid.*, 57.

¹²⁴ "*Follow-up of the Court's Recommendations Made in its Special Report on EU Direct Financial Support to the Palestinian Authority*," Clearing letter, European Court of Auditors, December 13, 2016, 7, 13, https://actalliance.eu/wp-content/uploads/2017/06/Follow_up_ECA_SR_14_2013_Palestine-OR-NEAR.pdf.

The cut of the European development aid for the out of service employees of the Palestinian Authority in Gaza came as shock to many of its inhabitants. In close sequence, the PA slashed the salaries of said employees, causing widespread protests in the exclave against the PA.¹²⁵ Previously, the EU had hoped for success of the reconciliation between the two antagonised factions, Fatah and Hamas.¹²⁶ The PA imposed further sanctions against its rival in order to force the reconciliation. The PA stopped paying bills for electricity going to Gaza. It also withheld the fuel supplies, which run Gaza's only generating plan, and threatened to exert further financial pressure.¹²⁷ In October 2017, Hamas and Fatah signed a reconciliation agreement. According to the agreement, Hamas agreed to cede its civilian administration over the Gaza strip to the PA, which in turn would fund the civil servants and end the economic crisis in the exclave.¹²⁸ However, both parties failed to implement the agreement's deadlines. Hamas refused to give up its weapons, while the President of the PA, Mahmoud Abbas, insisted on this point.¹²⁹ Hamas further proved its resolution to stay in power in the spring of 2019 when social protests erupted against the dire living conditions and rising prices. The protests were violently suppressed. The protesters were beaten up by the riot police and scores of people have been arrested.¹³⁰

The PA has limited influence in Gaza. Part of the influence comes from the salaries, which it sends to its employees in Gaza. The PA is currently paying for salaries of sixty thousand of its employees in Gaza. In January and February 2019, the PA dismissed five thousand of its employees because they started to work for Hamas or other organizations in Gaza.¹³¹ The PA is losing its influence over the exclave and the cut in European aid is only making things worse. The payments for salaries in Gaza put yet a more strain to already burdened Palestinian economy. The number of public civil servant on the payroll of the PA

¹²⁵ "Thousands Protest Palestinian Authority Pay Cut in Gaza," Al Jazeera, April 8, 2017, <https://www.aljazeera.com/news/2017/04/thousands-protest-palestinian-authority-pay-cut-gaza-170408125050217.html>.

¹²⁶ European Court of Auditors, "Follow-up of the Court's Recommendations," 16.

¹²⁷ "Palestinian Authority to stop funding Gaza electricity," Al Jazeera, April 27, 2017, <https://www.aljazeera.com/news/2017/04/palestinian-authority-stop-funding-gaza-electricity-170427105910755.html>.

¹²⁸ Dov Lieber, "Translation of leaked Hamas-Fatah agreement," The Times of Israel, October 15, 2017, <https://www.timesofisrael.com/translation-of-leaked-hamas-fatah-agreement/>.

¹²⁹ Adam Rasgon, "Hamas leader: Group still seeking reconciliation with Fatah," The Jerusalem Post, January 24, 2018, <https://www.jpost.com/Arab-Israeli-Conflict/Hamas-leader-Group-still-seeking-reconciliation-with-Fatah-539633>.

¹³⁰ Oliver Holmes, "Hamas violently suppresses Gaza economic protests," The Guardian, March 21, 2019, <https://www.theguardian.com/world/2019/mar/21/hamas-violently-suppresses-gaza-economic-israeli-border-protests>.

¹³¹ Adnan Abu Amer, "Salary saga continues for PA employees in Gaza," Al-Monitor, April 10, 2019, <http://adnanabuamer.com/post/2920/salary-saga-continues-for-pa-employees-in-gaza>.

keeps growing at fast pace. The PA had difficulties paying salaries and pensions in time, resulting in wide-spread protests in 2012.¹³² In the same time, the EU is pushing for civil service and pension system reforms.¹³³ With the NDICI, the EU is introducing a system, which is going to promote and evaluate progress in these agendas. The performance-based system is designed to supervise the progress in reforms in comparison to the development aid recipients across the world. The PA is being pushed ahead to progress with the reform agenda and to limit the number of its public civil servants. Due to part of the PA's public civil servants being employed in Gaza, the reform agenda is related to them as well. The PA is indirectly pushed to dismiss them in order to improve its score in the performance-based evaluation.

The focus of the NDICI on climate, women's rights and other areas creates a potential problem for the PA. The PA will still have access to substantive amount of the EU donations. Yet, the access will be increasingly conditioned by a specific European agenda unrelated to the PA. It will have to adapt its economic structure, which will require substantial political effort. Once again, the effort will have to be genuine due to the performance-based approach. The complicated restructuring process may decrease its absorption capacity. As it happened during the Arab Spring, when the EU increased number of conditions attached to the funds, which in reality could not be met on the ground, the PA can actually fail to utilize all the funds committed to it. Furthermore, the NDICI will allow the transfer of the unutilized funds, thus reallocating the funds from the PA to other area in case of need. This can mean that the PA would lose the funds for as long as its absorption capacity does not improve.

The subsequent lack of finances can force the PA to introduce cuts in its payments. The stretched budget of the PA could prove not to be flexible enough to withstand this pressure and the PA could be forced to dismiss its sixty thousand employees in Gaza. This possibility would be further accentuated by the structural incentive accompanying European aid, which would reward it as a reform progress. In turn, the burden of economic crisis would be carried over to Gaza and destabilize the security situation there. The protests already erupted when the PA slashed the salaries of its employees in Gaza by 30%.¹³⁴ The Gazan fragile economic and security situation have shown already that sanctions can lead to social unrest, which would be countered with violence from the side of Hamas.¹³⁵ Thus, the

¹³² European Court of Arbiters, "*Financial Support to the PA*," 23-24.

¹³³ *Ibid.*, 30.

¹³⁴ Abu Amer, "*Salary saga*."

¹³⁵ Holmes, "*Hamas suppresses protests*."

introduction of the new financing document has a potential to exacerbate violence in Gaza, contrary to the interest of the EU. Needless to say, that the escalation of violence in Gaza can easily spill to Israel. This can have a strong impact on the relations with Israel.

Political impact: the settlements and blending

After news of the unauthorized EU-funded settlements in the West Bank went public, Israel announced their intended demolition.¹³⁶ Israel knew about the existence of the structures for some time. The public announcement served as a weapon in the latest negotiation rounds with the EU. In 2014, the EU introduced a *structured dialog* with Israel. The first meeting took place in September 2015 and another one in March 2016. The discussion revolved around social and economic development of the Palestinians with specific focus on the destruction of the EU funded structures by the Israeli authorities. It also included a debate over zoning and construction licensing in Area C.¹³⁷ This well illustrates the fulcrum of the dispute between the EU and Israel. The EU Member states, who contributed from their budget to building of the structures, are naturally angered by their destruction and loss of tens of millions of euro. Yet, the real *raison d'être* of the dispute is the European attempt to prevent Israel from obstructing the two-state solution. The portion of the EU-funded structures is located in the key area E1, which lies to the East of Jerusalem and separates the West Bank into two parts. By the funding of structures in area E1, the EU is attempting to shape demographics on the ground.¹³⁸ From the start of the dialogue, the EU demanded a moratorium on demolitions of EU projects. Israel temporarily froze the demolitions before anticipated release of the guidelines on labelling by the Commission.¹³⁹ As in the case of the ROO and the customs duty for the products manufactured in the Israeli settlements, as the EU legislation on labelling is understood as a tool of international relations.

Ever since, Israel slowly yet steadily continues its demolitions in Area C. The NDICI introduces potential new factor into this conundrum. Blending is a tool designed to attract foreign private capital into the area. Should the private capital start to invest in Area C with the European guarantee, and should it start ignoring Israeli authority the way the EU does, the

¹³⁶ Justin Jalil, "PM orders demolition of EU-funded Palestinian 'settlements' in West Bank," The Times of Israel, February 6, 2015, <https://www.timesofisrael.com/pm-orders-demolition-of-eu-funded-palestinian-settlements-in-west-bank/>.

¹³⁷ European Court of Auditors, "Follow-up of the Court's Recommendations," 18-19.

¹³⁸ Jalil, "PM orders demolition."

¹³⁹ European Court of Auditors, "Follow-up of the Court's Recommendations," 18-19.

conflict can progress to a whole new level. One thing is to demolish construction funded by the EU or its Member state, to damage property of a European company is another. Already, the Israeli authorities are reluctant to destroy the Palestinian property funded by the EU. The process is phased, and progress in demolitions is gradual. It remains an open question whether the European incentives will attract private investment and whether these would deter Israeli authorities from further demolitions. The destruction of private European capital would put Israel in direct conflict with the European Member states. It has a potential to significantly worsen the relations with its major European partners.

Yet, the presence of private companies can represent a leverage and a risk in the same time. The supposed influx of private capital would be triggered by European grants, loans and guarantees. That essentially means that while the EU is not a direct financial benefactor of the investments, it is financially liable for their losses. That can cause negative effect on European spending. Contrary to the envisioned efficiency made possible by the influx of the foreign capital, the EU can end up paying for all the investments made by private companies.

Finally, the threats for Israel are potentially even higher as the case does not end with the European Member states. The private companies, equipped with the European loans and guarantees can approach international insurance companies. Should a major international insurance company or bank come to Area C, the demolition of their financial assets would seriously threaten economic security of Israel. It would connect the unauthorized structures to many other international economic indicators such as credit rating. Such a scenario would significantly rise stakes for Israel.

Conclusion

EU relations with Israel are currently influenced by the European position towards the MEPP. The EU does not have a leverage over Israel. Its “*carrots and sticks*,” the ROO and the SPP, are not sufficient motivator to change Israeli behaviour. However, the EU relations with the PA might have an influence on EU-Israeli relations as well. The EU is sponsoring the PA in order to preserve the possibility of the two-state solution. It is ignoring the lack of democratic and, to an extent, administrative reform in order not to undermine the PA in its struggle against Hamas. Furthermore, the EU is actively entering the conflict on behalf of the PA by financing the construction of unauthorized settlements in Area C. These settlements are deemed essential to the MEPP by the EU.

The new financial document is written with the view of wider international arena and does not hold as a primary objective to regulate policies toward Israel. Nonetheless, the strategy designed by the NDICI is highly relevant. The changes can affect the relations between Israel and the PA, the relations between Israel and the EU as consequence, and the goals pursued by the MEPP. The source of the policies is symbiotic mixture of influence of the Member states and International organizations mediated by the EU in an attempt to maintain a unified position. In line with the concept of supranational intergovernmentalism, the decision-making process is shared between the EU institutions and the Member states. In addition to that, the design of cooperation between the EU and the Member states drives the EU to seek external authority in form of international organizations.

The proposed changes introduced in NDICI have its origins in Germany's "*Marshall Plan with Africa*" and the External Investment Plan. It is primarily focused on the development and attracting of private capital. The main improvements brought in by the NDICI are the merger of the multiple financial documents regulating the financial aid to the countries of the ENP. The merger should improve financial flexibility of the ENP. The NDICI intends to make greater use of blending in order to attract private capital. It introduces performance-based approach to improve its oversight of the partner countries' progress in jointly agreed reforms. The NDICI is primarily intended to tackle the issues on a larger scale. This may have unintended consequences for the particular policies on the ground. The NDICI's focus on specific criteria set by the UN and the OECD such is women's rights and climate increases demand on the partner countries, who have to implement the necessary reforms. The combination of these increased demands with improved oversight can result in diminution of the absorption capacity of the PA. The PA is thus pushed towards cutting its expendable expenditures and slash salaries to its non-working employees in Gaza. This can in turn destabilize the fragile socio-economic situation there, and subsequent violence could escalate into conflict with Israel. Finally, the introduction of blending to the PA can attract European private companies to projects in Area C. This eventuality would present Israel with uneasy decision. It may risk worsening of the relations with the Member states whose companies invest in the West Bank. Furthermore, the insurance policies of the companies may set Israel against major financial institutions. Then, the demolition of the unauthorized constructions may have serious consequences to its economic security. Adversely, the EU can end up paying significantly larger amounts of money if the Israel decides to demolish the

structures of the companies to which the EU granted its guarantee. Thus, the newly introduced changes under the NDICI may lead to unexpected ends.

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