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EU and South Caucasus

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Introduction:

EU enlargement had a historical significance for the states beyond geographic Europe. It showed, that in spite of initial skepticism, the European Union have a potential to incorporate countries farther to the East, which have to prove their commitment to the shared values. It proved the borders of what was called Europe to be rather conventional, as it was dependent on the capacity of its neighbors to reform and join the process of enlargement. It gave hopes that even states currently on the geographic periphery of Europe may one day be part of the process of enhanced relationship and depending on the performance in the area of reforms have prospects of accession.

The region did not enjoy much attention from the EU since its independence – its insignificant size, as compared to its powerful neighbors – Russia, Iran or Turkey, instability and conflicts, distant location, lack of knowledge about the region and its identity in Europe contributed to the situation. This contrasted with the strong European identity of the South Caucasus states, who after collapse of the Soviet Union strived to re-build their independent states, once emerged as the parliamentary democratic republics in the beginning of the 20th century. The process of enlargement has created “ new neighbors” for the EU. On the 14th of June 2004 the European Council by the recommendation of the Commission decided to offer three states of the Caucasus-Armenia, Azerbaijan, Georgia – to participate in the European Neighborhood Policy, adopted in 2003.

Significance of the region.

There are a few reasons why the South Caucasus is of a special importance for the EU.

EU's growing interest in diversification of the energy supplies, first of all gas, pushes it towards closer cooperation with the Caucasus. In the coming decade the region will experience major changes coming from the significant oil and gas production and transportation. In Azerbaijan the expected revenues from the fields in the Caspian according to estimates, in the next few years, with peak of production in 2012, will amount to 160-180 billion dollars (compare to the current state budget of 4 billion dollars).¹ The oil pipe- line Baku-Tbilisi-Jeyhan, construction of which was completed in 2005 started to deliver “ big oil” from the major offshore field Azeri-Chirag-Guneshli from the Caspian to the European markets. The gas from the field Shahdeniz in the Azerbaijani sector of the Caspian is expected to be delivered to the European consumers upon the construction of the pipe-line Baku –Erzerum in 2006, thus contributing to the diversification of the energy supplies for Europe, who has been strongly dependent on Russian gas supplies.. The convenient geographic location on the cross roads of major East-West transportation routes is making the Caucasus attractive in trade, military and communication terms. Azerbaijan and Georgia, connecting exits to two seas – Caspian and Black Sea provide a convenient transit from the Central Asia oil and gas resources in Kazakhstan, Turkmenistan to Europe. On the other hand, the Caucasus states, previously being weak and unstable, are now capable of providing security through cooperation with their European and American partners in the joint programs on fight with terrorism, trafficking, in peacekeeping. All this justifies EU greater involvement in the region. For the EU the main rationale behind the ENP is in development of the “ zone of prosperity and a friendly neighborhood – a “ring of

¹ This number is based on calculations made by the Center for Economic and Political Research under the direction of Sabit Bagirov, former President of the Azerbaijan State Oil Company.

friends”, with whom the EU enjoys close, peaceful and cooperative relations”². The Strategy of European Neighborhood Policy says, that “the European Union has a strong interest in the stability and development of the South Caucasus”.³

Definitions, made mainly in the terms of real interests, however, often put some limitations of the understanding of the significance of the region and lead to underestimation of the degree of closeness between the EU and South Caucasus. The Caucasus has common borders with influential regional powers, such as Russia and Iran, who are in the focus of the international attention. Of no less importance is the proximity of Turkey who is member of NATO and a candidate to EU accession. The South Caucasus as a historical bridge between the cultures and civilizations and promoter of modernization farther to the East and the South bears no less significance for EU, than as an energy producer or military hub. Azerbaijan, the country with pre-dominantly Muslim population, has demonstrated a unique example of modernization, caused by the development of industrial capitalism in the 19th – early 20th centuries. The latter promoted transformation which resulted in political pluralism, development of liberalism and creation of the first democratic republic in the Muslim world in 1918, the reform influence of which extended to Iran, Ottoman Empire, Central Asia. The institutions of the pre-Soviet period appeared to be strong enough to survive totalitarianism, while the liberal traditions nowadays continue to survive post-Soviet autocracy in the form of political opposition, plurality of media and civil society. This indicates presence of a significant reform potential in the South Caucasus societies, which, if developed, can have a considerable influence on geographical areas extending the borders of the region and lead to the greater ring of friendly states with enduring and democratic stability.

Power of the EU Integration Process.

In this context, the meaning of the EU relations with the Caucasus goes beyond the objective determined in the ENP strategic documents as extending “the stability, security and well-being of all concerned”.⁴ It is related to, no less significant than the *final outcome* of integration, the *process* of integration for realization of the best reform potential of the Caucasus states. The substance of the policy then is to create such a mode of interaction between the EU and the South Caucasus states so it would promote *realization of the reform potential* of the societies concerned⁵ to enable them to reach “stability, security and well being”. In search of such a mode there is a need to review the past and the current relations of the EU to with the Caucasus states and their effect on the developments in these states.

After collapse of the Soviet Union, the EU institutional involvement in the region was delayed as compared to the other international, European and Euro-Atlantic organizations and individual states. EU signed Partnership and Cooperation Agreements (PCAs) with each republic in 1996 which went into force in 1999, opened its office in Georgia and Armenia, and plans to open EC delegation in 2007 in Azerbaijan. This contrasts with OSCE and Council of Europe, who began to integrate these states as early as 1992, with NATO and economic involvement of some European states, such as the UK, France, Italy in the energy field since 1994. The EU unified approach to aid did not differentiate between the states population size (Azerbaijan – 8 mln. population received approximately the same amount of aid as Armenia with 3, 5 mln), did not take into account the most favorable conditions for the support of institution building (for instance, the “velvet revolution” in Azerbaijan in 1992), or took some structural individual

² Wider Europe – Neighborhood: A New Framework for Relations with our Eastern and Southern Neighbors. Communication from the Commission to the Council and the European Parliament. Commission of the European Communities. Brussels, 11.3.2003.

³ European Neighborhood Policy. Strategy Paper. Communication from the Commission. Commission of the Communities. Brussels, 12.5.2004. COM(2004) 373Final.

⁴ Ibid.

⁵ On the importance of the EU integration for the states of the Caucasus see Leila Alieva “ Integrative processes in the South Caucasus and their Security Implications” NATO Defense College, Occasional Paper N.13, March, 2006.

characteristics of the states in transition⁶ and focused mainly on the humanitarian areas, unlike the US, which rendered direct aid to the civil society and institution building, particularly for Georgia. The TACIS programs had little impact on society as were dealing mainly with the government and had rather low-profile activity. The trade with two states – Georgia and Armenia was insignificant, while the greater share of trade with Azerbaijan was dominated by raw resources. By the time of development of the ENP the stability was already established in the South Caucasus states, but the power has been also consolidated in the way, that did not necessarily make the integration objectives easier. Except for Georgia, who experienced the “rose revolution” in 2003, strengthening autocratic tendencies in Azerbaijan and Armenia made many observers conclude about “imitation” of reforms in these states. Thus while stability and relative “strength” of the state institutions formed a basis for broader cooperation with the EU, it at the same time created certain obstacles caused by the nature of consolidation of political power in these states, including monopoly on all resources, systemic corruption, patron-clientalistic relations, accompanied by rather weak mandate of the leaders.

In spite of all these difficulties and shortcomings, the process of integration remains a powerful tool and may have a significant impact on reforms. Unlike the Council of Europe or OSCE, the EU has a strong advantage of the incentives in greater integration. This might be implemented in case if the EU looks beyond a mere cooperation with the governments of these states and become aware that the reform potential of the societies is often greater than it is performed by the official policies. It also requires a principled approach to the evaluation of reform implementation as reflected in the national Action Plans, as well as its balanced approach to the conflicts.

South Caucasus Aspirations and Geopolitical Realities.

All three Caucasus states have strong European aspirations and identity, which are soundly expressed by their political elites and civil society. The immediate patterns of integration after collapse of the Soviet Union were shaped by the security concerns originating from the conflicts, pressure of Russia, competition between regional powers. Although Georgia has been the most ardent promoter of the European and Euro-Atlantic integration, the key role of the Azerbaijan’s policies in the region in bringing the interests of Europe and the US to the shores of the Caspian should not be overlooked. Integration in European and Euro-Atlantic structures were announced as foreign policy priorities of the first Azerbaijani democratically elected in 1992 president Abulfaz Elchibey. Most importantly, however, is that it was reflected not only in declarations, but in the capacity to sustain and succeed in the declared course, in spite of the conditions which were not conducive to the pro-Western orientation and contradicted the realist logics of international behavior. Facing significant security challenges, the Azerbaijani government nevertheless managed to be the first among all fifteen former Soviet republics to make Soviet military to withdraw from the territory, thus making an important step in consolidation of its independence and creating real conditions for cooperation with European and Euro-Atlantic structures. The strategic course of the government of integration in the West, besides security considerations, was the reflection of the political project of the leadership of Azerbaijan – that of the secular republic based on the liberal democratic principles. In spite of the fact that Western involvement in the security area of the country has been consistently insufficient from the point of view of its balancing effect, the integration in the European and Euro-Atlantic structures has been remaining a strategic direction of foreign policy of Azerbaijani consecutive leadership in all these years. In the first years of independence Azerbaijan faced hard security threats – disintegration of state with involvement of the external actors, accompanied by

⁶ For the discussion on this issue see the part of this paper “Peculiarities of Transition”.

the unprecedented displacement of people from the occupied territories⁷, which affected along with other factors, the short lived rule of the Popular Front.

The new leader Heydar Aliyev based his foreign policy on balancing competing interests of the regional powers- immediate neighbors. At the same time he created conditions for the Western economic presence in the region through signing a major oil contract with the foreign companies after establishing a ceasefire agreement with Armenia in 1994. The “contract of the century”, signed the same year with 11 foreign, mainly Western, oil companies had a significance, extending beyond the borders of the country. First, by surviving enormous pressure from the North and defeating attempt of the coup d’etat, which followed signing of the contract, Azerbaijan provided for the Western energy interests in the region. Secondly, it changed the power balance in the region, allowing alternative trans regional and regional cooperation and transportation projects to be implemented on the basis of the real economic interests, thus contributing to the “re-shaping of post-colonial Eurasia”⁸. While alternative ideas of regional and extra regional cooperation were initiated in the region, the implementation of none of them was possible before the signing of the major oil contracts, which brought Western interests in the previously distant and little known region. In contrast with cooperation in the energy and economic area, the cooperation with the West in the political and security fields was lagging behind it.

Unlike Azerbaijan, Georgia had little to offer to Europe and the USA in terms of resources except for its transit location. In development of the more liberal rule, than in the other two republics and active advancing of the integration agenda the Georgian leaders found the best assets they could utilize in what was called by one of the local analysts a “pre-emptive”⁹ approach in their relations with the West. This approach in the absence of significant material resources nevertheless proved to be effective, reaching its peak in the enhanced dialogue with NATO, cooperation with the US, multimillion dollar aid from the EU after the “rose revolution”.

Thus the “revolution” appeared to be the best test for the EU to demonstrate its commitment to the declared values and principles. At the same time, quite unique situation in Azerbaijan where both the leadership and the opposition were firmly pro-Western by many local observers was viewed as an obstacle rather than a factor supporting democratic transfer of power in the country. In widely accepted perception pro-Western foreign policy course of I. Aliyev conditioned the support from the side of the leading Western states during the succession of power in 2003.

In their attempt to consolidate political, economic, security independence, Azerbaijan and Georgia suggested unification in the regional alliance with the other two states – Ukraine and Moldova – GUAM. In uniting with states sharing the same security concerns and the same principles of relations– first of all, respect for territorial integrity,- Georgia and Azerbaijan tried to strengthen both their security and *the identity* - the Western oriented states in the region. While Armenia remained conductor of the Russian influences in the region, hosting significant amount of Russian troops, Georgia and Azerbaijan without much desired counter-balancing support from the West found themselves in the security limbo vis-à-vis regional actors.

None of the regional actors, except for Turkey, looked attractive for these two South Caucasus states for integration. While hard security considerations initially divided the region on two

⁷ The involvement of Armenian and Russian troops in the secessionist movement in Upper Karabagh autonomous region of Azerbaijan resulted in occupation of 7 administrative regions beyond the NKAO – including Lachin, Jabrail, Gubadly, Agdam, Zangelan, Fizuli, Kelbajar, which led to the displacement of more than 650,000 people during the conflict, in addition to the Azerbaijani refugees from Armenia – 250,000, who arrived in Azerbaijan 1988-1989. UN Security Council adopted 4 resolutions urging unconditional withdrawal of the Armenian troops from these territories. Near 30,000 from both sides were killed during the conflict.

⁸ In more details look at the issue in Leila Alieva “Reshaping Eurasia: Leadership Assets and Foreign Policy Strategies in the South Caucasus”, BPS Working Paper, Winter, 2000, UC Berkeley.

⁹ George Tarkhan –Mouravi “Georgia’s Unsteady Step Westward” The European Rim Policy and Investment Council, ERPIC 2003.

blocks – along the conflict lines and according to the foreign policy orientation – Armenia, Russia, Iran on the one hand and Azerbaijan, Georgia, Turkey – on the other, the integration on the basis of common identity – European, rather than Caucasian, is gradually evolving in the region. Armenia's seemingly steady traditional orientation to Russia is shifting towards the West, in the competitive move with other two republics and in growing awareness of unreliability of Moscow. In contrast with Georgia and in spite of the military involvement of Russia in the Nagorno-Karabagh conflict, Azerbaijan's foreign policy shows greater drift towards its Northern neighbor. These relatively friendly relations with Russia is partly explained, along with the domestic factors, by the strengthened position of Azerbaijan, who is increasingly becoming an influential actor in the region as producer and a transit state for the transportation of hydrocarbon resources, and has already started to receive significant oil revenues.

Thus the external relations of the Caucasus states are reflecting geopolitical realities. Relations with Europe are best described by the contradiction between the "identity and geography", when states of the Caucasus look at the West tying their aspirations with integration, while the West is evidently not ready in bringing them closer as they did in case of Central and East European states or Baltic republics. Each of the state has certain problems to a various extent in relations with the regional actors. Armenia is in war with Azerbaijan and has no relations with Turkey, who joined Azerbaijan in its embargo of Armenia. Georgia has strained relations with Russia, while Azerbaijan, so far being able to sustain balanced foreign policy, also sees the limits of improvement of its relations with Russia and Iran.

Russia.

Russia remains a part of the problem, rather than a solution to the conflicts in the region. Low competitive capacity and inability to adjust to new realities in the region forces Russia to continue its old policies of support for the secessionist movements, thus weakening the neighboring states. Russia's behavior in the region is mainly driven by the ambitions of the great power and insufficient current potential to play this role in the post-Soviet and world affairs. Azerbaijan managed to get rid of Soviet/ Russian troops from its territory, Georgia is in the process of making the agreed withdrawal of Russian troops implemented. In spite of the oil and gas production and transportation projects promoting economic independence of South Caucasus from Russia, the presence of the latter in the economy of the region is still significant. Besides support for the secessionist movements, Russia is using the energy dependence, including gas prices, large number of guest workers and common borders as means of political pressure on the "insurgent states", in spite of growing evidence of its counter-productiveness. In particular it demonstrated it self in the last border closure with Georgia, which immediately affected Russia's strategic ally – Armenia.

In the absence of the resources, but succeeding in building the image of the South Caucasus leader in democratization, Georgia continues to try to diminish Russia's role in the conflicts through greater involvement of EU and the US in resolution of conflicts. The behavior of Georgia in "spy" crisis with Russia did not gain sympathies either in Europe, or , (although with some understanding), in the US¹⁰. The other problem raised by the EU was growing military budgets of Georgia and Azerbaijan. While EU did not react to the transfer of the Russian bases, which were withdrawn according to agreements from Georgia, to Armenia, EU voiced its concern in case of Georgia and Azerbaijan. "Defense spending is going through the roof, said EU commissioner Benita – Ferrero-Waldner, "there is a serious danger of the rhetoric lowering the threshold for war" in reference to the so-called "frozen conflicts" of Abkhazia and South Ossetia

¹⁰ By information of Associated Press Agency, Deputy Assistant Secretary of State Matthew Bryza told journalists in Berlin, that " Georgia has expressed its sovereign view....that it does not want Russian peacekeepers on its territory, there is a question of what is prudent and what is the most effective way of asserting that right in Tbilisi", AP, 29 September, 2006.

in Georgia and Nagorno-Karabakh in Azerbaijan”¹¹ Thus although Russia’s military presence has been decreased in Azerbaijan and Georgia, it at the same time increased in Armenia¹²- the factor that did not change substantially power balance in the region but rather deepened divide between the states.

Although Azerbaijan managed to find a balanced approach to regional and extra-regional actors, including Russia and have not experienced aggravation of relations with Moscow similar to Georgia, it still considers Russia’s support for Armenia in the conflict the main impediment to the resolution of the conflict. Sustaining friendly relations with Russia simply helped Baku to support the status quo in Nagorno-Karabagh conflict rather than promote its resolution.

In spite of all EU reservations related to the Georgia Russia relations, the final draft of the ENP Action Plan of Georgia had all the provisions on the conflicts, aspired by Tbilisi.

Overall Russia’s policy in Azerbaijan showed some signs of change. Realizing, that both the leadership and the opposition in Azerbaijan are pro-Western, Russia began to pay attention to the ruling elite. A few visitors from Russia stressed a need to “develop our own democracies”, echoing the statements by the representatives of the ruling party and the government of Azerbaijan. While some ruling political elite in the South Caucasus does not feel consequences of the limited visa regimes or other disadvantages of being outside Europe, as the society does, and thus has lesser incentive to risk their rule by reforming and getting closer to Europe, Russia has some chance to succeed in extending its influence at the elite level.

Facing decline of her influence both in energy and military areas Russia tries to find the way to assert itself politically. Yet, the capacity to influence major pro-Western trends in the Caucasus is limited – in spite of the friendly spirit of the Azerbaijani president’s visit to Russia, Putin did not manage to get support of Azerbaijan in embargo of Georgia.¹³ Similarly, utilization of economic levers, such as gas prices, for the political purposes proved to be counterproductive, including relations with Europe, whose interest in the Caucasus as an alternative source of energy supply is growing.

Uncertainty of ENP.

Although ENP lacks one of the major advantages and incentives of the enlargement process – the clearly stated prospects of membership, it still has an incentive of deeper integration in EU for the states, included in this policy. The effectiveness of the Action Plans as the tool for implementation of reforms and of ENP thus will be dependent on a few factors.

First, it will be dependent on the nature of approach from the side of EU to the capacity, potential and sources of change in the partner states. This requires a view beyond the intergovernmental agreement and search for the mode of interaction with the country which would promote realization of the reform potential of the society.

Second, it depends on the commitment and readiness of the official leadership of the country to integrate.

And the third is the power of ENP as an incentive in the context of its capacity to open prospects for accession.

Difficulty in perception of the Caucasus as part of Europe, and even as new neighbors¹⁴ in the EU contrasted sharply with the self-perception of the Caucasus states as part of Europe. Reflecting this contradiction local media in Georgia wrote: “The current government in Georgia

¹¹ EU neighbor drifting into a war, Brussels warns. EUOBSERVER/ BRUSSELS, 29.08.2006 - 17:31 CET | By Andrew Rettman

¹² “The remaining in Georgia military equipment will be transferred to Armenia” in Vremia Novostey, 6 October 2000.

¹³ “Karabkhskaa vopros vsio menshe volnuyet Rossiyu: Nagornii Karabah za nedeliu. Regnum. 23:38:07-18.11.06

¹⁴ The first Communication in March 2003 developed by the European Commission did not include the South Caucasus as part of the ENP, but was added a year later - in May, 2004.

has been firm in declaring its inclination towards the EU and commitment to the European values and democratic principles, nevertheless the feedback of the EU has not been entirely positive¹⁵. The Communication from the Commission in March 2003 clearly states, that “the aim of the new Neighborhood policy is therefore to provide a framework for the development of the new relationship which would not in the medium term include a perspective of membership or a role in the Union’s institutions”¹⁶. The recent developments within European community – controversy of the voting on the new EU Constitution, divergence between “old” and “new” members of the EU on some security issues, complicated accession negotiations with Turkey – were signaling that the South Caucasus was not the priority issue for Europe and it should not hope for the soonest accession. The fact, that Caucasus states, who had strong European identities and perceived themselves as part of Europe, were united in one policy document with the located in the other continent Maghreb states, sent them a message that the South Caucasus states were EU neighbors rather than future members. Yet, the experience of the enlargement, which was initially met with skepticism and resistance among EU member states, but eventually became a reality, supported a belief that strong commitment to the idea of accession may help countries succeed in their objectives. Acknowledging the difference between enlargement mechanisms and ENP, the Georgian analysts nevertheless stress substantial similarities between them, and suggest that “participation in the ENP could be considered by the Georgian government as a chance for the EU accession in the long run”¹⁷.

Azerbaijan as a state with Muslim population had been watching closely Turkish –EU relations. The difficulties of Turkey’s accession caused doubts in some circles whether EU would ever be open for the membership of the non-Christian state, however democratic and liberal it proves to be. The other problem, which representatives of the civil society in Azerbaijan tied with the efficiency of the ENP, was the degree of the EU commitment to the principled evaluation of the implementation of reforms. This first of all was related to elections, whether the energy agenda in cooperation with Azerbaijan will not affect the quality of evaluation. This concern was based on the post-Soviet experience of the democracy building in the oil rich state, which clearly reflected the adverse effects of the natural resources. The first signs of the government’s intentions to define the limits of cooperation and its priorities in relations with EU came from the President’s Aliyev speech in Berlin. Stressing that European Union cannot expand forever, the president defined the scope of mutual interests- restoration of territorial integrity – those of Azerbaijan, and energy resource deliveries and security – on the side of EU. Thus he demonstrated less eagerness in membership, but at the same time stressed a direct connection of the energy deliveries with the support for the country’s position in the security area¹⁸. The perception of the civil society of the importance of the energy agreement contrasted to that in Brussels. The EU “rolled out the red carpet treatment” for Azerbaijan president Ilham Aliyev in Brussels on 6th November for the signing of a new energy pact, with European leaders predicting that increased trade will help raise human rights standards in Baku.¹⁹ The balanced foreign policy of Azerbaijani leadership, particularly in relations to Russia, got high appraisal in Brussels, where the EU officials expressed their willingness to deepen relations with an “important country in the important region”²⁰. The current blemishes- problems in the area of democratization – did not seem to affect the emerging priorities in the bilateral relations in the coming five years.

¹⁵ Giorgi Asanishvili “Georgia at the EU Tribune”, in 24 hours, newspaper, September 29, 2004. N.113.

¹⁶ Wider Europe – Neighborhood: A New Framework for Relations with our Eastern and Southern Neighbors. Communication from the Commission to the Council and the European Parliament. Commission of the European Communities. Brussels, 11.3.2003.

¹⁷ Kakha Gogolashvili “Georgia’s Declared European Inclination: The Concrete Steps Ahead” in 24 hours, newspaper, September 29, 2004, N.113.

¹⁸ President I. Aliyev’s speech at the Berthelmann Fund Forum, Berlin. (informational agency “Turan” 26.09.06).

¹⁹ EU rolls out red carpet for oil rich Azerbaijan, by Andrew Rettman, EUOBSERVER/BRUSSELS-07.11.2006-17.36 CET.

²⁰ Azerbaijan: EU taking note of Baku's strength, by Ahto Lobjakas, Brusels, November 7th, 2006 (RFERL).

The limitations of ENP as the instrument of the EU policies are reflected in the voluntary character of the degree of integration. Although conditionality is based rather on positive incentive – successful implementation of Action Plans will lead to the stakes in the internal EU Market and to upgraded relations with EU, the absence of negative incentive, such as, for instance, sanctions in the Council of Europe, somewhat weakens EU capacity to influence the reform process in the country. Moreover, in case of Azerbaijan, an additional agreement on energy cooperation is perceived as aimed in securing EU energy interests in case if the reform process within the framework of Action Plan slows down.

The attempt to reconcile two objectives - to increase efficiency of the ENP as an incentive to reform without risking the objective to not give false hopes for the accession prospects creates some contradiction in the South Caucasus' perception of the EU 's policies. The EU, striving to play greater role in the Caucasus promotes there development of European (security) identity on the one hand, but at the same time promotes regional integration, which it sees as the trilateral cooperation of the Caucasus states with inclusion of Russia and other regional actors. This is perceived in the Caucasus as EU intention to keep them in the regional “ club”, rather than intention of their integration in the EU.

The financial instrument of ENP will be the European Neighborhood and partnership Instrument (ENPI). A specific and innovative feature of the ENPI is its cross border cooperation component. Under this component, the ENPI will finance “joint programs” bringing together regions of Members States and partner countries sharing a common border. The financial reference amount for implementation of the Regulation²¹ over the period 2007-2013 is €14. 929 million for 17 partner states – members of ENP, including the Caucasus.

The ENP covers a wide range of areas: development of political institutions based on the values – democracy, rule of law, human rights; trade; measures preparing partners for gradually obtaining a stake in the Internal Market; justice and home affairs; energy, transport, information society, environment, and research and innovation; social policy and people-to-people contacts, culture and science, including the opening of certain Community programs; and cross-border and regional co-operation. ENPI names both state and non-state actors, such as non-governmental organization, local communities, municipalities, trade unions, universities, religious associations and other, who can contribute to the development, as eligible for the assistance. The mechanism and of distribution of assistance and correlation of financial support among the state and non - state actors will have a significant impact on the success of reforms in all three states.

Peculiarities of Transition.

Post-Soviet institutional legacies had a profound influence on the political development in all three states. Besides conflicts, political instability and humanitarian emergencies, all three states suffered economic decline, fragmented societies, personalized political parties, corruption, different degrees of authoritarianism.

Unresolved conflicts and complex security situation undoubtedly influenced the pace of reforms. They hampered liberalization of politics, social – economic development, reforms in the security and defense area, regional cooperation. Besides, each of the state has its own peculiarities of transition, explaining individual speed and character of reform process.

The paradox of the Azerbaijani leadership was reflected in the fact, that its regional and international significance and impact exceeded the national one. Historical contribution to the realization of the new transportation routes, power centers and economic and political balance of forces was marred by the domestic phenomenon of the “over-mighty state versus underpowered

²¹ Proposal for Regulation of the European Parliament and of the Council, laying down general provisions establishing a European Neighborhood and Partnership Instrument , (Presented by the Commission), Commission of the European Communities, 29.5.2004, Brussels, COM(2004) 628 final.

society”²², which led to the growing authoritarianism, worsening record of human rights and suppression of basic freedoms. The decision of amount of Western aid, provided for Azerbaijan, was based on the availability of rich natural resources, but did not address the major problem, which such resources may have created for the country in transition. Along with other characteristics of the state building under the conditions of development of hydrocarbon resources in the absence of mature democratic institutions, the multibillion investments in the non-privatized oil sector inevitably strengthened state versus society, which was getting smaller support, as compared to the neighbors²³. Besides, one of the characteristics of transition created by the resource development before strong democratic institutions are built is that it structurally deprives any leadership of incentive to reform. Any assistance and policy aimed at the progress of reforms has little chance of success without taking into account this peculiarity of transition of the oil rich state. In all three states Soviet institutional legacies and weak democratic institutions lead to exceedingly strong executive power, on which the other two – executive and judicial - are dependent on. The whole course of post-Soviet transition in the South Caucasus in fact proves that no substantial reform took place without the pressure or lead voice of the civil society and political protest. In spite of the Shevardnadze’s established reputation as a reformer by the end of the 90s his rule similarly to the other two leaders began to show tendency of monopolization of power. It was the pressure of the protest movement which prevented the authorities from the closing down of the only independent TV channel Rustavi-2. Armenia, whose poor resources were siphoned by the military spending, developed war economy, and was strongly dependent on the Russian military industrial complex and Russian energy supplies. This has been preventing her from reforms and led to the same tendencies of economic and political monopoly and weakening of social power. However, the periods of crisis, resulting from the Russia interruption of the blockage of borders with Georgia, makes Armenian policy makers to re-think their dominating dependency on Russia. According to foreign and local observers it is exactly due to the scarce resources and landlocked location, that Armenia has a better performance regarding economic reforms, including entrance in WTO. Yet, uncompromised position regarding her interference in the Nagorno- Karabagh conflict, which she considers inevitable priority, prevents Armenia from benefiting from the improved relations with such important neighbors as Turkey and Azerbaijan and common prosperity of the region. Although political changes in Georgia in 2003 were received with appreciation from the Western community, there is a growing concern regarding ability of the president to conduct consistent democratic reforms and develop non-confrontational course in dealing with secessionist regimes and Russia.. Providing for security in the distant regions of the world, such as Iraq, Afghanistan or Kosovo, both Azerbaijan and Georgia still cannot control parts of its territories and resolve the conflicts.

In spite of all these problems, the societies in all three states were inspired by the new opportunities created by the adoption of ENP to influence and accelerate reforms in the South Caucasus states. They quickly responded by the creation of the non-governmental organizations with the objective to promote integration in Europe and monitor implementation of the ENP national Action Plans

Development of Action Plans.

The instrument of the first stage of EU - South Caucasus cooperation were Partnership and Cooperation Agreements which were signed in 1996, entered into force in 1999 and provided legal framework for the dialogue in main areas. At the General Affairs Council of February 2001, the EU confirmed its willingness to play a more active political role in the South Caucasus region and its intention to look for further ways of prevention and resolution of conflicts in the

²² On the effects of the oil resources on the state and democracy building in Azerbaijan see ” National Human Development Report. Azerbaijan-1997” UNDP, 1997., Leila Alieva “Azerbaijan’s frustrating elections” in Journal of Democracy”, April, 2006.

region and to participate in post-conflict rehabilitation. The Foreign Ministers of Armenia, Azerbaijan and Georgia, welcomed the EU's commitment to play a more active role in the region in the Joint Communiqué issued on 30 October 2001 on the occasion of the Cooperation Councils with the three countries. In July 2003, the EU Council appointed Ambassador Heikki Talvitie as the first EU Special Representative for the South Caucasus.

Based on the EU decision to include three states of the South Caucasus Republics in the European Neighborhood policy, EC has developed and negotiated Action Plans as its main instrument with Georgia, Armenia, Azerbaijan.. Each Action Plan was developed on the basis of the EC country reports, which contained major findings in the relevant areas. At the same time Georgia and Armenia presented their framework proposals in June 2005. During October and November Azerbaijan commented on the draft Action Plan, which he it received from the EC in August²⁴. Common priority areas for these states are tailored to the peculiarities of each state, negotiated between Brussels and the Caucasus governments, with some participation of respective societies. The Action Plans provide a point of reference for the programming and assistance to these countries. As the Action Plan is intergovernmental document and is based on the agreements achieved mainly between two actors – national governments and the EU with different degrees of public participation²⁵, the influence of the Plans will depend on the mechanism of its implementation. National Indicative Plans are supposed to be a tool program of financing specific projects directed to the implementation of the reforms in the Action Plans.

Public participation has been provided by the bodies or committees established in some cases both by the governments and the non-governmental organizations to monitor the process of integration and implementation of Action Plans. In Georgia by the initiative of the government the Experts Council was created which included representatives of the business, NGOs, scholars and mass media to provide public participation and transparency in the EU integration process. The high importance of the issue for Georgia was reflected in the fact, that the chair of the other government body - Commission on European Integration - was headed by the prime-minister Zurab Nogaideli. While in Georgia public participation was provided through two bodies - state initiated Council and rather loose coalition of NGOs working on the project basis, the special non-governmental Committee (ANCEI), led by elected “troikas”, was created in Azerbaijan in February 2006 with 39 most powerful actors from the civil sector, editors of the leading newspapers, businessmen, representatives of culture, parliamentarians and experts with the support of the Open Society Institute. In Armenia the coalition of around 40 NGOs started to work on the issues related to the ENP in early 2005.

Although the grass root initiatives emerged at around the same time, of all three it was supported the latest by foreign donors in Azerbaijan. (In Armenia and Georgia in 2005, Azerbaijan –in 2006). By the time of writing of this paper, the offices of European Commission were opened in Armenia and Georgia and yet were expected to open in Azerbaijan in 2007. The non-governmental bodies²⁶- developed their commentaries to the Action Plans. In all three states the donors – Eurasia Foundation, Heinrich Boell Foundation, EU, Open Society Institute – tried to promote cooperation between the state and non-governmental actors during negotiation process and adoption of the Action Plans. The degree of openness and cooperation with NGOs from the side of the governments during the Action Plan negotiation differed in three states. While Georgian NGOs managed to deliver and discuss their vision during the common round tables with the EU and the government arranged by the Open Society Institute, the Azerbaijani non-governmental Committee (ANCEI) was officially refused by the government, (which

²⁴ “Conflict Resolution in the Caucasus: the EU role” Europe report N.173 – 20 march 2006, ICG

²⁵ Previously quoted report of International Crisis Group assessed the degree of public participation as “the democratic deficit in Acton Plans preparations”. P.19.

²⁶ See “ Opinion and Recommendations of Azerbaijan National Committee on European Integration on Priorities, mentioned in the EU-Azerbaijan action plan/draft 2”, 18th May, 2006, ANCEI, Baku; “Conceptual Recommendations on European Neighborhood Policy Armenia Action Plan” Partnership for Open Society, October, 2005, Yerevan; “ Recommendations on Georgia’s Action Plan for the European Neighborhood Policy. Prepared by the group of Georgian NGOs”, 24 August, 2005, Tbilisi.

nevertheless greeted the creation of such organization), in their request to acquire the copy of the draft national Action Plan and thus, except for environmental NGO, had to act through media and other sources. Although, according to the civil society representatives of Armenia, their cooperation with the government was rather successful²⁷, the other sources report difficulties in communication with the governments during negotiation in all three states with relatively open attitude of the government of Georgia.²⁸ The ANCEI document clearly states that “all priorities should consider participation of public associations (discussion of concrete actions under Action Plan and evaluation of the works)”²⁹ This coincided with the strong message for the EU to legally ensure and strengthen public participation in the ENP, expressed by the participants of the regional conference supported by the Heinrich Boell Foundation³⁰.

According to the EU negotiators and representatives, involved in the process, the easiest negotiation was in case of Armenia, who demonstrated the “most technocratic approach”³¹ to the priorities reflected in Action Plans. Besides the fact of the scarce resources and landlocked location which have influenced Armenia’s negotiating behavior towards greater flexibility, the traditionally close relations of the European states and Armenia through large Diaspora and understanding of her security interests and their historical background by the EU undoubtedly facilitated this process for Armenia. For Georgia the negotiation process was more complicated due to the high expectations regarding certain issues, such as the free trade areas, active lobbying of which undoubtedly eased negotiations in this area for the other two states.

The Azerbaijan ‘s approach, mainly due to the rich resources, was characterized by the cautiousness in regards of the similar issues, including entrance to WTO³².

Challenges in accommodating security concerns.

Foreign Policy issues played a crucial role since the beginning of the process. The point of discord between Azerbaijan and EU regarding one commercial flight to the Northern Cyprus quickly became public. EU commissioner on Foreign Relations Benita Ferrero - Waldner made a strict statement warning that the issue may delay Action Plan negotiations with Azerbaijani party, if it continues commercial relations with Northern Cyprus. The civil society and opposition expressed their desire to see the EU as principled and strict toward Azerbaijan’s integration in EU when it concerns integrity of elections and democracy performance, as they did it in case with the issue of Northern Cyprus.

The foreign policy and security priority in Action Plans³³ is covering political dialogue on regional and international issues, including in the framework of CE, OSCE and the UN (with NATO in Azerbaijan Action Plan), and on the implementation of the European Security Strategy. It has an important clause on possibility of aligning the countries with the EU’s position on regional and international matters and the dialogue on Common foreign and Security policy and ESDP, assistance in the security sector reforms and initiation of accession to the Rome statute. Action Plans pay a special attention to the cooperation in addressing common security concerns, such as non- proliferation of the weapons of mass destruction and illegal arms

²⁷ Tevan Pogolian, Presentation at the conference “Promoting Regional Policy Dialogue on ENP”, October 26-27, 2006, Tbilisi.

²⁸ Conflict Resolution in the South Caucasus: The EU Role. International Crisis Group. Europe report N.173-20 March 2006.

²⁹ See Opinion and Recommendations to the Priorities....” ANCEI, p.5.

³⁰ Greening the ENP Capacity Building Seminar, Heinrich Boell Foundation/ WWF, 4-10 December, 2005, Brussels.

³¹ Interviews with the EU and South Caucasus officials and other actors conducted during the September-October 2006 in Georgia, Azerbaijan, Armenia.

³² Unlike Georgia and Armenia, who became members of WTO in 2000 and 2003 respectively, Azerbaijan is still in the process of negotiations.

³³ Here and below see “EU-Azerbaijan ENP Action Plan”, “ Draft EU/ Georgia ENP Action Plan. Final version”, “ EU/Armenia Action Plan” 14 November 2006.

export, the fight against terrorism. The issues related to the regional cooperation revealed contradicting images of cooperation in the South Caucasus states. The provision, for instance, on youth exchange and cooperation in Azerbaijani AP is agreed to be conducted at the “regional level”, in Armenian AP between “three Caucasus states.”, while in Georgian –at the level of “Black sea”, including three Caucasus states. Three Action Plans have both individual and common priorities regarding regional cooperation. Georgia stresses Black Sea regional cooperation, Armenia uses the term Euro-region, while Azerbaijan is cautiously using general term of bilateral and multilateral relations. The common vision expresses itself in agreeing to continue and enhance the South Caucasus Parliamentary Initiative and cooperation in certain areas such as environment, education, border management. Armenia Action Plan adds to the list the energy cooperation and water management , while Georgia has an additional provision related to the improvement of relations with Russia.

All three states were eager to get a greater EU involvement in the resolution of the conflict, promoting individual interests. EU found it difficult to accommodate all of them, particularly in case of Armenia and Azerbaijan, which openly were in contradiction with each other. EU considered the attempts of Azerbaijan to include the issue of “territorial integrity”, as it was done in case of Georgia, Moldova, excessive “politicization” of the Action Plan. At the same time, Armenia managed to include the principle of “right of the nations for self-determination” as one of the principles for resolution of the conflict, without mentioning the principle of respect for territorial integrity in her Action Plan. Azerbaijani party was insisting the secessionist conflict within its borders to be treated equally to the similar cases in Georgia and Moldova and as it was reflected in their respective Action Plans. In their attempt to accommodate two “contradicting” principles in case of two members of the ENP the EU suggested few formulas, which were intended to satisfy both parties, but yet did not resolve this contradiction. In fact, in EU’s attempt to find a comprehensive formula accommodating two principles it tried to play a greater role in conflict resolution through the relevant provision in the Action Plans along with the institution of EUSR.

As the issue threatened to undermine the negotiation process, which has been already delayed a few times, the Finnish Presidency opted to quit the attempt to find a united comprehensive formula to be included in both (Armenia and Azerbaijani) Action Plans and just write in the individual objectives in the respective Action Plans, thus resolving the stalemate. This contrasted sharply with the Action Plan of Georgia, where the legal status of Abkhazia and South Ossetia as part of Georgia was stressed, as well as principle of territorial integrity was mentioned more than once.

This experience showed limitations of the possible direct EU influence and role in the resolution of the Armenia- Azerbaijan conflict. Expressing its support for the OSCE process and resolutions of the UN Security Council in the Azerbaijan’s Action Plan, while stressing the right for self determination in Armenian Action Plan, EU limits her role in support for the OSCE process, promotion of democracy and people to people contacts as the most realistic scope of activities directed towards the resolution of this conflict. With all understanding of the complexities of accommodation of the contradicting aspirations of the two members of ENP, this difference of formulas in the Georgia and Moldova case – on the one hand, and Azerbaijan – on the other, was perceived as the double standards approach both by the government and society of Azerbaijan. Becoming rather frequent recent attempts from the side of European officials to differentiate between the conflicts in Georgia, Moldova on the one hand, and Nagorno-Karabagh conflict – on the other, are not usually accompanied by elaborate sets of arguments, explaining this differentiation and adds to the conviction of the Azerbaijan party of the double standards approach.

Georgia was more successful in advancing their agenda in resolution of its secessionist conflicts through the provision in the text of the Action Plan on the issue of territorial integrity as the basis for their resolution, and moreover, in the separate provision on inclusion of it in the agenda of bilateral EU – Russia relations.

The sensitivities and competitive character of the EU - Caucasus relations was proved when the information on European aspirations expressed in the Georgia and Armenia Action plans reached public in Azerbaijan. The ANCEI (Azerbaijan NGO on European Integration) immediately reacted by the statement urging the government to include the similar clause in the national action plan.³⁴ ANCEI referred to the “Opinion and Recommendations” developed by its 9 groups of experts and submitted to the government, which stated in the introduction that the evaluation of the Action Plan implementation should be conducted in accordance with the Copenhagen criteria, bearing in mind Azerbaijan’s membership aspirations. The ANCEI’s response was supported by the round tables arranged by the opposition and various circles of civil society, heated reaction of media, which led to the inclusion of the similar provision on European aspirations in the Azerbaijan Action Plan. Similarly, the clause on joining the EU foreign policy statements on certain regional and international issues was added to the Azerbaijan Action Plan. This incident has also demonstrated the Azerbaijani society’s stronger commitment and will to integrate to Europe, than it was performed by the government.

Priority of regional cooperation is another issue reflecting diversity of security orientations. While in the beginning Georgia and Azerbaijan party tried to gain EU political support for the railway project Baku-Tbilisi-Kars, it was later dropped as faced the EU unwillingness to back the projects which would not include all three states and would by-pass Armenia. Diversity of regional cooperation projects reflect interests of different actors in the region and beyond it. For those desiring soonest integration in the EU, such as Georgia, it is an integration in the Black Sea region, rather than Caucasus, to provide the shortest way to EU, although this vision may not be shared by EU itself. In fact, regional integration is perceived by some as an attempt of the EU to keep states at bay rather than bring them closer to the European Union, while Europeans treat with suspicion the attempt of the US to promote the concept of the wider Black Sea area including the South Caucasus, along with the pipe-line projects, which strengthen the strategic partnership of Georgia- Azerbaijan and Turkey. The ways to solution of the Nagorno-Karabagh conflict as introduced in the final drafts of the Action Plan of Armenia and Azerbaijan, unlike the Georgian one, reflect the power balance, both regional and international, which has been promoting all these years the “status quo”, rather than resolution of the conflict. It does not, unlike in Georgian AP, change the political equilibrium, which was supported by the interests of external actors and relative power balance between the parties to the conflict.

Failure to use Action Plans as the tool of direct contribution to the Armenian – Azerbaijani conflict contradicts the interests of Europe in a few respects. First, conflict on Nagorno-Karabagh is the major conflict which divides the region on two blocks and prevents Caucasus states from the trilateral security cooperation, in which EU shows significant interest. Secondly, it prevents realization of the European vision of the regional and trans-regional economic cooperation and transportation routs. Thirdly, it blocks democratization and reform process and thus European integration process. Fourthly, it leaves the “grey zones”, where the control over illegal trade and activities is complicated.

Thus in regards the Nagorno-Karabagh conflict Action Plans limit the scope of EU role by the democratization and support for the UN resolutions and OSCE process and by contribution in the long run. This will correspondingly drag in time realization of those patterns of regional cooperation, which are desired by the EU. However, according to ICG, EU should and can involve in the conflicts in much greater scope such as participation of the EUSR in the negotiations, peacekeeping mission in the Nagorno-Karabagh and border management assistance³⁵.

The EU undoubtedly has an advantage, as compared to the other actors, to advance resolution of the conflicts through the promotion of “soft power”, namely, democratic values and institutions. Through process of integration it can enhance development of the common

³⁴ See statement of the Azerbaijan National Committee on European Integration in Ayna newspaper, 21 August 2006, Baku.

³⁵ ICG report, 20 March, 2006.

European identity which will lead to the awareness of common interests of the South Caucasus states. Yet, any solution which EU or other international organization suggests, such as, for instance, “ Stability Pact for the Caucasus”, should be developed in close partnership and consultations with the societies of the respective states.

Strengthening democratic institutions – first priority.

The Action Plans, having similar structure, reflected common traits of the Caucasus states – weakness of democratic institutions and rule of law, excessive presidential power and dependence of legislative and judicial branches on the executive, fraudulent elections, violation of human rights. At the same time it contained some individual characteristics of states, reflecting their interests and specific features of their transition. Although Georgia has undergone “ the rose revolution”, which interrupted institutional continuity of the Soviet legacy, it had yet to face a serious challenge in building up more transparent governance and a system of checks and balances. In all three state’s Action Plans strengthening of democratic institutions, rule of law, human rights and fundamental freedoms are leading the list of priorities. (Azerbaijan’s Action Plan mentions resolution of the Nagorno - Karabagh conflict as the first priority). Armenia’s Action Plan implies implementation of the Constitutional reform, directed to separation of powers, development of Ombudsman Institution, improve the electoral framework and administration, promote self - governance and greater independence of judicial institutions, improvement of the civil service system and public participation in the anti-corruption program’s implementation. In the area of human rights and fundamental freedoms the Action Plan suggests to ensure greater independence of media, freedom of assembly, protection of right of individual property, reform of penitentiary system, police to eliminate torture, corruption and other. This makes it similar to the Azerbaijan Action Plan provisions calling for implementation of electoral reform and of the elections in full compliance with the OSCE commitments, continuation of institutional reforms to ensure proper checks and balances between executive and legislative powers in conformity with the Council of Europe commitments, creation of national union of municipalities. Both Action Plans stress the need for the respect of freedom of assembly and fair elections. In case of Georgia the provisions assume along with the fairness of the conduct of elections and reform of the judicial system, the parliamentary oversight of the defense and security areas, encouragement of political pluralism and strengthening the role of political parties. According to the Georgian official, the final draft of the Action Plan included some important recommendations by the Georgian NGOs in the area of rule of law and democracy, which are “on top of our agenda”³⁶. All three AP mention free media, rights of national minorities and women. Armenia’s Action Plan attracts attention of its elaborate and specific description of measures to fight corruption.

Recommendations, proposed by the Azerbaijani National Committee on European Integration (ANCEI), in regards this priority of cooperation, put a special emphasis on a mechanism of implementation of the Action Plans. Similarly to the opinion, produced by the Armenian and Georgian NGOs, among major conditions for a greater efficiency of the Action Plan the experts stress a need for the application of judicial responsibility for misconduct in the area of basic rights (implementation of the rule of law) and public participation in the implementation and conduct of reforms. One of the major ANCEI critical remarks was related to the absence in the texts of Action Plans of provisions necessitating a non-governmental actors’ participation in the development and implementation of the Action Plans.

. The civil society’s concern in case of Azerbaijan is related to the EU energy interests. During the post-Soviet period Azerbaijan society witnessed how prioritizing energy agenda in bilateral

³⁶ Archil Karaulashvili, Presentation at the conference “ Regional Cooperation Tbilisi, November, 2006.

relations of the European States and Azerbaijan decreased the perceived importance of the reform agenda in the country. In contrast to the Azerbaijan president, who expressed cautious attitude regarding the country's accession aspirations, the "Strategy and Program of the ANCEI" stresses as one of the major goals of the organization to promote Azerbaijan's *leading position*, as compared to the other states of the region, in the process of integration in Europe³⁷.

Towards common economic and energy space.

Three states differ in their expectations of economic aspects of integration. This difference is mainly due to the fact that two of the states Armenia and Georgia are poor with resources, while Azerbaijan has abundant oil and gas deposits, which makes it more independent and at the same time more cautious negotiator on the economic issues. Georgia's goal was to achieve the inclusion of the clause on beginning of the negotiations on the free trade areas, while EU insisted (and succeeded) on beginning of just a feasibility study. For Georgia, who was dependent on politically unreliable Russia in terms of market, the problem of reorientation of its trade relations has been increasingly pressing. The compromise achieved with three states on the issue of visa regimes was reflected in the decision to begin a dialogue on these and related issues. This was hard to get an agreement on of the European member states due to the perception of insignificant rationale for FTA. The views on economic reforms also differed between EU and Georgia with EU offering a greater governmental control in the development of small and medium enterprises, which contradicted Georgian approach, advocating in contrary greater independence of SMEs..

In case of Azerbaijan cautious, unlike Georgia, approach to the issue of FTAs along with the delay in entrance to WTO is explained by the availability of domestic resources, which weakens the incentive to attract the capital inflow through FTAs, but also by resistance to the inevitable de-centralization and liberalization of economy resulting from this process.

In fact, while all the crucial areas of economy to be reformed are covered in the Action Plans, the issue of implementation, similar to that in the other areas, still needs to be ensured. One of the ways, correctly shaped in the Action Plans is the coordinated and interrelated implementation of the Action Plans with the obligations before the CE and international and European conventions, along with negotiations and membership in WTO, which together will push the countries towards liberalization, de-centralization, including privatization, reforms in energy fuel complex, transparency, reversing almost structural trends towards sustaining monopoly on resources. The Azerbaijan Acton Plan, for instance, has an important provisions regarding reforms in the customs sector, which will bring it closer to its function of the instrument of the state economic policy, including greater transparency in its work through consulting with the business community and informing society about tariffs policy. Overall, the trends of transparency and Western style business and governance already made the state organs in Azerbaijan create positions of ombudsmen – like in communication or tax ministries³⁸. Implementation of the economic provisions thus will face two types of trends – coming from the necessity to adjust to the requirements of the EU market on the one hand, and the contrary one – containing reforms due to the fear of political de-centralization. Thus simultaneous reform in the political area is necessary for the success of the economic reforms.

All three states are urged to continue efforts to reduce poverty and adhere to the principle of the sustainable development. The Action Plans have specific list of priorities related to environment, trade, standards, sanitary issues, communication (e-government, e-health, e-learning etc),

In the context of the interests of EU in the Caucasus, and the importance of the energy issues for the prosperity and well being of all parties concerned, the issues of energy and transportation occupy a special place in the Action Plans. The provisions in the energy area priority aims at

³⁷ The Strategy and Program of the Azerbaijan National Committee on Integration in Europe", Baku, 2006.

³⁸ Interview with Togrul Juvarly, expert of Turan News Agency, on 15.11.06, Baku.

convergence of the South Caucasus energy strategies with the EU energy policy objectives. Armenian Action Plan suggests as a priority development of the energy strategy, including an early decommissioning of the Medzamor Nuclear Power Plant and provision of “the energy security by diversification of energy by routes and types and the development of own resources, including hydropower, energy efficiency and the use of renewable energy sources, adoption of radioactive waste management strategy”. The provisions in the Azerbaijan Action Plan imply encouragement “of the development of diversified infrastructure connected to the development of the Caspian energy resources and facilitate transit, including the development of necessary infrastructure for gas exports from the Shahdeniz fields to the EU markets; and continuation of the cooperation on Caspian and Black Sea regional energy issues, in the context of the follow up to the EU-Black Sea –Caspian basin Energy Ministerial Conference in Baku in November 2004. An additional document – the memorandum on EU - Azerbaijan energy cooperation was signed with the Azerbaijani government³⁹ during the visit of the Azerbaijan president Ilham Aliyev to Brussels on the 7th of November. It stresses, that the gradual harmonization by Azerbaijan to the EU energy acquis would constitute a significant step towards Azerbaijan's objective of gradual economic integration and deepening of political cooperation with the EU. It includes enhancing the safety and security of the energy supplies from Azerbaijan and Caspian basin to EU, development of the comprehensive energy demand management policy, technical cooperation and the exchange of expertise. The document acknowledges the importance of Azerbaijan as a country – producer and a transit for a hydrocarbon resources, as well as praise the successful implementation of the Extractive Industry Transparency Initiative. It also contains intention to explore the possibilities of strategic partnership in other areas, such as education, agriculture, transport. While the agreement has clearly reform oriented nature, the very fact of signing an additional agreement between the EU and the Azerbaijani government caused some concern in the civil society, that it would weaken power of ENP as an incentive for reform. The agreement on Energy Cooperation reflected EU interests to diversify its energy, first of all gas, supplies, by securing its deliveries from the Caspian, first of all Central Asia. The high level of signing of agreement – between the President Aliyev and the President of the European Commission Barroso – reflects special importance of the country, as compared to its neighbors, but at the same time is also a sign of the primary importance for the two parties of the issues reflected in the energy cooperation agreement – those on energy supplies and territorial integrity.

Overall the three Action Plans have also differences in terms of “national” shapes of the negotiated texts. Georgian Action Plan reflects authorities’ clear image of the national interests in the main areas of priorities, active lobbying and eventual success in inclusion of some key formulas for the country. In fact Georgia not only managed to mention the issue of territorial integrity as the basis for conflict resolution, but also attract EU as an ally on this issue in EU dialogue with Russia. Armenia, unlike Georgia or Azerbaijan, managed to get inclusion of clauses which would add a lobbying effect to the substance of reforms, such as “strengthening political pluralism by encouraging co-operation between Armenian and EU political parties and legislative bodies”, or investigate the possibilities for cooperation in the cultural sphere, “including promotion of Armenian cultural heritage in Europe”⁴⁰ Although Armenia, as compared to Georgia and Azerbaijan rates better in its perception of corruption index, her Action Plan has most elaborate and specific list of measures to eradicate corruption. Attempts of the Azerbaijani party to include provisions similar to Georgian succeeded only partially – through mentioning of the principle of the territorial integrity in the introduction to the Action Plan and indication of the resolution of the Nagorno–Karabagh conflict as a first priority. The more detailed and specific elaboration of the issues related to economy, transportation and energy Azerbaijan’s Action Plan characterizes its greater “technocratic” nature, as compared to the other two.

³⁹ Memorandum of Understanding on a Strategic Partnership between the European Union and the Republic of Azerbaijan in the field of energy, Council of the European Union, Brussels, 23 October 2006.

⁴⁰ EU/Armenia Action Plan. Final Draft.p.39.

Conclusions.

After the enlargement of EU South Caucasus acquired greater importance for Europe and EU. Inclusion of Armenia, Azerbaijan and Georgia in the European Neighborhood policy represents an opportunity for both South Caucasus and the EU to develop relations that would enable all the parties to benefit. In the absence of the immediate prospects of membership, the process of integration itself represents a value as it promotes realization of the reform potential of the societies in transition. To achieve this goal the EU- South Caucasus interaction, along with implementation of the ENP should take into account strong aspirations of the Caucasus societies to integrate and some essential characteristics of transition of these states.

Caucasus is a key region for Europe because it has oil and gas, which allows diversification of supplies, it connects two seas – Black and Caspian, it is on the cross-roads connecting Europe and Asia, Islam and Christianity. It demonstrates a unique cross-regional and cross-cultural cooperation where the states with Muslim population have a strategic alliance with the states with the official Christian religion, while Orthodox Christian states cooperate with the Islamic Republic. Azerbaijan as a country with pre-dominantly Muslim population developed European style modernization since the 19th century, which led to the deep transformation of the society promoted by industrial capitalism and establishment of the first in the Islamic world democratic republic with the parliamentary rule. Thus Caucasus is a “bridge” and “transit area” not only of the material goods, but is a conductor of the political and cultural influences. It can play a role of the promoter of understanding and dialogues between the East and the West. It proved to be capable of synthesizing, absorbing external influences and producing unique forms of modernization and Europeanization, which had a significant impact on the greater East. Permanently modernizing culture of Azerbaijan, for instance, represents a positive value and example of the synthesis of the Islamic and Christian cultures, which has enormous potential of contributing and enriching culture of Europe.

The importance of the Action Plan is that it suggests the comprehensive package of reforms, which would allow, if implemented, a deeper integration of the states of the Caucasus in Europe. Its advantage is that it puts political, legal, economic and social reforms in one context, suggesting its systemic implementation. The Action Plan may turn into a powerful instrument of ENP and reforms in the South Caucasus. At the same time EU can promote common security and political identity, prioritizing value oriented approach, which may prove to be effective, given its consistency. There are a few gaps and contradictions in the Action Plans, which however leave a chance for the next chairmanship to develop mechanisms to improve AP efficiency. One is the contradiction between the EU rather long-term contribution to the resolution of the Nagorno-Karabagh conflict, as the major conflict dividing the region, - on the one hand, and the EU interests of tri-lateral regional cooperation in the South Caucasus – on the other. The EU role as is reflected in the Action Plans does not shape an individual short term contribution of the EU in the power balance, which has been supporting status quo for many years, but rather shapes EU role as a secondary and supporting for the other international organizations such as OSCE. The other gap is absence of legal provision for the civil society participation in the implementation of the Action Plans. Without developing close partnership and cooperation with the civil society the EU runs the risk to overlook aspirations and reform potential of the South Caucasus societies, which will have inevitable consequences both for security and long term cooperation with the region. The other challenge of the Action Plan implementation is in calibrated assistance, which will address some imbalances and peculiarities of the South Caucasus states.

Recommendations.

1. Provide for clear vision of security architecture of the region and of the ways of achieving it.
2. In resolution of the conflicts:
 - suggest non-partisan, unified and non-discriminative approach to the resolution of the South Caucasus conflicts. Promote soonest resolution of the consequences of humanitarian emergencies in the states such as creation of guarantees of security and return of IDPs to their lands first of all in Azerbaijan and Georgia. Participate in the negotiations process provided non-partisan stance of the EU, and in peacekeeping operations.
 - transfer the deadlock zero-sum substance of negotiations to the other level, where the borders become provisional. This can be promoted through deeper integration in the EU and support for reforms and democratization.
 - coordination with the US, along with NATO, OSCE, UN, CE : diversity of implementation and instruments of security does not exclude common vision.
3. Empower (legally, politically and financially) the civil society to promote the balance “state versus society” and ensure through available and new legal mechanisms participation of the civil society and non-state agents in the process of implementation of reforms and in its monitoring, in some areas – such as democracy and human rights, give leading voice to non-governmental organizations to exclude “imitation” of reforms and promote the realization of the best reform potential of the societies.
4. Work close with the government to ensure that there is an understanding of connection of prosperity, long term stability and reforms.
5. Increase power of ENP as an incentive by accelerating issues of visa regime, business opportunities, scientific and cultural exchange.
6. Utilizing European “strength” in such areas as standardization, environmental issues and sustainable development, municipalities, social protection.
7. Policy towards Russia:
 - together with the South Caucasus states *help* Russia to identify and to realize the competitive value which she can offer to the South Caucasus states (such as culture, tourism, some areas of economy etc.).
 - include in the political dialogue with Russia issues of primary concern for the states in the South Caucasus in the area of security, such as respect for the sovereignty and territorial integrity, discourage Russia from usage of the coercive policy tools.
 - integrate South Caucasus states in EU independently from the state of relations with Russia.