European Neighbourhood Policy and South Caucasus. 
Shortcomings and challenges. 
by Narmin Rahimova

Projects aimed at creation of a security dimension of the European continent have been actively emerged after the end of the First World War. Unification of European countries were intended to prevent the threat of new conflicts on the continent and were reflected with attempts to prohibit devastating war as means for the resolution of intrastate and interstate conflicts. This idea of a peaceful future for the post-war Europe inevitably involved close convergence of interests of European states to overcome their distinctions. However, the creation of the common foreign policy created many difficulties due to extremely diverse and heterogeneous social and political conditions defining foreign policy in each Member State. They were trying to identify certain common values, which could serve as the basis for common foreign policy coordination. It was a crucial period for the political and institutional development of the European Foreign Policy, which first priority was to support and create an order by introducing new political, security and economic structures, development policies and cooperation agreements.

The Eastern Bloc states, which denied official recognition of the European Community during Brezhnev’s presidency, had almost no relations with Europe until the mid-1980s. The newly independent states which emerged after the collapse of the Soviet Union had no experience in development of the conditions necessary to maintain all forms of stability and security, facing huge problems in the transition period. The Central and Eastern European Countries(CEECs) were in fear of returning to totalitarianism, secessionist or
nationalist movements which would endanger the security and stability. It was impossible to ignore all these processes taking place adjacent to the EU’s borders, and it was necessary to create new instrument to overcome the crisis in these countries and facilitate their speedy transition to a new level.

During these events, Russia played its dominant role in the region as an external factor. It could not accept the loss of the power and tried to maintain its influence in the region. The states neighboring the Russian Federation were named “blijneye zarubeiye”, meaning “near abroad”, which, until collapse of the Soviet Union formed its part. Russian military bases were located in some former Soviet Union states and they undertook roles in the internal and foreign conflicts in which those states were involved. Russian threatened policy towards CEEC states potentially affected the EU security. Therefore, a “quick accession to the EU represented the most effective way to ensure this region remained on the path of growth”. The solution of the fall back into the Russian sphere of influence was granting the full EU membership to the CEEC states, meaning that for the first time in history EU initiated the process of acceptation of the states with different political and economic system. This process, known as the Fifth Enlargement was aimed to put an end to division, promoting stability, security and peace throughout the European continent, by consolidating democracy across the eastern half of Europe.

In order to become full members of EU, the candidate countries had to respect “Copenhagen Criteria”, adopted at Copenhagen Summit on 22 June 1993. These conditions were gathered under the political criteria, where a candidate state had to ensure the stability of institutions guaranteeing democracy, rule of law, human rights, protection and acceptance of minorities; the economic criteria, where a candidate state should have ensured the existence of a well-functioning market economy and the capacity to cope with competition and market forces within the EU; and the acceptance of “acquis communautaire”, meaning compliance with the aims of political, economic and monetary union. “Pre-accession strategy” aimed to present to target states a

1 Frank Schimmelfennig, The EU, NATO and the Integration of Europe, Cambridge, Cambridge University, 2003, p. 38.
guiding plan of activities in order to fulfill the criteria necessary for accession to the EU. It was based on initiatives that were to be realized in bringing together candidate and member states, strengthening structural relations, establishing the legal base for the integration process, developing trade relations; promoting cooperation in areas such as transport and the environment, and assistance with integration and the reform process. From this point, CEEC states began to realize their applications for full membership to the EU.

It must be noted that the EU succeeded in preventing the threats that could be arisen during the period of transition to democracy and market economy in these countries. It stopped the conflicts in Slovenia and Croatia from escalating throughout the Balkans. The EU showed common attitude in recognizing the independence of Post-Soviet Baltic states – Estonia, Latvia, and Lithuania and support them in financial and technical issues during the instability in the USSR.

One of the most influential pre-integration tools in order to assist CEEC countries was the PHARE Program (Poland and Hungary: Assistance for Restructuring their Economies), which had a great importance both in terms of this topic and for comparison with the programs applied to the South Caucasus region. The program developed into the main source of consultation, technical help, know-how and knowledge transfer, showing great success in economic and political transition. However, the greatest influence on successful implementation of all the criteria set by the EU was the promise given by the EU of full membership. The same result was impossible to achieve in the western Balkans and post-Soviet States, especially in the South Caucasus, although completely similar policies were implemented here, except the fact that the EU has not guaranteed to these states the opportunity for membership in the future. The newly emerged states had no development plan, though they had to fight to survive from the moment they gained their independence.

The European Neighbourhood policy

The accession of ten former communist countries was risky in creating new dividing lines in Europe, as the process of enlargement would affect economic relations and human movement between the new member states and their neighbors. There was a danger to have integrated, stable Europe in the West
and possibly less democratic, less stable and poor Europe in the East. Thus, a wave of EU enlargement of 2004-2007 put the EU before a new challenge: to create a regional foreign policy with the objective of “privileged relations” with the new neighbors of EU, without giving them the perspective of future membership. The primary purpose of the European Neighbourhood Policy (ENP), which covered six post-Soviet countries and ten states of the Barcelona Process\(^3\), was formulated as the construction of the "more than partnership, but less than membership"\(^4\). This initiative included broad cooperation without institutional superstructure that illustrates the famous phrase of Romano Prodi "sharing everything with the Union but institutions"\(^5\).

Using different names, the instruments of the ENP seems to follow the pre-accession policy of the EU, based on conditions for the partner states, agreements and incentives. The European Commission prepares country reports for each target country on political, institutional, and economic situation and set ENP bilateral Action Plans towards them. ENP provides incentive for successful implementation of political, social and economic reforms defined on agenda in the target country. However, despite the fact that the process is formally bilateral, these relations can be considered to have more asymmetric nature. The first thing that is clearly seen in the concept and strategy is the desire of the EU to play a leading role in relations with its neighbors by structuring partner states along the dominant principles and norms of the EU. "Successful reform" includes a large part of the borrowing of *acquis communautaire*. However, one should remember that a set of the EU regulations is the result of a compromise of interests of the EU member states. Even if we consider that the alignment is assumed only in certain areas (for example, energy or human rights), it can lead to consequences of timely authoritarianism and premature democracy in less developed neighboring countries. When it comes to borrowing laws in business sector or in general to the concept of the open market, it can negatively affect the majority of the EU neighboring states, because they are not ready to full competition.

\(^3\) Guided by the agreements of the Barcelona Declaration, it formed the basis of the Euro-Mediterranean Partnership which has expanded and evolved into the Union for the Mediterranean.


\(^5\) *Ibidem.*
The modest budget of the Neighbourhood Policy seemed insufficient compared to the objectives that ENP pursued. As a result, funding of €11.2 billion⁶ had been planned from 2007 to 2013. Thus, it was impossible to change the situation for the better significantly, as this amount was designed for seven years and was intended for 17 neighboring countries. Simple calculations show that such funds are insufficient for the major reforms in ENP countries. However, the proposed budget for the new European Neighbourhood and Partnership Instrument (ENPI), is €15.4 billion⁷ for the period of 2014-2020, which represents a significant increase compared to the budget of the previous ENPI instrument.

It is necessary to highlight two other fairly important points relating to the financing of Neighbourhood policy. Firstly, the EU has its own approach to the activities of NGOs in their territory, whereas it is painful for those states, which have problems with democracy. Organizations that advocate for human rights and political reforms are actively supported by the EU, including the financing of ENPI. Without denying the important role of NGOs in building civil society, it should be noted that their artificial imposition will cause nothing but irritation of undemocratic regimes. Secondly, in case of violation of the principles of democracy and respect for human rights and freedoms, the EU reserves the right to cancel the financial assistance by transferring its non-governmental organizations that support democratization in the ENP countries.

The EU security strategy states that it aims to support and promote its values without imposing them. At the same time, it declared that the objective of the EU is to create the famous “ring of well governed countries to the East of the European Union and on the borders of the Mediterranean”⁸ which is based on the same values⁹. Those, who deliberately isolated from the international society and violates international norms are threatened by the inevitable consequences¹⁰. Another example in the ENP strategy states that “the EU does

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⁹ Ivi, p. 10;
¹⁰ “A number of countries have placed themselves outside the bounds of international society. Some have sought isolation; others persistently violate international norms. It is desirable that such countries should rejoin the international community, and the EU should be ready to provide assistance. Those who are unwilling to do so should understand that there is a price to be paid, including in their relationship with the European Union”. Ibidem.
not seek to impose priorities or conditions on its partners”\textsuperscript{11}, however, the Action Plans for each country depend on the recognition of mutual interests in addressing a set of priority issues\textsuperscript{12}.

Evidently, more attention in the policy documents is paid to the interests of the European Union. Both the concept and strategy of the ENP is constantly mentioned the importance of the regulatory rules in customs and trade, cooperation in the field of intellectual property protection, as well as migration issues and the harmonization of legislation. But the main interest of the EU is economic and trade cooperation, especially in energy sector, which logically is an essential element of Neighbourhood policy. The EU security strategy emphasizes that one of the most vulnerable places of the European Union is the energy dependence. As the largest consumer of oil and gas, the EU depends on imports for more than 50%. This figure is considered to reach 70% by 2030\textsuperscript{13}. The EU Security Strategy reflects the conjuncture of the oil market at the time, i.e. period when started the rapid growth of prices for hydrocarbon raw materials. At the same time a major energy supplier to the EU were the Gulf countries, North Africa and Russia.

An intention to strengthen its energy security was one of the reasons for inclusion of the South Caucasus in ENP. Initially, it was noted that this program\textsuperscript{14} did not apply to them because of their geographical location. However, the EU security strategy recommended to take a more active interest in solving the problems of the South Caucasus “which will in due course also be a neighboring region”\textsuperscript{15}. The interest of the EU in the region in terms of energy is confirmed by the existence of the pipeline Baku-Tbilisi-Ceyhan, "Nabucco" pipeline project, etc. The former pipeline entered at the active phase of construction at the time, while latter was approved and in December 2003 received the first financial contributions from the EU. However, it cannot be said that the EU is interested to develop relations with the countries of South Caucasus only in the energy sector. Questions of security are given a prominent place in resolving Nagorno-Karabakh, South Ossetia and Abkhazia conflicts.

Negotiations between the EU and South Caucasus in the framework of the Neighbourhood Policy were completed on 14 November 2006, with emergence of separate National Action Plans with Azerbaijan, Georgia, and Armenia,
signed by External Relations and ENP Commissioner Benita Ferrero-Waldner and the Ministers of Foreign Affairs of each South Caucasus state. The National Programs signed for all three countries had approximately common characteristics and considered to be vague and neutral. However, they served as a primary agenda-setting and testing instrument for progressing EU relations with the South Caucasus countries and encouraging the governments to implement reforms by consolidating the rule of law; strengthening respect for human rights and fundamental freedoms and democratic institutions; initiating a transparent privatization process; improving the business and investment climate; strengthening the fight against corruption; improving legal regulations on economic implementation and management consolidation; developing regional co-operation; and taking measures to resolve regional conflicts.\textsuperscript{16}

The official start of the Eastern Partnership took place six years after the emergence of the ENP, as the EU needed to solve more important problem - to unite its new members. The second reason why the EaP launched only in 2009 is because the initiators of the program were mainly the new EU members - Poland, Lithuania, Czech Republic and Hungary. Next and one of the main reasons is that the forced movement of the EU to the east, albeit without providing formal membership, would complicate relations between the EU and Russia, which has reasoned interests in the region. The global financial and economic crisis also played its negative role.

In her message \textit{The Eastern Partnership - an ambitious project of European foreign policy of the 21st century}, in February 2009, the EU Commissioner for External Relations and ENP, Benita Ferrero-Waldner, set energy security of the EU as a priority of Eastern Partnership. There was no doubt that this would be a key theme of cooperation, taking into account the geo-economic situation of the target countries, and the fact that one of the most effective tools of pressure of Russia remains energy. It must be noted that EU has set the South Caucasus countries (namely, Azerbaijan and Georgia) as a reference point in achieving this goal. Benita Ferrero-Waldner noted that one of the objectives of cooperation is the diversification of sources and transit routes of energy that can be realized only through the Transcaucasian countries\textsuperscript{17}. Accordingly, the first reason for the inclusion of the South Caucasus countries in the EaP was the need to ensure energy security of EU.

On the official website dedicated to the foreign policy of the EU, you can see an interesting remark about the events of August 2008. It is stated that "the


\textsuperscript{17} Benita Ferrero-Waldner, European Commissioner for External Relations and European Neighbourhood Policy, Eastern Partnership, \textit{An ambitious project for 21st century European foreign policy}, 20 February 2009.
conflict in Georgia in August 2008 confirmed how vulnerable they [the target countries of Eastern Partnership] may be, and the extent to which the security of the EU begins beyond our [EU] borders. Thus, the second reason why the EaP included Azerbaijan, Armenia and Georgia is the desire of the EU to participate in the stabilization of the South Caucasus. The EU considers that, although the region is not a geographical neighbor of the EU, the effects of destabilization can affect European countries. This applies to cross-border crime, terrorism, illegal immigration, security of oil and gas pipelines, etc.

Energy Security platform of the EaP involves the EU requirements to harmonize legislation of the EaP members with the "acquis" of the European Union, which perhaps can benefit target countries. However, harmonization of legislation will lead to a dependence on EU policies. Economic integration and convergence with the EU policies platform is focused on creation of a free trade zone in the region and economically unite the countries of the region around the EU and expand the geography of its trade. However, target countries do not have competitive economy yet. Realization of democracy, good governance and stability program seems to be one of the most difficult. Firstly, achieving stability in the region will require a long time. This is due to the frozen conflicts, as well as a high level of cross-border crime. Secondly, the condition of transition to democracy is the change of the mindset of people, which in contrast to the economic measures or the provision of social benefits will require a change of generations. Despite the fact that stability and security are declared the priorities in the region, the EU is not in a hurry to use all its political and diplomatic power to resolve long-standing conflicts, such as Nagorno-Karabakh, South Ossetia, Abkhazia and Transnistria. The problem is that these conflicts have deep roots, and the parties do not want to compromise. Under the cooperation within the framework of the fourth platform "Contacts between people" the EU representatives call to increase the role of culture itself as a force that can induce to reform, promote tolerance between different societies and social cohesion. The EU plans to intensify student exchanges to integrate the EaP recipients in the European area of research and higher education, to participate in various educational projects. EU expects that the parties will make efforts to build the information society and promoting cooperation in the field of media. In this case, the EU is based on the fact that information is the most important stimulant to improve the quality of life and is a key resource in the modern economy and in other spheres of life.

18 European Union External Action, Eastern Partnership.
The Rise of South Caucasus on the EU’s Agenda

Despite the fact that assistance has been the major instrument of EU in the South Caucasus after the collapse of the Soviet Union, the EU was not directly involved in security and conflict resolution issues, which were central in the 1990’s. This weak involvement can be explained by the lack of the institutional development of the Common Foreign and Security policy of the EU until the end of the 1990s and by the fact that Moscow remained the privileged interlocutor for Europe. Whereas Russia has continuously played a major role in all three main regional conflicts, the negotiation mechanisms introduced for each of those also involved the UN Group of Friends in the case of Abkhazia and OSCE in case of South Ossetia and Nagorno-Karabakh.

Nevertheless, since the early 1990s, the EU has been present in negotiation processes through its member states. Germany, Italy and France from the beginning were involved in the activity of the CSCE Minsk Group. Finland and Sweden were actively participated in it. Since 1997, France became co-chair of the OSCE Minsk Group\textsuperscript{19}.

The inclusion of the South Caucasus states in the ENP was a qualitatively new stage in bilateral relations and indicated the EU’s willingness to engage in deeper relations and move beyond existing partnership and cooperation agreement (PCA) frameworks, Association Agreements (AA), including Deep and Comprehensive Free Trade (DCFTA), as well as visa facilitation/liberalization. First, the increased interest in the region was due to EU’s enlargement to the east, the EU moved closer to the South Caucasus geographically. Second, Euro-Atlantic integration became a key foreign policy priority of Georgia, after Rose Revolution\textsuperscript{20}, which paved the way for both an ambitious package of reforms and a new foreign policy orientation\textsuperscript{21}. Third, diversification of energy sources and routes is of particular interest for the EU, making this region not only a supplier of gas and oil but also bringing Caspian energy to the Europe bypassing Russia.


\textsuperscript{20} The Rose Revolution describes a pro-Western peaceful change of power in Georgia in November 2003. The revolution was brought about by widespread protests over the disputed parliamentary elections and culminated in the ouster of President Eduard Shevardnadze, which marked the end of the Soviet era of leadership in the country. The event derives its name from the climactic moment, when demonstrators led by Mikheil Saakashvili stormed the Parliament session with red roses in hand.

\textsuperscript{21} Six months later three South Caucasus countries were included into the ENP. Interestingly, such inclusion targeted all three countries and not Georgia alone, thus reflecting the EU’s approach of South Caucasus as a region.
Sovereignty of the South Caucasus states is considered to be one of the major means, which will allow these states to act as a recognized entity on the international scene, without being submitted to any foreign power. Independence of Azerbaijan, Armenia and Georgia and their recognition by the international community will let these states to be reliable partners and provide meaningful security cooperation. In short, the EU interest is to have stable, sovereign and self-governing states, which is not controlled by any neighboring powers and thus, cooperating actively with the EU. However, the presence of unresolved and "frozen" territorial conflicts and the unlawful occupation of considerable parts of the territory of Azerbaijan and Georgia pose huge challenges to regional security. The war in Georgia in 2008 and the escalation of the Armenian-Azerbaijani conflict since 2010 appears this challenge.

Unresolved territorial disputes endanger a globally important transport corridor and provide an ongoing pretext for intervention by Russia and can lead to the subordination of the region once more to Russian control. For these reasons, the West has a deep interest in the resolution or the management of unresolved conflicts of the region within the framework of international law and in the creation of a reliable and sustainable security basis there.

As it was stated above, the Caucasus corridor is an important factor in the diversification of sources of European energy. Development of the energy resources in the region plays crucial role in the economic sustainability and political independence of the Caucasus states, which is the only independent income stream that enables the states to consolidate their sovereignty. The establishment of the pipeline system connecting the Caspian Sea via Turkey to Europe provided an opportunity to develop these resources while avoiding control by the former colonial ruler – most immediately for Azerbaijani resources, which breaks Russian monopoly over the transportation of energy resources. So far, the West’s main accomplishment in this area has been to provide a direct means for west Caspian (i.e. Azerbaijani) oil to reach European markets. Moreover, the Caucasus emerged as possible efficient part of an emerging system of continental trade by land. Certainly, the Caucasus is not the only route, but it is the best means of assuring that neither Russia nor Iran has a monopoly on these transportation corridors.

Both the United States and Europe seek to promote successful reforms, responsive, open, and democratic systems of government, secular systems of law, the rights of citizens, and the freedom of expression and religion. They do this out of principle but also from the knowledge, based on their own experience, that these values are the best long-term guarantors of stability and security. Precisely for this reason they are bound to seek to advance these
objectives in Azerbaijan, Armenia and Georgia to be, in the long term, an eastern extension of Euro-Atlantic values.

*Differentiations of the Caucasus states and regional approach of the EU*

The historical and cultural differences of three Caucasus states are huge, thus all three states have different foreign policy priorities, challenges and interests. Multi-ethnic Georgia has very strong regional identities. It has undergone a prompt process of modernization and reformation fulfilling the EU’s criteria, while it has experienced very tense relations with Russia, ending by the war in August 2008. Armenia has historically viewed itself as a Christian citadel amid Ottoman and Persian influences, highly supported by Russia. Armenian Diaspora in US and Europe plays a significant role in defining the country’s foreign policy and allocate strong financial support through remittances. Azerbaijan appears as a particular case as a country is trying to maintain balanced relations with both Russia and the EU while relying on its energy resources.

By 2008, a very peculiar situation was formed in South Caucasus. Georgia was actively supported by the US administration of George W. Bush. The EU policy towards Georgia has been differentiated. Poland, the Baltic States, other East European countries and the United States fully supported the anti-Russian policy of Mikheil Saakashvili. Western Europe took more balanced position. The EU’s and US’s relations with two other South Caucasus republics were somewhat spoiled after election campaigns in 2003 and 2005 in Azerbaijan and in 2008 in Armenia. The European Union condemned the repression against the opposition and noted violations of the election, but the election results were recognized. Five-day war in August 2008 in Caucasus seriously changed interrelations of forces in the South Caucasus. It was one of the first events after the signing of the Lisbon Treaty, which has put the EU before the need for rapid and effective action by all institutions of governance in the field of common foreign policy. Politicians and diplomats of European countries took an active part in ending the military phase and the establishment of the negotiating process.

Over the past few years, the differences between the paths of South Caucasus countries have exacerbated even more by the development of two mutually exclusive projects – the EU-led *Association Agreements* (AA) within the framework of the Eastern Partnership, including *Deep and Comprehensive Free Trade* (DCFTA), and the Russian-led *Eurasian Economic Union* (EEU). The results of the third summit of the Eastern Partnership in Vilnius of 2013 showed the difference in relations of the states with EU. This is due to the fact that the
expectations and desires of these countries were very different from each other. It can be also explained by the inaccurate approach of the EU towards these states, which is still trying to fit relations with them into a regional level. This perception is not true for the six target countries in general, and mostly for three South Caucasus countries. The fact of not identical approaches of partner states was influenced by several factors: position of Russia and offered by the EU broader perspective.

Sticking to its commitment since 1990s to join NATO and the EU, Georgia chose integration to the EU by signing an Association Agreement (AA) alongside a DCFTA in 2014; it had included its commitment to the “territorial integrity” of country. In order to get similar agreement with Armenia, the EU retreated from this principled stand in the draft documents to be signed with Azerbaijan. Thus, the EU closed its eyes to Armenian occupation of Azerbaijani territory by this guaranteed that Azerbaijan would not associate itself with the EU. Armenia, which originally intended to sign the agreement, refused to do so literally on the threshold of the summit. Only one meeting of Vladimir Putin to Armenia’s president was enough for abandoning the already planned for signing European agreement, and changing its priority to Russian initiated Eurasian Customs Union. According to President of Armenia Serzh Sargsyan it was “a rational decision stemming from the national interests of Armenia […] when you are part of one system of military security it is impossible and ineffective to isolate yourself from a corresponding economic space”\textsuperscript{22}. Thus, Armenia set to remain tightly within Russia’s orbit, as its security is guaranteed by a bilateral treaty with Moscow, which claims to be Armenia’s security ally, but at the same time continues to sell arms to Azerbaijan, playing double game.

Azerbaijan, in contrast, was attempting to keep its independence without engaging itself into any legally-binding economic integration project of either the East or West, without overestimating their values and opportunities. Official Baku took into account the potential geopolitical problems that may arise from signing the agreement with the EU, which can lead to potential threat from Russia. Azerbaijan’s foreign policy agenda is dominated by Nagorno-Karabakh conflict. The country also finds itself compressed between Russia, which is willing to dominate in the region, and Iran, which seeks to export its Islamic state model in a country. Another reason of keeping the distance from European Union was due to currently strained domestic political crackdown on civil society. Thus, Baku agreed to limited cooperation that suits its national interests by focusing on visa-free travel and energy relations. While

\textsuperscript{22} Armenia to Join Russian-led Customs Union, in Radio Free Europe/Radio Liberty, 3 September 2013.
the EU focuses to make a progress related to human rights and democracy, Azerbaijan wants to achieve objectives with narrowly defined interests. European Parliament resolutions of September 2015 have inflicted damage to the relations of Azerbaijan with the European Union. Azerbaijan, which considers itself as independent and sovereign country, stated that it cannot accept political pressure and dictate from out.

Russian position in the region

In its Annual Address to the Federal Assembly of the Russian Federation, Russian President Vladimir Putin stated:

Above all, we should acknowledge that the collapse of the Soviet Union was a major geopolitical disaster of the century. As for the Russian nation, it became a genuine drama. Tens of millions of our co-citizens and co-patriots found themselves outside Russian territory. 23

This was the clear indication of the will to re-establish Russian hegemony within the space of the former Soviet Union.

The South Caucasus has always been utmost importance for Russia. After the collapse of the USSR, the South Caucasus has become the scene of a ferocious political struggle and conflict-prone region. Abkhazia and South Ossetia conflicts were added to existing Nagorno-Karabakh conflict, which Azerbaijan and Armenia inherited from Gorbachev’s perestroika. These conflicts are particularly important for Russia as they give opportunity to Moscow to pursue a policy of “divide and rule” by being both part of the conflicts and the solutions, while Russia’s military presence enables Moscow to project power and instability. 24 Russia, having failed during the fall of the USSR to prevent breakdown process uses geopolitical manipulation of the conflicts as a significant influence on the policy of South Caucasus states. Strategic objectives of Russia consisted in an effort to limit the influence of the EU and NATO on the developments in the South Caucasus, but this, in turn, became a source of a new series of conflicts in the South Caucasus. The events of August 2008 led to a sharp deterioration in Russian-Georgian relations, left a deep mark on the development of the Caucasus region, once again revealing the danger that can be produced by frozen conflicts 25.

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Russia’s military intervention in Georgia in August 2008 was largely motivated by Georgia’s pursuit of integration with Western institutions. After Georgia ratified the AA/DCFTA with the EU, Russia introduced the Treaty on Alliance and Strategic Partnership with Abkhazia, binding the region to Russia politically, military, economically, and socially more than ever before. Moreover, the new treaty with South Ossetia granted Russia full control over territory. Russia used the tactics of distribution of Russian passports in these conflict territories, the appointment of Russian security and military officers to key roles in separatist governments, and the expansion of Russian economic control over these entities.

Due to its increasingly close defense and security relationship with Armenia, Russia’s role in Nagorno-Karabakh conflict is more indirect but still is very important. Russia plays double role by selling large quantities of arms to Azerbaijan and at the same time providing them to Armenia for free or at discounted rates. Such measures indicate the extent to which Russia utilizes unresolved conflicts to undermine the statehood of Azerbaijan and Georgia and one more time proves Moscow’s intention to use unresolved conflicts as a tool for eroding the spread of the EU institutions into its neighbourhood.

In his initiative on Karabakh, announced in October 2008, President Medvedev made a transparent effort to indicate to all neighboring countries that Moscow alone is the arbiter of war and peace in the Caucasus. Far from objecting to this obvious intrusion, the EU went along with and accepted the false premise that Russia will be interested in resolving Nagorno-Karabakh conflict. The resolution of the conflict would eliminate Armenia’s security dependence on Russia and thus allow Armenia to conduct an independent foreign policy based on its national interests. Armenia’s abrupt decision in 2013 to reverse its decision to sign the EU’s Association Agreement was a clear demonstration of the reasons why Russia wanted the Armenian-Azerbaijani conflict to remain unresolved. Russian strategy can be examined also in the example of Ukraine, where deployment of frozen conflicts in Crimea and then in eastern Ukraine would leave Russia free to continue to undermine Ukrainian statehood itself, and kill the possibility of Ukraine’s future membership in the European Union or NATO.

Considering EaP as a tool to undermine Russian influence and interests in the region, Russia continues its struggle to get the domination over the Caucasus. The South Caucasus has therefore turned into a site of clashing interests of neighboring great powers. Russia persistently demonstrates its

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27 Ivi, p. 34.
geopolitical power and uses the factors as security, energy, labor migration and trade along with the Russian church, Russian-financed NGOs, and ethnic Russian minorities in order to safeguard its interest and remains actively involved in the region. Brussels considers democratic change as a key factor for establishment peace and stability in the region, while Moscow perceives the EU initiative as a real threat to Russia’s leverage over the post-Soviet area. Therefore, there is no surprise that the EU’s extension of power for security purposes has increasingly met with Russian countermeasures. Accordingly, the foreign policies of the three South Caucasus states are strongly affected by the outcome of the EU-Russia relations.

Prospects and results of the Eastern Partnership in respect of Georgia

Tbilisi’s position on the objectives of the EaP and its approach to cooperation with Brussels differs significantly from the point of view of the neighbors. Baku and Yerevan seek to maintain a balanced and independent policy, recognize the importance of cooperation with Russia and consider the deepening of cooperation with the EU as an opportunity to accelerate the development of the country and to achieve resolution of the conflict in Nagorno-Karabakh. Georgia purposefully goes on rapprochement with the West. Thus, the main goal for Georgia in participation in the EaP is the acceleration of the integration processes, including entry into the EU and NATO.

Another objective relates to the need for modernization and reform of the country. We are talking about a wide range of cooperation with the EU, but first and foremost, the Georgian government is interested in the socio-economic, military and energy sectors. The European Union, in turn, does not hide that they expect to receive certain benefits from the cooperation with Georgia. Interests of the EU are linked primarily to two factors. Firstly, for Brussels it is a key ally in the South Caucasus, which is not under the influence of Russia. Second, Georgia is an important country in terms of transits of hydrocarbon resources, hence the EU’s energy security. Third, the EU is promoting the interests of their businesses, and some Western companies benefit.

Both goals of Georgia - return of control of the two republics and integration into the EU and NATO are in a certain relation to one another. On the one hand, Georgia is almost impossible to rely on an independent solution of the conflict with Abkhazia and South Ossetia in its favor without the active support of the EU and the US. On the other hand, the prospect of European

\[28 \text{Ibidem.}\]
integration and NATO membership for Georgia will probably be delayed until there is a tension in the country and on the borders.

The EU-Georgia Action Plan supports the peaceful settlement of the conflicts listed under Priority area number six, which does not correspond to the actual hierarchy of goals of Tbilisi. This is likely due to the fact that the Action Plan was adopted by the EC in 2006, i.e., when the conflict has not had time to move into an active phase. Despite the fact that several years have passed since the conflict in Georgia, but the action plan has not changed. However, for the development of the region as a whole, the plan has some advantages. With proper implementation of the Action Plan the likelihood that the war could have been avoided, significantly increased. In particular, there was a proposal to include the settlement of the conflict in Georgia on the agenda of meetings of the Russia-EU, but Brussels has not worked out this topic till the end. Meanwhile, the settlement of ethno-territorial conflicts in Georgia is one of the few tasks of EaP, which involves the participation of Russia.

It can be stated that EU foreign policy in the region until August 2008 was not very active. The most significant results were obtained thanks to the implementation of the rehabilitation program in Abkhazia and South Ossetia, under the auspices of the OSCE, which main sponsor was European Commission. But the war showed that efforts to stabilize the situation in Georgia were insufficient. After the Georgian war, the EU began to act differently. The mediation initiative of France, led by President Nicolas Sarkozy is necessary to be considered as one of the most important in the EU’s Neighbourhood policy in the South Caucasus. Diplomatic efforts in Paris at the same time showed that united Europe can be a guarantor of stability and one of the key political centers. In October 2008, the EU Monitoring Mission in the composition of 340 people was directed to Georgia for the purpose of stabilization of the situation. In the following year, the EU started a policy of “engagement without recognition”, which proposed moving away from the policy of total isolation onto a policy of engagement whilst making very clear that full recognition of statehood was not an option. Thus, it stated the EU’s commitment to Georgia’s territorial integrity within its internationally recognized borders, on the one hand, and the EU’s interest in engaging with Abkhazia and South Ossetia, on the other hand. The EU could relate to the

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29 EU/GEORGIA ACTION PLAN.
separatist regions, and increase its footprint and leverage, without compromising the EU’s adherence to Georgia’s territorial integrity. It allowed many of the pre-war initiatives to be continued and developed further. This approach was welcomed by de facto authorities in Abkhazia and individual political figures from South Ossetia. The interaction of the EU and partially recognized republics allows the Georgian leadership to hope for a gradual reduction of their dependence from Russia. Western countries have expressed support for the regime of Saakashvili and provided monetary assistance to Georgia. Already in October 2008, the European Union approved the allocation of EUR 500 million in aid for post-war reconstruction. In total during 2008-2010, 38 States and 15 international organizations have allocated 4.55 billion Euros to Georgia, 2 billion. Euros of these funds are grants, and another 2.55 billion Euros are low-interest loans.

Without any doubt, the EU Monitoring Mission contributed to the stabilization of the situation in Georgia, but the refusal of access to EU representatives on the territory of Abkhazia and South Ossetia was a serious political failure, which significantly reduced the possibility of a mission to seek normalization and confidence-building measures. Due to the absence of foreign observers, the EU failed to use all its policy instruments to reduce Russia’s influence in the two partially recognized republics. On the one hand, Brussels cannot recognize the independence of the new republics in order to keep a semblance of unity of the Western world and not spoil relations with its ally—Georgia. On the other hand, without the effect of the recognition of independence, Russia’s influence will only increase, and the effect of the policy of engagement without recognition will disappear with time.

In the field of energy and transport, the interest of the EU tied to Georgia’s transit opportunities, since it does not have the serious oil and gas reserves. Good geographical position allows using Georgian territory to deliver Azerbaijani and Central Asian energy to Europe, bypassing Russia, Iran and Armenia. For this reason, the EU supports the development of the TRACECA (Transport Corridor Europe-Caucasus-Asia) project, which is implemented in the framework of future transportation of East-West route. Pipeline construction has led to an increase in foreign investment in the Georgian economy. It benefits Georgia in receiving revenue directly from the transit of energy, however, according to expert estimates total revenue profits from the

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35 Ariella Huff, *The role of EU defense policy …*, cit., p. 23.
transit does not play a key role for the economy. Third advantage is related to the possibility of use of the transported resources or their purchase at discounted prices.

The territory of Georgia seems to be the most suitable for developing a number of alternative routes to the East, and the only completely satisfied with the EU. As a result, Brussels has identified several key challenges in the framework of the EaP, where Georgia should solve the problems in the area of transport security, improve service quality, and simplify border crossing procedures. Moreover, the EU points the need for the gradual inclusion of Georgia in the Trans-European network and further increase the transit role of Georgia, taking into account regional integration processes. The EU plans to continue supporting TRACECA\textsuperscript{36} program despite the fact that the EC already does not finance it directly, but it continues to extend full support at all levels of government. As conceived by the EU politicians, the implementation of these measures in the Action Plan will enhance the attractiveness of freight through Georgia. In particular, it is planned to improve the transport infrastructure of the country, namely, to build highways and roads, logistics center and to increase container transportation from Poti to Baku\textsuperscript{37}. The consequence of the implementation of these measures was the fact that the turnover of goods through the territory of Georgia is increasing annually. However, a number of factors adversely affect the plans of Georgia on the implementation of transport projects. Firstly, the basis for transit is Batumi, the one of the largest ports in the country, where the share of petroleum products is 90% of all cargo. In this situation, the further development of pipeline transport adversely affects the load of port. Second, the main competitors of the TRACECA are considered projects of North-South transit through Turkey and Iran. The first involves the transport communications through Russia and Iran to India, a staging post at one of the ports on the Caspian Sea, through Azerbaijan or on the territory of some Central Asian countries. But in both cases, Georgia is excluded from the route. The advantage of the Russian project is that in contrast to TRACECA, it does not have to cross two large body of water - the Black and Caspian Seas. Thus, cost and time of transportation increases, which respectively decreases the profit. Third, even with the favorable development of transport potential for Georgia, it will not become the key, or at least a substantial part of the revenues. Profit could be increased if there was no conflict with Russia. Because of this, the territory of Georgia is actually excluded from the meridian highways.

\textsuperscript{36} EU/GEORGIA ACTION PLAN, 2006, p. 11.
\textsuperscript{37} TRACECA, Georgia investment projects.
Economic aid from the West allows Georgia to stabilize the situation in the country. It is noted that one of the major achievements over the past years is the significant improvement in the field of entrepreneurship, though there is acute problem of high inflation and a significant level of public debt\textsuperscript{38}, which is tirelessly pointed out in the EU. In 15 years from 1995 to 2010, accumulated direct investments increased in 245 times, from 32 million to US $ 7.82 billion, which is 67% of GDP, i.e. several times more than the average for the CIS\textsuperscript{39}. This means high investment attractiveness, but also the extraordinary economic dependence on the inflow of funds from abroad.

An important development for the EaP was the start of negotiations between the parties on the creation of a “deep and comprehensive free trade area” in March 2012, in Tbilisi. In the future, the removal of barriers to trade and investment can bring about 6.5% of GDP\textsuperscript{40}. In this context, Georgia and the EU attach great importance to the association agreement of 2014, although this is mostly a politically biased decision from Brussels. According to plans of the EaP, the results of cooperation in this area should be a high degree of institutionalization of relations, and the depth and the effect of the reforms carried out in Georgia, and as a consequence of the strengthening of the country’s economy. In addition, according to European officials, Georgian economy is not sufficiently strengthened, and the opening of the Common Market may negatively affect Georgian producers.

The report of the EC on the EaP for 2012 states that more than a third of the population is considered poor\textsuperscript{41}. The EC notes that in 2008 the government adopted a program “Georgia without poverty”, designed before 2012. However, neither the program nor the substantial assistance of Western countries has not been able to radically change the situation. The unemployment rate, even in the years of greatest growth of Georgia’s economy did not fall below 13% and in 2013 amounted to slightly less than 15%\textsuperscript{42}.

Most of successes of the Georgian government only partly related to the reforms. Significant financial assistance was made by the EU, US and international organizations. And a big role was played by political reasons: the desire of the EU and the United States to “draw” Georgia into its sphere of

\textsuperscript{40} XINHUA, 1st round of EU DCFTA negotiations underway in Tbilisi, 27.03.2012.
\textsuperscript{42} National Statistics Office of Georgia, Unemployment.
influence by loosening its ties with Russia. It made it possible to stabilize the budget and receive funds to carry out reforms and to improve the social situation of citizens of Georgia. Financial support from the West was important for Georgia also because of the global economic crisis and the war in August 2008. Third, despite the positive results, there are still unresolved problems in social, economic and trade fields, such as high level of public debt, a significant percentage of poor people and the unemployed, the negative balance of trade, etc.

As it was stated above, Georgia holds the most pro-Western policy among the states of the former Soviet Union, which are not members of the EU or NATO. Not least of all it concerns the implementation of the liberal and democratic reforms. According to Western estimates, Georgia has made significant progress in comparison with other post-Soviet republics in this field, however, it is noted that the process of Georgia's democratization is not completed, and it is necessary to continue and accelerate it.

Regime of Saakashvili was criticized by the lack of balance between the branches of government, namely, the "misalignment" in the executive branch. The activities of the state institutions do not meet the European requirements; difficulties remain in the field of human rights, violations of the principle of the rule of law. Among other things, the EU paid attention to the problems of local elections in Georgia in 2006, parliamentary elections in 2008 and 2012 and presidential elections in 2008 and 2013. Although, as in the case of the two other republics of the South Caucasus, the EU has identified progress in this area. According to international observers, the parliamentary and early presidential elections in 2008 were found largely in line with international standards, albeit with some remarks\(^\text{43}\). EU rightly criticizes the shortcomings of the elections, however, focuses only on their conduct, leaving aside the political situation in general. The EU considers victory over corruption as one of the main achievements of the Mikhail Saakashvili regime. "Transparency International" noted Georgia's progress made in ten years since the first appearance in the rankings: in 2002 the country was on the 85th place, and in 2011 already on 64th. For comparison, Azerbaijan from 95th "fell" on its 143rd, and Armenia in 2003 dropped from 78th to 129th\(^\text{44}\). However, it would be wrong to deny the success of the reforms: fight against corruption goes on, and on some parameters more quickly than in other countries of the South Caucasus. The


\(^{44}\) Transparency International, *Corruption Perception Index 2011*. 
same can be said about the situation of civil liberties and political rights. According to estimates, "Freedom House", Georgia is considered partly free country, which is much better than Armenia and Azerbaijan.

**The implementation of Eastern Partnership and the results of the program in Azerbaijan**

Azerbaijan considers the EaP as a platform for building high-quality relationships in the future, where a lot depended on how the Karabakh conflict will be resolved. Simply put, a key partner of Azerbaijan will be the one who will be able to play a decisive role in the recovery of its territorial integrity. But the problem is that the region is so intertwined with interests of the different players, that none of them alone can resolve this conflict without other actors and without deterioration of its positions in the region. Thus, the main purpose of Azerbaijan's participation in the EaP is to maintain the balance of forces in the region, playing on the interests of the major powers in order to obtain resolution of the Karabakh conflict in their favor.

Official Baku expects more support from the EU, since European countries do not recognize the separation of Nagorno-Karabakh, referring to the principle of territorial integrity of the state. The ENP Action Plan for Azerbaijan and the European Union contains a paragraph which states that cooperation is based on common values, including "respect and support for the sovereignty, territorial integrity and inviolability of internationally recognized borders". European Union declares readiness to increase its participation in the resolution of the Karabakh conflict and post-conflict reconstruction of the disputed territories. However, in language of diplomacy this "readiness" and the lack of specificity often mean the absence of any specific commitment to achieve the declared results. This is confirmed by the adopted resolution of the European Parliament on the EU strategy for the South Caucasus. MEPs expressed the need to resolve conflicts by peaceful means, and "call on the parties to fully engage in the multilateral cooperation within the EaP, without linking it to the final resolution of conflict". All this suggests that within the EaP any significant progress in the Karabakh conflict should not be expected.

The absence of clearly defined criteria of progress hardly allows counting on the ultimate success. If we analyze the approach of the EU, it appears that the steps proposed in the Action Plan for Azerbaijan and Armenia are identical.

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N. Rahimova, *European Neighbourhood*
The only difference is due to the fact that Azerbaijan’s assistance to the peaceful settlement is specified as a priority area number one, and Armenia’s - the seventh. Since the problem affects both countries, of course, there should be one common action plan. However, Brussels has not developed a personal approach to each of the parties to the conflict. When one of them prevail revanchist approach, and the other does not go to any concessions on the return of the lands, it is hardly possible to hope that the allocation of modest means for the development of human contacts will bring any result.

The EU places particular emphasis on the involvement of civil society in the resolution of the Karabakh conflict. There is no doubt in importance of this task, as mutual trust and respect is the basis of peaceful coexistence between two nations, as well as overcoming the entrenched enemy image in the minds of citizens. However, the current situation between the two countries shows that the EU’s efforts in this direction have not had the desired effect for a number of reasons. Firstly, the war of 1992-1994 left a deep mark in the memory of people. It takes time to mutual hatred to pass. That is why the civil society can contribute to a peaceful settlement of the conflict only to a limited extent. Secondly, the government of each party tend to use the presence of "external enemy" for their own purposes, i.e., to consolidate power. Not surprisingly, the two sides conducted a vigorous campaign in the media.

The EU in its foreign policy cannot unequivocally support one of the participants, as this will automatically mean leaving the opposite side from the influence of Brussels, which can create another precedent for settling territorial disputes within the EU and it is likely lead to a serious break between the members. The EU is not satisfied with the version of the escalation of the conflict, which can be also caused by Azerbaijan’s economic boom, allowing it to increase military budget to a level exceeding Armenia’s state budget. The reason is quite obvious: the next hot spot could seriously destabilize the situation not only in the region but also worldwide, as the consequences will be extremely unfavorable for all. Among them we can highlight sharp increase in emigration, the deterioration of the situation related to terrorism and cross-border crime, the weakening of trade links, etc. Given the EU’s attention to the problems of ensuring energy security, the European functionaries particularly worried that the first target could be oil and gas pipelines. We cannot exclude the possibility of escalating conflict in ethnic and religious confrontation that will affect all countries in the region negatively. All parties understand that the war is undesirable and may result in greater political and economic losses.

On one hand, the objectives of Azerbaijan and Armenia are opposite, and the conflict seems to be maintained for many, many years. On the other hand, if the major powers will find a common "denominator", the problem can be
solved very quickly. Without a doubt, in this situation, Armenia and Azerbaijan are unlikely can oppose outside pressure. Otherwise, events may develop according to the worst scenario. The risk of a rapid deployment of combat operations is mostly is alarming the world community.

Despite the aims of CFSP to play an active role in resolving this long-standing conflict this mission is prevented by the lack of unity within the EU and the spread of the priorities of the member states, which makes it difficult to develop a truly common foreign policy; the prevalence of short-term economic, energy and other interests, creating interest in status quo, the clash of interests of major players, uncompromising opposition of Armenia and Azerbaijan and insufficiently elaborated program of action to resolve the conflict.

Interests in energy are mostly coinciding than separate from each other. Both Azerbaijan and the EU need stability and reliability in the oil and gas sector. Baku and Brussels are interested in increasing the production of Azerbaijani oil and gas, improving its efficiency, providing security of hydrocarbon pipelines, increasing investments and developing the cooperation with the Central Asian countries. As a consequence, in line with the plans of the EU, Azerbaijan has become a major transit hub. However, the contradictions between the parties consist mainly in the fact that the declared objectives of the EU aim to include Azerbaijan in its energy system. Baku, on the contrary, seeks to maintain a high degree of independence and gain additional leverage over the EU.

"Inogate" is a program of cooperation in Eastern Europe (excluding Russia), the Caucasus, Central Asia and the EU, in which, under the auspices of the EU the majority of energy projects implemented in the region. It has a direct bearing on the EaP, since sponsored by the ENP. In the period from 2009 to 2012 in the development of the route of the gas corridor from Caspian to the Black Sea was invested EUR 5 million. The importance of this initiative is confirmed by participation in the financing and management of such institutions as the World Bank and the European Investment Bank. In January 2011, José Manuel Barroso and EU Energy Commissioner G. Oettinger visited Baku and Ashgabat to discuss the details of the project. As a result, on 12th September 2011 the EU has approved a mandate to negotiate with Azerbaijan and Turkmenistan to sign a legally binding agreement for the construction of a Trans-Caspian Gas Pipeline47. In case of construction of a new route, Turkmen gas will solve the problem of feeling of "Nabucco". However, Russia and Iran (and to some extent Armenia) oppose the new pipeline, citing their

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47 European Commission - Press Release, EU starts negotiations on Caspian pipeline to bring gas to Europe, September 12, 2011.
dissatisfaction with the danger to the ecology of the Caspian Sea. In addition, the probability of success of "Nabucco" has increased significantly after the French "Total" discovered the largest oil reserves on the Absheron field (Azerbaijan) in September 2012. Suppositious reserves are estimated at tens of billions of cubic meters of gas.

Moscow threatened to veto any trans-Caspian project. The Russian position is that environmental issues are common to all five Caspian states, so the laying of pipelines must be approved by all the Caspian states. The situation is complicated by the fact that so far not defined the status of the Caspian Sea. As a result, each of the parties uses a legal vacuum in their own interests: the EU stated that the construction of the gas pipeline, which will run along the bottom of the sea, cannot depend on the consent of the coastal countries. Russia, in turn, stated that from a geographical point of view, the Caspian Sea is a lake, because it has no direct communication with the oceans. Consequently, in accordance with international law, the implementation of such projects should be based on the principle of consensus of coastal states. Thus, the resolution of disputes over Caspian gas pipeline is difficult to achieve.

In general, the projects which the EU has already completed and plans to carry out in the future, in practice, confirmed the interest of the EU’s convergence and creating a unified energy system. Among them we should mark the following projects: the harmonization of technical standards and practices of the oil and gas sector in Eastern Europe and the Caucasus (about EUR 3 million), the harmonization of standards for the electricity sector (about EUR 1.5 million), support to energy market integration and sustainable energy CIS countries (more than EUR 5.5 million), strengthening the technical secretariat of the "Inogate" in support of the "Baku Initiative" (about EUR 3 million). As noted earlier, interests of Baku are in security and modernization of its energy sector.

Now let’s have a look at the bilateral and multilateral cooperation in the energy sector within the EaP, but outside of "Inogate". As both the EU and Azerbaijan are interested in diversifying transportation of hydrocarbons, they pay more attention to the project of the Southern energy corridor of the European Union. In this respect, Brussels believes the signing of the Joint Declaration on the Southern Gas Corridor between the EU and Azerbaijan on January 13, 2011 in Baku successful. For the purpose of cooperation between the parties, it was indicated a need for speedy commissioning of all planned pipelines. In addition, the parties agreed to use the resources of the Shah Deniz

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As conceived by the functionaries of the EU, the Southern Gas Corridor will be one of the key ways of transporting natural gas. Among its projects are allocated the Baku-Tbilisi-Erzurum gas pipeline, Nabucco, White Stream Greece-Italy (from Turkey) and Trans Adriatic Pipeline (TAP). In addition to the Black Sea and Caspian countries, where Baku, Tbilisi and Ankara have key positions, the Middle East countries have equally important role in the plans of the EU. It is one of the factors that do not allow Azerbaijan to rely on the crucial role for the EU. In the case of pressure from Baku, Brussels will be able to use alternative routes to deliver gas and oil. And this applies not only to the Middle East route - the second branch of the Southern Gas Corridor. The EU also has an opportunity to increase energy imports from North Africa, and possibly Norway. In this situation, it is logical that Azerbaijan is interested in maintaining a high degree of independence of its energy sector. During a meeting with European Commissioner for Energy in April 2010, in Baku, the parties stated that the EU remains the main recipient of Azerbaijani energy resources. At the same time, the Azerbaijani authorities have left trying to diversify their exports. Although Azerbaijan plays an important role in the energy supply of the EU, however, it could not maintain the support of the European countries to resolve in its favor the conflict over Nagorno-Karabakh.

In addition to developing an action plan to improve the security of its oil and gas pipelines, Baku developed bilateral cooperation with Bulgaria and Romania. Thus, in November 2009 reached a agreement with Bulgaria on the exploration of reserves of liquefied natural gas in the Black Sea for delivery in the EU. Together with Romania was drawn up plan of the supply of gas through Georgia, which is approved in September 2010 at the meeting of the heads of Azerbaijan, Georgia and Romania.

To summarize, we can state that there is a fairly active cooperation in the field of energy in the framework of the EaP between the EU and Azerbaijan. Evaluation of the EU policy proves that the actual purpose of the Brussels is to integrate Azerbaijan into its energy system, and to extend their domestic legislation. Azerbaijan seeks to preserve the independence and actively develops only those projects that strengthen the economy and enhance its position in the world. The role of Azerbaijan as an energy giant brings substantial benefits to Baku. However, with regard to the conflict over Nagorno-Karabakh, Azerbaijan for some reasons cannot count on the support of Brussels, although it is a valuable partner for the EU energy.

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50 Joint Declaration on the Southern Gas Corridor, 13th of January 2011, Baku.
The topic of democracy and human rights is often the subject of frictions and disputes between the EU and Azerbaijan. Brussels traditionally puts these questions to the fore when it comes to cooperation with non-democratic, by the standards of the EU, countries. Increased attention of the EU to this topic reflects common strategy of foreign policy of Brussels. From the standpoint of Western countries, if the state is a member of the “democratic family”, it is easier for Western countries to achieve some of their goals. The EU’s legitimacy to criticize the non-democratic nature of the regime in Azerbaijan has also been impeded by unwillingness of the EU to support Azerbaijan’s territorial integrity, taking into consideration the Nagorno-Karabakh conflict. Thus, according to the data of the European Commission and INGOs, in the field of democratization and human rights has not yet been achieved any substantial progress.

Another serious problem for decades is corruption. From 2001 to 2011, was observed sinusoidal trend, when the year-on-year deterioration was replaced by an improvement in the area of corruption, and vice versa. This may indicate low efficiency of the measures taken. In 2011, the presidential campaign has been launched to combat corruption on which the government holds some hope.53

Since the late 1990s - early 2000s Azerbaijan’s economy has consistently showed impressive pace of development. Only in recent years’ decline in GDP growth is observed. On the one hand, a slowdown occurs due to the effects of the global economic crisis, as Azerbaijan is greatly dependent on oil exports. On the other hand, a high rise cannot be maintained for a long period of time. The reasons for the rapid development of Azerbaijan’s economy include the development of the oil and gas industry, high prices and growing demand for hydrocarbon raw materials, the discovery of new deposits, the inflow of investment.

According to the EC, Azerbaijan still has a lot of problems in the socio-economic sphere. In the framework of EaP it has not been paid sufficient attention to the diversification of the economy of Azerbaijan, in particular its key component - exports, which implies the need to reduce the economy’s dependence on the oil and gas industry.

There are a number of factors that hinder the economic cooperation between the EU and Azerbaijan. Firstly, the association agreement between

Azerbaijan and the EU does not include a comprehensive agreement on free trade zone. Accordingly, the European Union is not going to open up its domestic market for Azerbaijan. The initial condition for the creation of a free trade area between the two actors is Azerbaijan's accession to the WTO. Baku, however, believes that the Azerbaijani economy has not yet reached the desired level of competitiveness for entry into the WTO. According to some experts, accession in WTO may take 10-20 years, as it is fraught with large losses than benefits.

About 99% of Azerbaijan's exports to the EU are raw materials and energy. Azerbaijan’s trade balance with the EU countries excluding the oil and gas sector looks pessimistic. Perhaps the situation for Baku does not seem as serious as long as there is in a favorable situation on the oil market. But, as history shows, the situation in the world could change at any moment. Azerbaijan really made significant progress, but did so largely thanks to profits from its oil and gas industry.

Progress in the implementation and results of the program in Armenia

Armenia expects that in the medium term, closer cooperation with the EU can contribute to the diversification of external relations, compensating the Turkish-Azerbaijani "blockade". In the view of Yerevan, interaction with leading Western powers should help to accelerate economic growth and overcome structural problems in the country’s development. Another priority for the Armenian theme is the question of the Armenian genocide. Currently, many European countries have recognized it as a fact. The leadership of Armenia would like Brussels to put pressure on Ankara and put this requirement as a condition for Turkey’s EU membership.

The EU is interested in Armenia due to several reasons. Firstly, Armenian lobby plays a significant role in the political life of the Western countries. It is estimated that in the US, it ranks third on the influence, conceding only to the Israeli and Indian pressure groups. The Armenian Diaspora has the same power of influence also in Europe. In France, it is about attracting half a million votes of ethnic Armenians, which are citizens of France. In many European Countries Armenian business elite is quite strong, which capital and connections play certain role in shaping domestic and foreign policy of the EU member states. On top of that, rapprochement with Armenia allows the EU to pursue a balanced policy in the South Caucasus.

If the central theme of relations with Azerbaijan in energy sector is the production and transportation of hydrocarbons, in Armenia the catalyst of cooperation is the problem of decommissioning nuclear power plant in Metsamor. Given that the EU has the expertise and technology, as well as promotion of the idea of sustainable development, it offers the development of alternative energy such as wind, solar and geothermal energy. Anxiety, expressed by the EU in connection with the operation of the nuclear power plant is caused by the unfavorable location of the station. The fact is that Metsamor and Armenia in general are located in seismic area. We should remember the devastating earthquake in Armenia in 1988 literally razed to the ground Spitak and many smaller settlements. The situation is aggravated by the fact that the plant was built in the late 70s of 20th century, and according to some European experts, at present it does not meet all safety requirements. Parties fail to come to common opinion on the timing of the decommissioning of Metsamor. The European Union insists on the early closure of the station57, while Armenia wants to delay it. Concerns Yerevan is clear: today NPP generates about 40% of the electricity of the country. Considering the scarcity of its own hydrocarbon resources, energy "blockade" on the part of Azerbaijan and the lack of direct access to Russian pipelines, premature stop of power block can destroy the economic system of Armenia.

Currently, active work is conducted on the preparation of the construction of the new power block, which will be commissioned not earlier than 2019-2020. The signing of an intergovernmental agreement between Moscow and Yerevan in August 2010 on the construction of the new power block affected the relations between Armenia and the EU. Initially, the construction of a new nuclear power plant was claimed by three states - Russia, the US and France. But it was clear that the chances of Moscow were preferred. In fact, such situation is developed since the signing of the above agreement on the construction of new nuclear power plants58. Despite the fact that Moscow is ready to finance half of its value, Yerevan has to find another 2-3 billion US $59. The complexity of this problem is the fact that the annual income of Armenia only slightly exceeds 2 billion.60 In this situation, the only hope for Armenia is private investment. According to reports, the EU once again called for the

59 RBK, Minènergo Armenii: RF gotova finansirovat’ 50% stoimosti novogo bloka AÈS, 16.02.2012.
60 CIA statistics.
closure of the station, although Yerevan was entitled to rely on the assistance of Brussels to obtain loans on favorable terms.

The development of democracy in Armenia is not always going well. The political elite of Armenia partly use the conflict in Nagorno-Karabakh to strengthen its regime. The negative side of this situation is the possible slowdown in the democratization process, the emergence of political clans, and the growth of corruption. As for the other human rights concerns, the EC points to the absence of a positive development. The EU drew attention to the torture and ill-treatment of citizens by the police, prison conditions, and freedom of religion, juvenile justice, and gender equality. Also, not enough is done to improve the situation with ensuring the rights in the social sphere, including the right to work.\(^\text{61}\)

The new millennium brought to Armenia consistently high economic growth. However, the global economic crisis has revealed the instability of the Armenian economy; GDP in 2009 fell by more than 14\(^\%\). That is why the further development of the economy was one of the key objectives of EU cooperation with Armenia, in particular to strengthen macroeconomic stability in the country. Other aims and objectives are similar to those that have been identified for Azerbaijan, but adjusted for the absence of the Armenian oil revenues. This reduces the possibility of the Armenian leadership to implement costly social and economic reforms. Therefore, it seems that for Armenia the deepening of relations with Brussels in the socio-economic sphere and qualitative improvement of the trade balance is more important than for Baku.

The following main areas of cooperation identified in the documents of the EU on EaP: the fight against poverty and improvement of social protection of the population, human development, improving the investment climate in the country, strengthening the private sector, promotion of sustainable development, the convergence of the Armenian legislation to the European, the creation of a free trade zone.\(^\text{63}\)

As indicated in the budget of EaP for 2011-2013, trade and investment are the main themes of the cooperation between Yerevan and Brussels. During this period, around quarter of the entire budget was planned for this purpose, and

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\(^\text{62}\) Index Mundi, *Armenia GDP – real growth rate (%)*. 

in absolute terms – €31-39 mln\textsuperscript{64}. Indeed, both partners are interested in deepening trade relations. About half of the total exports of Armenia falls on the European Union, and in the case of the opening of the Common Market, this figure could seriously grow.

\textit{Increasing efficiency of EU Neighbourhood Policy in South Caucasus?}

Despite the similarity of the used tools towards Armenia, Azerbaijan and Georgia, the foreign policy goals that the EU wants to achieve may be different. Each of the states has direct or indirect plans to enter the integration process and develop relationships with the EU, nevertheless the steps taken must be aligned with the countries own interests. If they are unable to find hope with the EU and other institutions, these states will act more cautiously in their relations with the EU and will refrain from taking on additional unpaid liabilities on behalf of this institution. Relations should be increasingly country-targeted, taking into consideration the needs of both the EU and its partners. Thus, the definition of regional development strategies must focus on the needs of each state, whilst also favoring regional cooperation along these lines crossing the region.

Stability and democratization of South Caucasus states is in the EU’s interest, however, the EU has little influence to make this happen without more substantial engagement on security challenges. The complexity of international relations in the region is aggravated by the position of Russia and conflict relations between regional actors: the conflict between Russia and Georgia, Armenia and Azerbaijan, Armenia and Turkey. These conflicts hinder inter-regional cooperation by blocking any attempt to create fully integrated regional networks between the three countries, and seriously impede transportation and trade flows as well as cooperation between the South Caucasus and the EU. The reluctance of the EU member states to fully engage in security needs of the Eastern periphery has led to the escalation of tensions. The approach of the EU, although remaining partly hostage to the contradiction between the need to differentiate and a preference for regional formats, has the advantage of exposing the negative effects of the lack of cooperation between Armenia, Azerbaijan and Georgia.

Address issues of sovereignty of South Caucasus States, their independence, and support for territorial integrity should be included in Specific Policies and Initiatives of the EU, in particular, the EU’s formal commitment to territorial integrity of Azerbaijan, in a way similar to recent

\textsuperscript{64} Ibidem.
Western statements regarding Ukraine, based on principles of international law as well as devise formal long-term policies for the de-occupation of Abkhazia and South Ossetia. The EU must take a more clearly defined and substantial role in this process, by integrating to the highest degree possible to take the lead in organizing an international development program for the occupied Azerbaijani territories, focusing on developing direct negotiations between the Armenian and Azerbaijani leaders.

Until now Eastern Partnership has not been characterized by high efficiency mostly due to inadequate political and economic support; the fact that there is no membership perspective for the target countries; the lack of a genuine will from some of the partner states for real change; the ignorance of the geopolitical consequences of the policy in terms of the reaction from Moscow; the regional approach to three different states and the presence of the unresolved conflicts in the region, which hinder interregional cooperation and seriously impedes transportation and the trade flows as well as cooperation between the South Caucasus and the EU. Strict requirements of Brussels to neighboring countries to modernize their institutions of democracy hinder the development of the program. It is important to point out that the implementation of neighborhood policy affects the interests of Russia in the region, which developed the strong relationships with post-Soviet states. Thus, the implementation of the ENP can break these ties, especially in the fields of economy, security and culture. This is evidenced, in particular, the requirement of the European Union to harmonize the domestic legislation of the ENP countries with the European, the intention of the EU to include these countries in its energy system, etc.

Therefore, it seems that achieving stability in the South Caucasus will require a long time as the region is prone to domestic instability, frozen conflicts and Russia’s heavy influence. Secondly, in contrast to the economic measures or the provision of social benefits, the condition of transition to democracy is a change of mentality, which will require a change of generations. Overall, the ENP undoubtedly represents a step forward in EU policy towards the South Caucasus, yet its implementation highlights major differences between the three countries and important weaknesses in all three of them.
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