

The South Caucasus: Back and Forward to Europe

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Article 49 of the Treaty of the European Union extends the rights on EU enlargement to all countries belonging to the European culture. Respect for human rights and the rule of law, according to Article 6, gives the same right to every European country. At the same time we see that the actual conditions for accession are more difficult, as expressed in the 1993 Copenhagen Council Conclusions and 1995 Madrid Council Conclusions. Furthermore, the criteria are applied to candidate countries, which have already been subjected to a strict European Commission opinion-making procedure. The supranational part of the EU (the EC) tends to erect a wall of exclusivity. But what is the European Neighborhood Policy about, and why has it been linked to the South Mediterranean, which won't (at least in the foreseeable future) approach the EU any nearer than Carthage approached Rome?

The ENP is the most ambitious EU project of the last decade; it intends to change the shape of the wider region around the EU. In declaring the aim of creating a Europe without dividing lines and expanding the space of prosperity, security, and justice, the EU is developing an agenda for changing the world around itself—and first to create a space that respects and defends European values. What is the main goal? To create a broader union or to expand existing relations with other countries and sub-regions? Put another way, is adopting the Constitution more important than the success of the ENP?

We believe that enlarging the EU can transform *value-based cooperation* into a security-and-defense-oriented Union that plays a larger political role, worldwide. For such a Union, internal economic and political security and military capability will become more important than values. This tension poses a current dilemma to the EU and a majority of its member states: What should take priority—energy alliances or a principled stand for democratic ideals.

The development of the ENP suggested that democratic ideals (vice Sir Halford J. Mackinder) have overtaken the twentieth century “realism.” The EU has developed a policy that cannot be called egoistic or hypocritical. The goodwill to help its neighbors to make the necessary changes to become EU-compatible countries is evident and sincere.

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The Gordian knot of the Caucasus

The EU regional approach puts the three South Caucasian states in one basket. When in 1999 head of states were invited to Luxembourg to sign the (bilateral) Partnership and Cooperation Agreements, the “regional political dialogue clause” has taken effect as a first action derived from the institutional provisions of the mentioned framework agreements. Under Germany’s presidency the EU tried to promote cooperation among the three states, yielding a joint declaration supported by national leaders from the region, the President of the EC, and the German Foreign Minister. A declaration called for reopening rail communications between Azerbaijan and Armenia and between Russia and Georgia through Abkhazia. It seems a bit romantic, if not naïve, from today’s perspective to believe in the possible implementation of such commitments, with the Nagorno-Karabakh and Abkhazia conflicts so far from resolution. Indeed, now it seems that President Aliyev’s absence in Luxembourg was a tactical abstention than something else. Even if Azerbaijan were to reap immense economic benefits from reopening the railway routes with Armenia, its population would not tolerate a policy of cooperation before Armenian troops leave at least those districts not belonging to Karabakh proper. The German presidency developed a thorough agenda on cooperation, but the dialogue devolved into a fruitless rhetorical exchange between Armenian and Azerbaijani leaders. Nonetheless, the EU has never changed its stance and never reduced its efforts to promote economic ties between the conflicting parties, even without clear prospects for resolution.

European models that derive from the EU’s experience of cooperation and integration after World War II cannot work in South Caucasus. Neither have the attempts to promote the Stability Pact for the Caucasus (Developed by the Centre for European Policy Studies), based on the conflict settlement in the Western Balkans, attracted the interest of the parties to the conflicts. A resistance to compromise is a problem common to all.

The EU is not directly engaged in mediating conflict settlements in the South Caucasus, but its efforts are realized through other, largely economic, tools. Since 1997 the EU has financed rehabilitation programs in Azerbaijan and Georgia, contributing to revivals of the regions affected by conflicts and creating conditions for confidence building. The EC is formally in charge of delivering assistance in the framework of these programs. The EU High Representative for CFSP has nominated a Special Envoy for the South Caucasus, as mandated by a Joint Action several years ago. His role is frequently criticized by the local parties, and his mandate is limited to meeting officials, gathering information, and reaffirming the EU position on “peaceful settlement” to the governments of the region. Every meeting between Georgian and European officials and every declaration of the Georgian Government related to EU-Georgia cooperation calls for the EU’s active engagement in conflict resolution. But the EU is, in fact, quite

actively involved politically. EU-Russia consultations, also always touch on Georgia and the conflicts.

Since the collapse of the USSR, the EU has been engaged in the region and in Georgia in particular, in matters other than conflicts. It has spent around 1.2 bln Euro on assistance programs, which saved considerable numbers from a humanitarian catastrophe during especially difficult times. Unfortunately, it is not well recognized in the South Caucasus or in EU member states that EU engagement has considerably influenced reforms in the region. State building in Georgia has been conducted mainly in accordance with existing European models and with European assistance and advice. The three countries of the region have often confirmed their wishes to integrate with the EU. Indeed, this readiness is not always in compliance with the proper behavior or conditions for such a process. Armenia is engaged in political deals with Russia and Azerbaijan has moved slowly and without conviction towards democracy. Georgia is the poorest of the three, and its unresolved tensions with Russia are troubling to European partners. It is, rather, by inductive reasoning that we say the region is moving irreversibly towards Europe. But there is a common understanding that the region has no attractive alternative to Europeanization.

Why EU is so important for Georgia?

Every small nation or nation state, throughout human history and the history of international relations, has sought the best possible mechanisms for survival and the best possible destination toward which to direct its development. Georgia is no exception to this rule and in spite of its 3000 years of statehood, it is again attempting to build a new, modern state based on its history, heritage, culture and value systems. And in a world where so much is happening and where international relations are dominated by terminology like “globalization,” “multilateral institutions,” “failed states,” and “non-state actors,” Georgia is having to determine its own national interests and to learn how to navigate amongst these new terms and conditions for international systems, which are largely designed for mature nation states.

After the end of the Cold War, having regained its independence, Georgia found itself in a position much like the one the Baltic States were in the 1990's. Georgia today has to develop a new vision for its place and role in post-Cold War world. There were, however, three separate eruptions of civil and ethnic conflict, caused by “time-bombs” embedded by the Soviet system, which prevented Georgia's intellectual and political leadership from focusing on anything, beyond simple survival. Meanwhile, the world around Georgia was changing significantly. Now, with the gradual disappearance of the term “post-Soviet,” other geo-political terms are beginning to take precedence. These include concepts like the “Greater Middle East” or the “New Europe” and demand that Georgia redefine its political and security identity.

Georgia is on the border between of Europe and Asia, between former centers of empire like Turkey, Russia and Iran between democratic, autocratic and theocratic forms of governance and literally in a sandwich of terrorism, between the North Caucasus and the Middle East. Without a clear orientation, Georgia will find itself quickly relegated to the league of failed states, having taken on various features of the countries in its immediate neighborhood.

At the same time the unprecedented Enlargement of the European Union that have transformed and absorbed the countries of Central and Eastern Europe has set an encouraging example of transformation for countries like Georgia.

Armenia and Azerbaijan may have the same reasons and stimulus but the existing realities (Conflict in Nagorno-Karabkh) and high dependence on "Russia's will" (especially in case of Armenia) impedes to express same aspirations with the similar strength. Indeed the endorsement of the Action Plans in the framework of European Neighborhood Policy have shown explicitly the deep interests of those neighbors of Georgia staying on EUs "recognition" of their "European aspirations".

European perspective

. The objectives and rules of European integration in a broad sense are tailored according to EU visions. Georgia—as well as other states—agrees with and is ready to adopt the policies and visions developed by EU institutions, as it shares the same values.

The EU is no longer just a block of countries searching for integration in order to satisfy their particular interests. The EU has emerged as a new model of relations between nations and peoples, which offers opportunities that they could not obtain outside of the union. Rapprochement with the EU is practically impossible without sharing the same values and creating compatible structures and systems inside of the country. In this respect, the EU is executing a global mission to attracting and change states. At the current stage rapprochement with the EU provides lesser political guarantees of hard security than accession to NATO does, but it promotes advanced democracy and market economics.

Transformation of the post-Soviet space (especially the western NIS and South Caucasus) will most likely be realized by the creation of an area compatible with the EU. To have it then separated from the EU by frontiers and customs seems unreasonable. To stop the enlargement process as such (the possibility expressed in the Commission's communication of March 2003) should require a very strong argument, such as deep cultural differences or historical incompatibility. But we see that such differences are becoming less and less important. Soft diffusion of European values to the East is inevitable and can create a situation in which hindering the process of full integration might become costly.

Failing to adopt the EU Constitution at this stage would make it evident that the EU is not ready even to discuss possibility of new enlargements in a mid-term perspective. ENP policymakers have anticipated such developments by offering a model of cooperation with neighbors that avoids (at this stage) **institutional integration**. The model of rapprochement the ENP aims at looks like **functional integration**, which offers alternatives for strengthening cooperation without full membership.

Georgia is, or intends to be, a kind of “little engine” pushing the whole region of the South Caucasus towards rapprochement. At the same time it is not satisfied with the prospect of waiting for its immediate neighbors and seeks an individual approach, which can be applied to such a small country as Georgia only if it is vitally important to EU interests or the progress of the country is outstanding. In regards to the Black Sea region, the EU still is not ready to fully recognize its significance. The EU still treats the BSEC countries as belonging to different regional groupings. But the situation could change after January 1, when Rumania and Bulgaria will officially join the Union.

Contractual relations and cooperation frameworks

Relations of Georgia (as well as of Armenia and Azerbaijan) with the EU are still based on existing Partnership and Cooperation Agreements (PCA). This legal framework remains in force even after deployment of the ENP in the region in June 2004. The PCA framework was designed to help countries that emerged after the dissolution of the Soviet Union to strengthen their sovereignty and develop into functional democracies and market economies. Establishment of the WTO-compatible rules of play between the EC and the partner country (PCA Interim Agreement) in 1997 contributed to a pre-WTO-accession climate, which resulted in Georgia and Armenia (Azerbaijan still conducts negotiations) becoming WTO members four years ago. Since then the main parts of respective PCA arrangements have become duplications of GATT provisions. Human-rights related parts of the PCA in broad extent are similar to those of the COE, which Georgia joined in 1999.

The main areas in which the PCA remains instrumental are political dialogue, approximation of laws and community assistance. Only TACIS is defined by the PCA as a financial instrument to assist reforms in the partner country. All other instruments, such as Food Security Program, Exceptional Financial Assistance, rehabilitation, etc., are provided on the basis of legal actions derived from EU founding treaties. The European Neighborhood and Partnership Instrument (ENPI) have emerged from the EC Communication (ENP Strategy Paper) of 12th May 2004 and it will replace all existing financial means in 2007.

The main value of the PCA is “cooperation institutions”, which allow discussing openly the state of fulfillment of obligations and monitoring the progress of the country towards reforms. The Cooperation Council, Cooperation Committee, Parliamentary Cooperation Committee, as well as other lower-level institutions provide the possibility for political dialogue, including on a regional level. Such a dialogue is conducted using other formats as well, for example, meetings with the EU Troika. The dialogue is mainly used by the

EU side to foster, and press the countries of the region on, reforms towards building democratic and market institutions.

The agreement provides the possibility for upgrading the level of relations by revising old and introducing new provisions. Such changes will need the consent of all member states and the European Parliament.

Such changes will be negotiated only if there is a will to amplify the Agreement. The next level, where the PCA could come in can be compared to the Association Agreement, which provides for enhanced political dialogue, a free trade area (or even customs union), a softer visa regime, and stronger coordination of employment and social-security policies. In the case of Europe Agreements the obligation to help the countries to prepare for EU accession is explicitly expressed.

Based only on PCA provisions cooperation between the EU and Georgia (for example) or any other country of the region could never become closer than the relations between merely good partners. In addition, implementation of PCAs, which in many ways should be provided with effective domestic-policy reforms in partner countries, is not backed by coordinated planning. The minutes, conclusions, and recommendations of EU-Georgia (or EU-Armenia and EU-Azerbaijan) cooperation institutions repeatedly stress the lack of progress in transforming the country in line with PCA objectives and obligations. This fact may have played an important role in the new approach reflected in the ENP.

The ENP, which is seen as a policy designed to effectively execute changes in a wider Europe, was born during the last EU enlargement. The tools and methods used for the accession strategies have been adapted so that they could be used for deepening relations with non-acceding countries as well. In this respect, we consider the new relations between the EU and ENP countries, to a certain extent, to be similar to those of EU-candidate states. The conditionality, set of issues (derived from the Copenhagen criteria), shape of the EU assistance, institutional framework are similar, save for the pressing time schedules, which are absent in the ENP.

The fact that two years ago management of the ENP has been transferred from the Enlargement Directorate-General to the External Relations DG doesn't change its substance. Indeed, substantial elements of the CFSP and ESDP, which were practically absent in all ENP documents developed within the DG Enlargement, have been activated at the stage of developing concrete Action Plans. In particular the ENP Action Plans for Georgia, Azerbaijan and Armenia envisage cooperation in the field of security and crisis management, a constructive dialogue on visa facilitation, encouragement of the dialogue on employment, and establishment of a free-trade area. The APs encourage cross-border cooperation in the Black Sea region with the bordering regions of the Union. This all goes beyond the PCAs.

The resolution of the European Parliament and of the Council “Laying down general provisions establishing a European Neighbourhood and Partnership Instrument”¹ states that the ENP is aimed at developing the full potential of Association and Partnership and Cooperation Agreements. At the same time the APs are presented as operational tools. It means (and it is well known) that at this stage introduction of new contractual documents is not envisaged. This is explicitly expressed in all three APs designed for five years and considering possibility of starting negotiations on the “new enhanced agreement” after fulfilling the aims of that Action Plan. It means that for at least during six or seven years there will not be any institutional change in EU-Ukraine relations. The only way to shorten this process is to show rapid progress in AP implementation. That’s why the Georgian Government has started development of the Action Plan Implementation Program, decreeing that the EU-Georgia Action Plan provisions (obviously those envisaging actions only by the Georgian side) shall be fulfilled in three years.

By introducing Joint Action Plans, the EU has practically invited the partner countries to converge their regulatory framework with that of the EU. Fulfillment of APs may lead to the creation of European-style institutions regulating food safety, infrastructure, conformity assessment, financial monitoring, completion rules, labor conditions, or energy and transport networks, and policies converged at a high degree with the EU respective policies. Fulfillment of APs means providing (EU-compatible) level of protection of human rights, rule of law, and democratic freedoms by strengthening the respective structures and institutions. An EU promise to allow approaching the Union, namely its internal market, is conditioned on progress not only in all the mentioned fields but in such spheres as economic development, poverty reduction, improved business and investment climate, border controls, and migration policy.

All these changes would make the country attractive for close cooperation not only with the EU but also other countries of the region. If Georgia, Azerbaijan, and Armenia fulfill the APs, they will become ready to cooperate with each other and this cooperation will be much easier to develop than is possible now.

In addition to existing directions (legal approximation, poverty reduction, institution building, rule of law, human rights, and cooperation in different fields, like finance, economy, education, environment, etc.) the ENP financial instrument will support

- Progressive participation in the EU’s internal market; and
- Cross-border cooperation between EU member states and partner countries sharing common borders. (Partially financed by Regional Development Funds, Interreg, PHARE-CBC and TACIS -CBC).

The European Neighbourhood Partnership Instrument (ENPI) will focus on different objectives depending on the level of development of the partner country. With Ukraine and Russia the legal approximation issues will be the priority and with Moldova and Azerbaijan (then supposedly Georgia as well), poverty reduction and social development.

¹ Brussels, 29.9.2004, COM(2004)628 final

It is also very important and promising that more active involvement in conflict resolution is set as the priority in the ENP Strategy Paper. At the same time no special facilities are envisaged. The CFSP High Representative remains the only political institution involved. The rehabilitation program run by the EC plays a key role in economic reform.

The EU still treats Georgia within the South Caucasus framework. The ENP APs with all three states are quite similar and were endorsed in November 2006. The ENP Strategy Paper of May 12, 2004 introduced a differentiated approach with the three countries that means the rate of rapprochement each will depend on the progress in implementing the agreed policies. Indeed, there was a moment in the negotiations of the APs when all three were blocked because one EU member state was unhappy with the behaviour of one. Still, the regional approach based on geopolitical considerations prevailed (at least vis-à-vis the South Caucasus). This is not the case with the western NIS. The political stance of Belarus has never been regarded as an obstacle in moving ahead on AP negotiations with Ukraine or Moldova.

But what are chances of the region, and Georgia in particular, to move closer to the ambitious goal of EU membership? Could ENP contribute to this?

Despite its rapid development the region is still one of the poorest in Europe. GDP per capita is highest in Azerbaijan (PPP is around USD 4500). Lithuania's is around USD 14,000. Romania, Russia, and Ukraine are at twice Georgia's level. The poverty level in the region is around fifty percent. Large current account deficits and low levels of investment are common. The institutional environment is far from that of the EU. In the last few years all three countries are growing at very high (9–12%) rates and, if trends continue, in a few years can double their GDP performance. That is inspiring hopes.

The “European ENPs” (i.e., those ENP countries geographically in Europe), and South Caucasian states in particular, are economically quite less developed than majority of EU candidate countries in 1993. This difference is less apparent with those ENP countries that take part in the Barcelona process (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, and Tunisia). Indeed, as regards the democratic development index a major part of western NIS and South Caucasus countries are ahead of Mediterranean ENP partners. As the EU as a normative power prefers to transfer values first, it gives NIS ENP states more chances for closer relations with the Union.

Georgia, Armenia, and Azerbaijan have problems in transition to some extent similar to those which Balkan and Baltic states had few years ago. Analyzing the accession negotiations process, progress, and regular reports produced for candidates we can assess to what extent, for example, Georgia still needs to improve its financial services, telecommunications, energy infrastructure, customs, and industrial and agricultural standards regulating the market. Education, including professional education, is still far from the level attained by Eastern European countries. Environmental policy is just making its first steps. All these spheres need not only to be provided with a legislative basis harmonized with the EU *Acquis*, but also adequately supported with financing from

the government. Technical and human capacity still is not sufficient to implement and make operational even those laws and measures that have been adopted according to commitments under Articles 42 and 43 of the PCA.

It is becoming evident that, if Georgia or any other country succeeds to adopt EU *Acquis* and even fulfil the Copenhagen political criteria, social conditions and economic performance of the countries will still not allow serious steps in the direction of further integration with the EU. Ethnic conflicts and territorial disputes hinder regional cooperation and make the region unattractive for investments.

New Realities around Georgia and South Caucasus

The dynamism with which the world develops world generates new realities. These new realities have impacted on Georgia's attitude to and place in geopolitics. Georgia is, today, on the front line of the war on terrorism, geographically close to those regions from which real asymmetric threats emanate most notably the North Caucasus and the Middle East. Georgia is also an ideal goods-transit. Would Georgia slip into instability, it would certainly attract myriad nefarious non-state actors, engaged in illegal trafficking of guns, narcotics or humans and seeking to establish a safe haven for organized crime. The war in Chechnya has spilled over into Georgia, creating just such a precedent in the case of the notorious Pankisi Gorge. With its nests of terrorism and narco-factories, the situation of the Pankisi Gorge raised the specter of state failure in the face of Georgian state weakness. Only the active empowerment of the institutions of state, together with the engagement of newly trained armed forces, enabled Georgia to address this dangerous development.

New realities have also reinforced the importance of an old and generally known factor – *energy*. The “energy gun” or inclination to use energy for international political blackmail is becoming more and more popular. To some, most notably Russia, Iran and Venezuela among others, the “energy gun” is already being wielded as an effective instrument of foreign policy. Meanwhile, competition on both the supply and demand sides is increasing. The rapidly growing economies of China and India demand more and more energy resources. One needs only look at the geographic map of Eurasia to understand that Georgia (and South Caucasus in general) represents a natural alternative gateway to the energy rich Caspian region that can serve the purpose of securing European energy supplies. The Baku-Tbilisi-Ceyhan oil pipeline, bringing oil from the Caspian to the Mediterranean and Baku-Tbilisi-Erzurum (South Caucasus-Turkey) Gas pipeline are both opportunities for the diversification of energy supply routes. For Europe a secure, democratic and developed Georgia keeps the door open for energy transport and the movement of other goods. This has important implications for the whole region.

Russia

While Russia's policy is still based on exploiting its geopolitical priorities, the South Caucasus represents one of the most important strategic regions. Its military presence until recently was a main instrument close the region to western penetration. Georgia is on the fault line of Russia's southern flank. Many of Russia's actions stem from their insecurity about what they consider to be their weak underbelly. If one examines the source of most of Russia's (self-made) troubles, many are along the contour of the Caucasus where most of Russia's conventional forces are deployed. In fact, Russia claims that eighty percent of their available conventional forces are in the Caucasus. While the present situation probably serves to line the pockets of a number of corrupt generals, it deprives an entire group of nations to the north and states to the south of normal development. It radicalizes future generations and creates migration flows, contributing to the growth in number of jihadists. The North Caucasus is one of the poorest regions in the Russian Federation. This situation will not change without intervention. After all, Russia is not likely to become self-reflective and critical, especially in the context of oil-dollar windfalls.

What can motivate the Russian military to reconsider its self-damaging policy? In our opinion, only a change in the security balance on their southern flank, depriving the Russian military of exclusive right to determine security terms, at least in the South Caucasus. Georgia's membership in NATO will destroy the present hegemony of the Russian military in this area, forcing it to rethink security arrangements in the region. It could force them to adjust to realities and to begin, rather than continue impeding, reform inside the Russian Federation. There is no doubt that Russia can and should play an important and constructive role in development of the Caucasus region. The question remains, though, on what and whose terms?

While Russia's military pressure on Georgia is weakening, thanks to the decisions of the OSCE Istanbul Summit of 1999, its economic strategy is now being explored as a new tool to continue exercising control. Russia's intentions to take over the Georgian energy infrastructure (including gas and oil pipelines) serve a longstanding goal to get control over the alternative energy-supply route linking Europe with Eurasian oil- and gas-rich regions. This policy contradicts the interests of the European Union that tries to diversify its energy supply routes. Not willing to sign the European Energy Charter Treaty, Russia prevents the free transit of energy resources from Central Asia to Europe through its Russia. Without a South Caucasus alternative an almost thirty-percent dependence of the EU on Russian gas supplies can seriously damage the security of Europe.

We can trace three main political actions by Russia hindering European energy security interests: Abstention from the Energy Charter, freezing the talks on the Caspian Sea status, and feeding instability in and opposing independence of South Caucasian states. Obviously Georgia is a focal point for Russia in this respect.

Democratic Interest of Europe

The world is changing fast; old foreign policy paradigms based on the geopolitical or geo-economic advantages give place to a new era of globalisation. This process goes in line with the democratisation of the international community. Democratisation can be understood in both ways - in classical sense of the political infrastructure in place and democratisation of market relations as well more exactly named as a regulated liberalism. It is well known that with the EU's economic engagement is growing faster in those countries and regions, which first of all succeeded provide for rapid democratic changes. The last enlargement "Bible" - Copenhagen Criteria treated first of all development of democratic institutions in the country. Democracy and freedom, together with the peace and cooperation represent essential basis not only for the Union, but also for its external policy goals and objectives. Being very democratic and liberal by its nature the Union would not succeed in its relations with the rest of the world if the same values are not shared by others. Partnership for EU may only have success if the other party is seriously committed to follow same path and share same ideology. The main dilemma of the EU relations and prospects with Russia is the question whether this country is committed to political reform? Economic interests can still make Europe to cooperate with Russia (in a same way as it cooperates with China), but to develop a real partnership, exercising four freedoms and providing full access to the EU Internal Market...? Is this possible with Russia as it is today?! It is not just a coincidence that Country Reports and Action Plans in the scope of the European Neighbourhood Policy respectively overview the state and propose the actions related to democratic development in the country. All three states of South Caucasus being Members of the Council of Europe, having acceded respective International Conventions and having agreed on the political clauses of PCA are legally strongly bound to respect and develop democratic values and institutions in the country and support their development at international level. Indeed the culture of respecting international treaties and putting efforts to fulfil them in a best way is also not easily established. According to judgments of different observers Georgia is ahead of its neighbours in development of democratic liberties. Rose revolution has contributed in this regards. The way democracy is understood and treated in South Caucasus is still far from the European understanding of it. The problem of transferring state institutions in transition countries is well analysed by Francis Fukuyama² which concludes that coping of the best electoral system and Power institutions can not easily secure the society from different understanding of democratic legitimacy that tends to incline towards "elected authoritarianism" that surely take place in all three South Caucasus states. That kind of incoherence with the western (European) understanding of the democracy is partially justified by another well known scholar Fareed Zakharia in his book "Future of Liberty" where he tries to prove that development of democracy is not always resulting in the freedom and liberty of citizens. He revises the historical question of the "life expectancy" of democracies and concludes that the countries having real GDP per capita below USD 3000 have little chance to survive as democratic societies. That's why strong support and permanent monitoring of the situation from side of the EU in South Caucasian Countries that with real GDP are situated below this threshold is essential.

² Francis. 2004. *State-Building: Governance and World Order in the 21st Century*. New York: Cornell University Press.

The faster the democratisation goes inside the country the chances to engage into wider scope relations with the EU or developed democracies grow. It is evident that EU has well defined direct economic and political interests in the region, still this interests can not be fully realised if there is a lack democracy in Armenia, Azerbaijan and Georgia. Resolution of conflicts, economic development, social and regional cohesion, trade and investment etc. is highly dependent on the extent the democracy has spread over the region. This is probably better understood in Georgia than in other countries of the region. It is well known that media and civil society enjoy more freedoms in Georgia than in neighbouring states. After the Rose revolution the fight against corruption in Georgia have produced considerable results, which have made impact as on the HR dimension as well on the economic and social spheres. Deregulation of the economy has significantly improved business climate and started attracting Investments especially in the Banking sector. Armenia is formally developing with the same (and even better) rate as Georgia. The legal and Institutional changes take place in rapid way there, that was resulted in placing the country at 27th (very high) place in the Economic Freedom Index. Indeed, according to foreign businessmen and experts access to Armenian market is restricted by state and oligarch groups controlling the market in the country. It is also fact that the ruling power does not exercise democratic governance in the country. In the same time economic performance of the Armenian business community has considerably improved and is becoming efficient and competitive throughout the CIS. Azerbaijan lacking the democratic pluralism succeeded to establish a save climate for citizens security and relatively good conditions for developing small and medium business. As regards to a big scale business it is hardly occupied monopolies and (in some occasions) oligopolies mainly well connected to the ruling power.

Success of the European Neighbourhood Policy depends first of all on political and institutional changes produced in the partner countries. This is becoming more and more evident that the countries of the Western NIS and South Caucasus will play crucial role in this process. This understanding is going stronger in Europe and may result in developing an "ENP+" approach to focus more on the reforms and cooperation with named regions.

The development of situation in Ukraine may cause another correction in the existing EU "preferential" attitudes towards Ukraine and Moldova. New Ukrainian Government that "weakened" the expectations born by Orange Revolution may not only hinder its integration into NATO but also affect its European aspirations and slow the process of rapprochement with the EU. Georgia, that remains (under any government) the only country really strongly oriented towards the EU membership have a chance to become a "favoured" state among the "European ENPs". Success of democracy in Georgia would have definitely strengthened the confidence in the ENP process and rise hopes in societies of other states in the region. For the moment Georgia is probably the best success story of democratic (velvet) revolutions, which has not shown a backsliding trends. Democratic success of the country can strongly influence the processes not only in South Caucasus, but in the Ukraine and Moldova as well. The current survey (2006) produced by Caucasus Resource Research Centres (CRRRC)³ showed almost 80% (highest in the region and NIS) support for Georgia's accession to NATO. Approximately same

³ see: <http://www.crrccenters.org/>

results can be expected if asking about joining the EU. We can make conclusion that more democratisation of the country and more freedom of citizens will not influence on the chosen by country policy and any changes produced in the Government or ruling power can not change the overall aspiration of that country. We can thus argue for the high sustainability of the policy on Europeanization. This is well known in the region that Georgia's official policy to deepen European and Euro Atlantic ties is widely supported by the population and success of the country will be associated in a high extent with that policy. Success of democracy and economic agenda (if reached) of the country will also have the same effect and be understood broadly (regionally and internationally) as a success of the pro-European orientation.

The failure of Georgia as a state or democratic oriented society may in the same time very negatively affect the "European positions" or image of the European policy (ENP included) in the region of South Caucasus and in NIS in general.

What shall EU preferably implement to promote peace and development in the region?

European Neighborhood Policy, which materializes itself in respective Action Plans offers well designed and well detailed agenda for reforms and cooperation with the partner county. Main issues that EU-Georgia Action Plan treats envisage actions in following areas:

- political development , HR, rule of law, democratic institutions and legislation in force
- better control of illegal activities and all issue related to Justice an Home Affairs,
- trade and investment liberalization, elimination of the NTB and development of the proper regulatory environment and approximation of legislation in respective areas of the EU Acquis
- regional cooperation including both South Caucasus and Black Sea contexts
- energy, transport, other sectoral issues
- security and border management, cooperation in CFSP matters
- Conflict resolution

The scope of the issues listed in the 30 page long document (EU-Georgia Action Plan) gives substantial ground for intensive work and deeper cooperation. Fulfillment of Action Plans would not just make possible signing of a new agreement but it could change Georgia (or other country) in to a successful reformer and country ready to go very far on the way of integration with the EU.

Among the important fields for action we would give main consideration to such issue as **regional cooperation** and stress the importance of fostering Black Sea dimension. We are frequently putting forward the dilemma whether Georgia should stay attached to the South Caucasus region or seek its place within the Black Sea region. EU could strongly contribute in uniting this knot or reconciling the existing contradicting views in this

respect. Armenia and Azerbaijan take part almost in all initiatives and for involving Black Sea related issues. Armenia and Azerbaijan being members of the Black Sea Economic Cooperation widely consider themselves as states of the Black Sea Area (region). EU Cross Border Cooperation (CBC) program includes these states in the list of beneficiary countries. As far as the Western NIS and South Caucasus states are being treated more or less equally in the ENP context it sounds be natural to skip using South Caucasus as a separate region making political declarations or developing projects and programs. Western NIS and South Caucasus countries could be listed as countries of Eastern Black Sea. Development of ties between the countries of the mentioned region should constitute one of main priorities of ENP policy at a new stage or "ENP+ " if it is adopted. Armenia and Azerbaijan both having excellent relations with Georgia may have no any doubts or restrictions for considering Georgia's maritime ports as the gates for their intensive economic engagement in the Black Sea and especially in cooperation within the Western Black Sea area of the Wider Black Sea Region.

Support in Approximation of legislative basis of the three countries of South Caucasus with that of the EU and assistance in creating of respective regulatory framework compatible with that of the Community may play a crucial role in the faster rapprochement and closer economic integration of countries with EU. In this respect prospects of so called **Deep Free Trade** are (concept widely used by the Brussels based Center for European Policy Studies) may create a serious stimulus for respective legal actions and regulatory reform. Georgian Government is highly interested in establishing such a regime with the European Community. Georgian Government insisted putting in the Action Plan at least possibility to study the benefits of such agreement between Georgia and EU. In the same time this kind of promises from side of EU could serve as an effective institutional anchor and justification of mentioned regulatory reforms in the country. As regards to the political consequences of such agreement - it is difficult to overvalue, because it would have made the Europeanization of Georgia and consequently of the whole region irreversible.

Conflict Resolution is one of main issues of concern while speaking about rapprochement or integration with Europe. There are existing doubts about possible progress in relations with the European Union towards the more opening before the conflicts are solved. But the case of Cyprus weakens such views and gives hopes to those countries that suffer from conflicts. In the same time this hinders the process anyway and the seeking the solution remains indispensable priority for Georgia and hopefully for other countries as well. We are confident that the rapprochement of Georgia with the EU should not be slower because of "no progress" in the resolution of the conflicts. It is also absolutely clear that Russia opposing rapprochement of those states with the EU will make stronger efforts to leave the conflicts in a frozen state. It may encourage and influence practically directly subordinated secessionist Governments to block any attempts for reaching agreement (that already has place). European Union shall even accelerate the efforts to make Georgia closer and in the same time try to involve the Abkhazians and Ossetians in the process of Europeanization. It is important to strongly support any means of cooperation between conflicting parties and in the same time try to

convince and promote the European values (including those related to institutionalism) within the conflicting regions.

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