

**THE EUROPEAN UNION TOWARDS A
NEW PERIPHERY: THE EVOLUTION OF THE COMMON
FOREIGN AND SECURITY POLICY IN THE SOUTH CAUCASUS**

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Abstract

Starting from the Treaty of Maastricht (1992), the European Union (EU) has institutionalized its commitment to develop the Common Foreign and Security Policy (CFSP), which later led to the incorporation of the European Security and Defense Policy (ESDP) within the structure of the Union. Accordingly, the above changes have equipped the EU with the necessary tools to get more actively engaged in promoting peace and stability within its immediate neighborhood. Yet, the decisions over whether or not to get involved are generally politically sensitive and entail careful selection of choices of engagement. The present thesis researches the evolution of the EU's involvement in the South Caucasus (Armenia, Azerbaijan, Georgia). The conducted research addresses the question why, even though faced with important incentives, the EU has been reluctant to enhance its presence and promote its role as an important participant in the security processes of the South Caucasus region. Contrasting neorealist thoughts with a constructivist worldview, it is argued that due to rational calculation of costs and benefits of engagement, non active involvement in the South Caucasus currently represents a cogent choice. The EU member states, as rational actors, engage in the South Caucasus to the extent which benefits them but the fact that obstacles hindering the engagement are greater than the gains, conditions the EU's outlook towards the region.

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INTRODUCTION

Starting from the Treaty of Maastricht (1992), the European Union (EU) has institutionalized its commitment to develop the Common Foreign and Security Policy (CFSP), which later led to incorporation of the European Security and Defense Policy (ESDP) within the structure of the Union. Accordingly, the above changes have equipped the EU with the necessary tools to get more actively engaged in promoting peace and stability within its immediate neighborhood. Inclusion of security and defense matters, previously missing from the European policy agenda, opened the possibility of collective action in these areas, but up till now, the decisions over whether or not to get involved are generally politically sensitive and entail careful selection of choices of engagement.

The present thesis researches the evolution of the EU's involvement in the South Caucasus (Armenia, Azerbaijan, Georgia). The engagement started at a notably low pace, with the Union maintaining the status of a passive player in the region. However, throughout the years, the EU has significantly increased its outreach. After the 2007 enlargement, the Union has extended its external border towards the Black Sea, which has brought the South Caucasus and the threats emanating from the region closer. As the European Security Strategy states: "even in the era of globalization, geography is still important. It is in the European interest that countries on our borders are well governed."¹ Consequently, the interests of the EU are directly connected with lasting peace and stability in the region, but the general dominant idea is that the EU has been unwilling to

¹A Secure Europe in a better world: European Security Strategy, Brussels, December 12, 2003, 14. http://www.consilium.europa.eu/cms3_fo/showPage.ASP?id=266&lang=EN&mode=g

enhance its role in the above countries. This is puzzling, considering the fact that the need for a more active EU involvement is apparent.

Thus, the conducted research will answer, why, even though faced with important incentives, the EU has been reluctant to enhance its presence and promote its role as an important participant in the security processes of the South Caucasus region. More specific questions which will be addressed include what the EU's security interests are in the region as well as which concrete obstacles stand in the way of the EU's more vigorous engagement in the South Caucasus. The work adds to the existing literature by developing a thorough analysis of the processes shaping the EU-South Caucasus relations, applying the theoretical explanations to the policy decisions taken at the EU level. Current literature on the region has concentrated more on the research devoted to unresolved conflict territories of the South Caucasus² as well as regional security dynamics³. Furthermore, the South Caucasus has often been discussed in the realm of the wider Black Sea region⁴. Relatively less attention has been devoted to specifically the EU and the South Caucasus, where the thesis aims at contributing to the existing research on the subject by bringing together the regional aspects and explaining the EU's actions under opposing theoretical frameworks. While the above research will not be able to answer all the questions connected with the EU and the South Caucasus, it will analyze

² See Monica Duffy Toft, *The Geography of Ethnic Violence: Identity, Interests and the Indivisibility of Territory* (Princeton University Press, 2003); Svante Cornell, "Autonomy as a Source of Conflict: Caucasus Conflicts in Theoretical Perspective," *World Politics* 54, no.1 (2002): 245-276.

³ See Gayane Novikova, ed., *The South Caucasus: Regional Security and Stability*, Center For Strategic Analysis (Yerevan: Amrots Group, 2004); Emmanuel Karagiannis, *Energy and security in the Caucasus* (London : RoutledgeCurzon, 2002); Rajan Menon, Yuri E. Fedorov, and Ghia Nodia, ed., *Russia, the Caucasus, and Central Asia : the 21st century security environment* (Armonk, NY : M.E. Sharpe, 1999).

⁴ See Ronald D. Asmus, Konstantin Dimitrov and Joerg Forbig ed., *A New Euro-Atlantic Strategy for the Black Sea Region* (Washington D.C. The German Marshal Fund of the United States, 2004).

the major security interests contributing to the increase of the EU's interests towards the region, as well as identify the set backs which hinder further cooperation.

In order to conduct my research, explaining the reasons behind the EU's negligence of the South Caucasus region, I will use the method of text analysis. I will be supporting my study with available data including books, articles, official documents, press releases, interviews, and statements. The factors contributing as well as hindering the EU's engagement will be researched through indirect evidence, which can be traced via third party observations and assessments. Data will be collected through official web pages of the European Union, as well as official documents of national ministries, together with articles and reports produced by think tanks and non governmental organizations working on issues related to the EU and the South Caucasus.

The thesis will be comprised of four parts. The first chapter, the theoretical framework, will provide an overview of the neorealist approach to international relations theory, which will be contrasted with the constructivist assumptions. The above opposing theoretical frameworks will be examined against the case study of EU-South Caucasus relations, where the empirical findings will be linked with the theoretical claims presented in the first chapter. The second chapter will focus on the EU's involvement in the South Caucasus countries. The time frame for reviewing the evolution of the Union's engagement will start from the 1990's, the period when the removal of Soviet rule was underway, and will finish with the latest developments of early 2007. Major achievements as well as shortcomings will be identified. The third chapter will analyze the EU's security interests in the South Caucasus and finally the fourth chapter will

examine the factors influencing the EU's reluctance towards the region. The findings will be summarized in the conclusion.

Chapter 1: Theoretical Framework

There are competing theoretical explanations as to why the European Union has taken up the duty of regional caretaker and expanded its reach to the immediate neighborhood. While on the one hand, the neorealist school of thought argues in favor of power politics, constructivists challenge the idea by undermining the importance of military capabilities and devoting primary attention to values and norms.

Thus, in order to reveal the reasons behind the EU's reluctance towards engaging more actively in the South Caucasus, the above two opposing theoretical frameworks will be examined. The chapter will start by discussing the realist/neorealist theoretical approach, followed by the constructivist assumptions, particularly stressing the points which are best applicable to the chosen case study of the South Caucasus. The overview will be followed by the application of the assumptions to the European Union. The review aims at setting the ground for analyzing the empirical findings, which are linked to the theoretical explanations in chapters to follow.

1.1. From Neorealism to Constructivism

Thus, to start with, realism, from which neorealism draws its basic assumptions, has been “at the heart of the study of world politics” and has proven to be a “useful framework within which to investigate” world affairs.⁵ As Grieco explains, this happens due to the fact that realist theory tackles major questions of international relations including the search for the reasons of conflict and war, as well as investigation of the

⁵ Joseph M. Grieco, “Realist International Theory and the Study of World Politics,” in Michael W. Doyle and G. John Ikenberry ed., *New Thinking in International Relations Theory* (Colorado: Westview Press, 1997), 163.

circumstances under which cooperation and peace are possible.⁶ Indeed, realist and later neorealist schools of thought have been one of the dominant approaches to international relations theory, and as argued by Kahler, by the end of the 1980s, neorealism “claimed a central position in the study of international security,” where the work of Kenneth Waltz, *Theory of International Politics*⁷, “was central in stimulating a new generation” to get interested in realist propositions.⁸

There are several major assumptions which neorealism accounts for. Similar to realism, “the struggle for power, which defines politics, is a permanent feature of social life and is especially prominent in the relations between states.”⁹ Specifically, firstly, for neorealists, the *international system is viewed as anarchic*, where under self-help system states are compelled to ensure their own security and survival.¹⁰ Second, *states are the primary international actors*, and even if they are regarded as not the only ones, they are viewed as the most important units of analyses. Third, *states are functionally similar*, and this “sameness”¹¹ stems from the anarchical system, where the similar institutional features are a mixture of rivalry and imitation. Finally, *states are rational, unitary actors*, where strategic calculation of costs and benefits drives their actions.¹² States can also be ‘sensitive to costs’ and can alter their strategies “in the face of changes in external

⁶ Ibid.

⁷ Kenneth Waltz, *Theory of International Politics* (New York: McGraw-Hill Inc. 1979)

⁸ Miles Kahler, “Inventing International Relations: International Relations Theory After 1945”, in Michael W. Doyle and G. John Ikenberry ed., *New Thinking in International Relations Theory* (Colorado: Westview Press, 1997), 35.

⁹ Michael Joseph Smith, *Realist Thought from Weber to Kissinger* (Baton Rouge and London: Louisiana State University Press, 1986) p. 1

¹⁰ Grieco, *Realist International Theory*, 164.

¹¹ Waltz, *Theory of International Politics*, 128.

¹² Summarized in Adrian Hyde-Price, “Normative power Europe: a realist critique,” *Journal of European Public Policy* 13, no.2 (2006): 217-234.

constraints and opportunities, negative experiences of their own, and observation of both the successes and failures of other states”.¹³

Out of the above, five propositions are being inferred “about the dynamics of the international system and the motive-forces driving states’ interaction with other states”.¹⁴ Firstly, security competition happens in a *self-help system*, where anarchical environment pushes states to act according to their interests, where “it pays to be selfish”.¹⁵ Second, *security and power maximization* play a crucial role in state behavior, where the best way to ensure survival is “to be the most powerful state in the system” working on eliminating or neutralizing potential rivals.¹⁶ Third, *relative gains* are important for states, where concerned by their position in the international environment in comparison with others, they engage in co-operation to the extent where “they benefit as much or more than other major powers”.¹⁷ Fourth, ‘*milieu shaping*’¹⁸ deals with the issue of governance under anarchic system, where major powers are more likely to be in charge of providing regional security. And finally, *second-order concerns* reflect the idea that states do pursue “non-security goals”, which range from economic prosperity to promoting ideologies, national unification goals and human rights but they are always sacrificed for the fundamental national security interests as well as the balance-of-power logic.¹⁹

Lastly, to touch upon the expected state behavior in the anarchic system, there are three main assumptions put forward by scholars. First is the *balancing* behavior of states,

¹³ Grieco, *Realist International Theory*, 165-166.

¹⁴ Hyde-Price, *Normative power Europe*, 221.

¹⁵ John J. Mearsheimer, *The Tragedy of Great power Politics* (New York, London: W.W. Norton & Company, 2001), 33.

¹⁶ Waltz, *Theory of International Politics*, 111.

¹⁷ Hyde-Price, *Normative power Europe*, 222.

¹⁸ Term ‘milieu goals’ has been used by Arnold Wolfers, *Discord and Collaboration: Essays in International Politics* (Baltimore: John Hopkins University Press, 1962), quoted in Hyde-Price, *Normative power Europe*, 222.

¹⁹ Hyde-Price, *Normative power Europe*, 221-222.

where “if the security and independence of some states are threatened by the growth of power of one state or a group of states, the threatened states will... seek to take actions that mitigate or offset the growth in power of the rising side.”²⁰ Second is the *buck-passing*, where states may “look to their own national capabilities to the extent that they can-but hope, bet, or scheme to get other great powers to shoulder the majority of the risks and costs of containing the greatest power”.²¹ And finally, state behavior can be characterized by *bandwagoning*, when states align with the stronger side and follow their policies in an attempt to acquire the best arrangements.²² Small and weak states are expected to bandwagon as they do not possess a big variety of choice.

When attributing the above to the European Union, as Hyde-Price argues, the existence of the Common Foreign and Security Policy as well as European Security and Defense Policy creates an empirical case for supporting neorealist thoughts. “Whilst structural realism cannot explain the fine-grain of European foreign and security co-operation, it has considerable explanatory power in elucidating the nature of the EU as an international actor and the underlying dynamics of the CFSP/ESDP.”²³ As the author further explains, the EU member states’ approach towards the EU foreign, security and defense policy can be reviewed in neorealist terms. First, under balancing behavior, member states might use the Union to balance the great power, the US, by, for example, “cultivating a close relationship with Russia”²⁴. Second, under buck-passing, member states may consider leaving the US to deal with the Middle East or other troubled region,

²⁰ Grieco, *Realist International Theory*, 169-170.

²¹ Barry Posen, “European Union Security and Defense Policy: Response to Unipolarity?” *Security Studies* 15 no. 2 (2006): 155.

²² Grieco, *Realist International Theory*, 170.

²³ Hyde-Price, *Normative power Europe*, 218.

²⁴ *Ibid.*, 224.

while they concentrate on trade and economic issues instead. And finally, under bandwagoning, the member states might align themselves with the strongest power for “gaining influence or other coveted values”.²⁵

In contrast to the above approach, constructivists are keen to emphasize the importance of the environment under which the preference formation happens. Norms and values are crucial for depicting the patterns of state behavior, which can be spread through the process of socialization.²⁶ Opposite to neorealist assumptions, where cooperation under anarchy arises with common enemy or hegemony, constructivists argue that interests and identities can be shaped by interaction, which is facilitated via participation in institutions, representing “a relatively stable set or ‘structure’ of identities and interests”.²⁷

Constructivist international relations scholars identify a number of ways through which international organizations (like the EU) are capable of shaping the third countries behavior. According to their arguments, primary leverage rests on conditionality and socialization, where under the former, compliance with norms leads to rewarding states with for example financial assistance, market access, membership perspectives etc.²⁸, while the latter implies “inducting actors into the norms and rules of a given community” where agent “switches from following a logic of consequences to a logic of appropriateness”.²⁹ As Chackalé explains, this change is maintained overtime and is

²⁵ Ibid.

²⁶ For comprehensive overview see Alexander Wendt, “Anarchy is What States Make of it: The Social Construction of Power Politics,” *International Organization* 46 no. 2 (Spring 1992): 391-425.

²⁷ Ibid., 399.

²⁸ See Frank Schimmelfenning, Stefan Engert and Heiko Knobel, “Costs, Commitment and Compliance: The Impact of EU Democratic Conditionality on Latvia, Slovakia and Turkey,” *Journal of Common Market Studies* 41 no. 3 (2003): 495-518.

²⁹ Jeffrey Checkel, “International Institutions and Socialization in Europe: Introduction and Framework,” *International Organization* 59 no.3 (2005):804.

independent of material incentives, where instrumental calculations are replaced by “conscious role playing” or “taken-for-grantedness”, where agent adopts interests or even identity of the community.³⁰

When applying the above to the EU, the Union can be perceived as the ‘civilian’³¹ or ‘normative’ power³², where “its lack of coercive instruments and its consequent reliance on declaratory politics and ‘soft power’ – in fact constitute the very sources of its strength.”³³ Furthermore, as Manners argues, “the EU represents a new and different political form”, where “power over opinion” or “ideological power” depicts the Union’s international identity.³⁴ By going against the idea of strictly concentrating on the discussion of the Union’s capabilities either in civilian or military clout, Manners focuses on “normative power of an ideational nature characterized by a common principles and willingness to disregard Westphalian conventions”.³⁵ The author considers that the Union, which possesses a strong normative basis, does not require the “backing of force” for realizing its objectives, believing there is no need for even the implicit willingness to use force.³⁶ Moreover, Manners identifies five ‘core’ principles through which Europe’s normative basis is realized including centrality of peace, idea of liberty, democracy, rule of law, and respect for human rights.³⁷ Together with this, the author presents a number of ways through which the EU’s normative values can be diffused to third parties. Firstly, it involves *procedural diffusion*, where the institutionalization of relationship with the

³⁰ Ibid.

³¹ See Francois Duchene, “Europe’s role in world peace,” in R. Mayne ed., *Europe Tomorrow: Sixteen Europeans Look Ahead* (London: Fontana, 1972), 32-47.

³² See Ian Manners, “Normative power Europe: A Contradiction in Terms?” *Journal of Common Market Studies* 40 no. 2 (2002): 235-258.

³³ Hyde-Price, *Normative power Europe*, 217.

³⁴ Manners, *Normative power Europe*, 239.

³⁵ Ibid.

³⁶ Ibid., 241-242.

³⁷ Ibid., 242-243.

third party takes place (like inter-regional cooperation agreements), second, *transference*, which encompasses exchange of goods, trade, aid or technical assistance mostly through financial means, currently facilitated by conditionality, and lastly, *overt diffusion*, where there is the “physical presence” of the EU in third states, including monitoring missions and Commission delegations.³⁸ Accordingly, the author concludes that through “the concept of normative power... not only is the EU constructed on a normative basis, but importantly... it act(s) in a normative way in world politics”.³⁹

1.2. Conclusion

From the above brief overview of the two competing theoretical assumptions, we can see that the EU foreign policy actions are analyzed from divergent angles. On the one hand, the EU undertakings can be linked to the importance of maintaining security in its neighborhood, where the Union takes action to ensure stability in the region. And on the other hand, the Union can be viewed as a benign entity who is trying to spread its socio-economic model to the newborn democracies around its borders based on the normative model it has created. In the chapters to follow, through the chosen case study of the South Caucasus, I contrast the role of values and norms to the assumption that security concerns still remain the primary driving force behind the Union’s actions as well as its reluctance to act.

³⁸ Ibid., 245.

³⁹ Ibid., 252.

Chapter 2: Evolution of the CFSP in the South Caucasus

In the current Chapter I turn to reviewing the major EU Assistance programs initiated in the South Caucasus region as well as analyze the shift in relationship from the Partnership and Co-operation Agreements (PCA), to the Union's latest policy tool, the European Neighborhood Policy (ENP), highlighting the role of the EU Special representative for the South Caucasus in between. The overview is followed by the evaluation of the effectiveness of the undertakings where I identify the signs of reluctance in the EU initiatives, concluding by linking the Union's actions to the theoretical claims presented in the previous chapter.

2.1. Assistance Programs

The South Caucasus is located between the Black and the Caspian Seas, sharing a land border with Russia, Turkey and Iran. The region encompasses three states: Armenia, Azerbaijan and Georgia. All three associate their past with the former Soviet Union, where after the Union's dissolution in 1991, the countries regained their independence and have embarked on building new sovereign states. The collapse of the Soviet Union has brought dramatic changes to Armenia, Azerbaijan and Georgia, as the economic and trade relations previously conducted within the former Soviet system collapsed together with the Union itself. The above was followed by severe deterioration of the economic and social conditions within the South Caucasus states, witnessing territorial conflicts in Georgia as well as between Armenia and Azerbaijan. In short, the first steps from communism to newborn statehood have not been a success story for any of the above.

Table 1. The South Caucasus Republics at a Glance

	Area (sq km)	Land boundaries (km)	Population (mill.), 2006 est.	Life expectancy (years)	Major Religion	State Language	GDP (PPP), Billion \$ in 2005
Georgia	69,700	1,461	4,661	76,1	Christianity	Georgian	15,55
Armenia	29,800	1,254	2,976	71,84	Christianity	Armenian	15,7
Azerbaijan	86,600	2,031	7,962	63,85	Islam	Azerbaijani	37,03

Source: Martin Malek, "The South Caucasus at the Crossroads: Ethno-territorial Conflicts, Russian Interests, and the Access to Energy Resources," in Gunther Hauser and Franz Kernic ed., *European Security in Transition* (England, USA: Ashgate Publishing Ltd, 2006)

The evolution of the European Union's relations with the South Caucasus started to develop as early as 1991, and has encompassed a number of generous financial assistance programs up to date. "The most substantial in financial terms" has been the technical assistance and humanitarian aid through TACIS (Technical Assistance to the Commonwealth of Independent States) and ECHO (EC Humanitarian Office).⁴⁰ TACIS, launched by the EC in 1991, which includes countries of Eastern Europe, South Caucasus and Central Asia, was devised to "support the process of transition to market economies and democratic societies". When starting the TACIS program, the assistance represented a "stand-alone activity"⁴¹ and was directed at addressing emergency problems like technical assistance, information exchange, education and expertise⁴² "in the immediate aftermath of the independence"⁴³ of former Soviet countries, but the program eventually evolved and developed a complex and diversified relationship with all of the partakers. The move towards establishing closer relations with newborn republics witnessed the

⁴⁰ Mariam Dekanozishvili, "The EU in the South Caucasus: By What Means, to What Ends?" 3, Occasional Paper no. 2, 2004 *Georgian Foundation for Strategic and International Studies* <http://eurojournal.org/files/93.pdf>

⁴¹ The European Commission's Delegation to Georgia, *Brief History TACIS* <http://www.delgeo.cec.eu.int/en/programmesactions/briefhistory.html>

⁴² Harri Kamarainen, "How the EU Can Contribute to Security and Stability in South Caucasus?" 16, *Baltic Defense Review*, Special Issue, 2003 <http://www.bdcoll.eu/fileadmin/docs/bdreview/bdr-2003-special-04.pdf>

⁴³ Dekanozishvili, *The EU in the South Caucasus*, 4.

emergence of two important regional undertakings under the sponsorship of TACIS program, TRACECA⁴⁴ (Transport Corridor Europe-Caucasus-Asia) and INOGATE⁴⁵ (Interstate Oil and Gas Transport to Europe), where three South Caucasus states are participants.

TRACECA, which was initiated by the European Union during the conference in Brussels in 1993, had the objective of developing economic relations, trade and transport communications along the Europe-Caucasus-Asian corridor. The project aimed at bringing improvements in trade and transport by connecting the Black and Caspian Seas and developing a consistent and integrated transport infrastructure within the region, facilitating access to world markets.⁴⁶ TRACECA, has been termed as the restoration of the “historic Silk Road”, capable of bringing considerable changes in the geopolitical and geo-economic situation of the Caucasus, where the support for the political and economic independence of the former Soviet republics can be highlighted as an important adjustment.⁴⁷ Together with this, TRACECA creates an alternative route against the established and widely used Russian route and accordingly bears strategic importance to present a different transportation means to Europe.⁴⁸

Apart from TRACECA, the second major EU regional undertaking under TACIS, which has included South Caucasus countries, encompasses INOAGTE program launched in 1995. The program aims at promoting the regional integration of the pipeline systems and facilitating the transport of oil and gas both within the NIS (Newly Independent States) region and towards the European markets. Together with this,

⁴⁴ For further information visit <http://www.traceca-org.org/>

⁴⁵ For further information visit www.inogate.org

⁴⁶ Dekanozishvili, *The EU in the South Caucasus*, 4.

⁴⁷ Ibid.

⁴⁸ Yelda Demirag, “EU Policy towards South Caucasus and Turkey,” *Perceptions* 9, no. 4 (Winter 2004): 92.

INOGATE acts “as a catalyst for attracting private investors and international financial institutions to these pipeline projects”.⁴⁹ Thus, as seen from the above, “the EU’s primary pledge of cooperation with Caucasian countries” has in the beginning focused on developing economic ties”.⁵⁰ Due to the fact that TACIS regulation expired at the end of 2006, the decision has been taken to replace it with the European Neighborhood and Partnership Instrument (ENPI). The ENPI has emerged from the EC Communication (ENP Strategy Paper, 12 May 2004) and aims at “replacing all existing financial means” starting from 2007.⁵¹

As for the financial support in figures, the EU South Caucasus relation counts substantial amounts. To consider each country separately, in the period of 1992-2005 the EC gave Georgia 505 million Euros in grants.⁵² Assistance was provided through a number of instruments including, TACIS, the Food Security Programme (FSP), EC Humanitarian Office, European Initiative for Democracy and Human Rights (EIDHR), and Rehabilitation and Macro-financial Assistance (MFA).⁵³ Together with this, since 1997, the Union has provided rehabilitation assistance to Abkhazia as well as South Ossetia.⁵⁴

⁴⁹ Interstate Oil and Gas Transport to Europe (INOGATE), *What is INOGATE* http://www.inogate.org/inogate/en/about/what_is

⁵⁰ Dekanozishvili, *The EU in the South Caucasus*, 4.

⁵¹ Temur Yakobashvili and Kakha Gogolashvili, “The South Caucasus: Back and Forward to Europe,” *Center for Applied Policy Research*, presented at the Conference “Looking Towards the East. Connecting the German and the Finnish Presidencies”. Berlin, December 2006, 5. http://www.cap.lmu.de/download/2006/2006_South_Caucasus.pdf

⁵² For comprehensive overview see The European Commission, *ENPI 2007-2013 Country Strategy Paper Georgia*, 16-18 http://ec.europa.eu/world/enp/pdf/country/enpi_csp_georgia_en.pdf

⁵³ Ibid.

⁵⁴ The European Commission, *EU’s relations with Georgia, Overview* http://ec.europa.eu/comm/external_relations/georgia/intro/index.htm

From 1991-2006 Armenia received more than 380 million Euros in assistance.⁵⁵ The distributed funds covered TACIS, which together with mainstream programs allocated 29 million Euros for improving safety on Medzamor Nuclear Power Plant (MNPP), ECHO, which contributed to recovering the severe humanitarian situation in mid 1990s and onward, Food Security Program, which has provided significant budgetary support to key agricultural and social sectors together with EIDHR and MFA programs.⁵⁶ As for Azerbaijan, the total amount of EC assistance in 1991-2005 amounted to 400 million Euros, where besides being a participant of all of the above listed programs the country distinguished itself as an active contributor to the extension of the major trans-European transport corridors to neighboring countries and regions.⁵⁷

Together with the aid provision, the EU has from the beginning attempted to attach the political conditionality to the distributed funds, where the compliance with the EU values in the light of human rights, rule of law, good governance etc. would determine the Union's future policies towards the countries. Still, the EU conditionality has proven to be inefficient, where based on Freedom House reports all three states were failing to meet the broad benchmarks of liberty. Despite the significant financial contributions to the South Caucasus, the adherence to EU norms especially in the starting years has been bleak. Georgia's performance in the rule of law sector, as well as civil and political rights has suffered.⁵⁸ Similarly, Armenia⁵⁹ and Azerbaijan⁶⁰ have not received

⁵⁵ For comprehensive overview see The European Commission, *ENPI 2007-2013 Country Strategy Paper Armenia*, 13-15 http://ec.europa.eu/world/enp/pdf/country/enpi_csp_armenia_en.pdf

⁵⁶ Ibid.

⁵⁷ For comprehensive overview see The European Commission, *ENPI 2007-2013 Country Strategy Paper Azerbaijan*, 15-18 http://ec.europa.eu/world/enp/pdf/country/enpi_csp_azerbaijan_en.pdf

⁵⁸ Freedom House, *Country Report Georgia 2003* <http://www.freedomhouse.org/template.cfm?page=22&year=2003>

⁵⁹ Freedom House, *Country Report Armenia 2003* <http://www.freedomhouse.org/template.cfm?page=22&year=2003>

very positive evaluations. The EU was unable to make a strong stand in directly linking conditionality with assistance, which resulted in the above countries enjoying the benefits without meeting the required standards.

2.2. From the Partnership and Cooperation Agreements (PCA) to the European Neighborhood Policy (ENP)

2.2.1 Partnership and Cooperation Agreements

The legal basis for the EU-South Caucasus relations was marked by the conclusion of the Partnership and Cooperation Agreements (PCA) entering into force in July 1999.⁶¹ The PCA represents a legal framework, which is based on the respect of democratic principles and human rights, detailing the political, economic and trade relationship between the EU and its partner countries.⁶² The PCA, as a ten-year bilateral treaty has been signed and ratified by the EU and each South Caucasus states. It provides for extensive cooperation in the spheres of political dialogue, trade, investment, as well as economic, legislative and cultural relations. The above agreement, which covers co-operation under a number of important areas excluding military matters, envisages elimination of trade quotas, the protection of intellectual, industrial and commercial property rights, as well as political dialogue at intermediate and senior level, where the parties have agreed to grant each other the Most Favored Nation (MFN) treatment.⁶³ As argued by Yakobashvili and Gogolashvili, the main value of the PCA is “cooperation institutions”, which provides open discussions upon state’s ability to meet the taken

⁶⁰ Freedom House, *Country Report Azerbaijan 2003*
<http://www.freedomhouse.org/template.cfm?page=22&year=2003>

⁶¹ The European Commission, *Partnership and Co-operation Agreements*
http://ec.europa.eu/comm/external_relations/ceeca/pca/index.htm

⁶² Ibid.

⁶³ The European Commission’s Delegation to Georgia, *The EU and Georgia: Bilateral Relations*
http://www.delgeo.cec.eu.int/en/eu_and_georgia/bilateral_relations.html

obligations as well as monitoring of the country's progress towards reforms.⁶⁴ Additionally, meetings with the EU Troika are also envisaged. The increased desire to facilitate further political dialogue between the EU and the South Caucasus was marked by the February 2001 visit, where under the Swedish Presidency the highest level representatives (Swedish foreign minister Anna Lindt, High Representative Xavier Solana and Commissioner Chris Patten) came to the region.⁶⁵ Currently, the PCA provisions do not foresee deepening the relations beyond good partnership, which is mainly designed to “foster and press the countries of the region on reforms towards building democratic and market institutions”.⁶⁶

2.2.2 EUSR for the South Caucasus

The EU engagement in the region can additionally be highlighted by the establishment of the post of the EU Special Representative (EUSR) for the South Caucasus on July 7th, 2003 as well as the moves towards border monitoring assistance through the EUSR's Border Support Team. As the European Council explains, the duty of the EUSR is to promote EU policies and interests in the region, together with supporting peace, stability and the rule of law in Armenia, Azerbaijan and Georgia. The EUSR assists the work of high representative Solana and furthers the development of effective EU common foreign and security policy, which for its part promotes the EU's desire to play a more meaningful role in world politics.⁶⁷ The first EUSR for the South Caucasus, under the Council Joint Action 2003/496/CFSP, witnessed the appointment of

⁶⁴ Yakobashvili and Gogolashvili, *The South Caucasus*, 5.

⁶⁵ Centre for European Policy Studies, “CEPS Solution for the Troubled Caucasus,” 10 January, 2005 http://ceps01.link.be/Article.php?article_id=146

⁶⁶ Ibid.

⁶⁷ The Council of the European Union, *EU Council Secretariat Fact Sheet, EU Special Representatives* http://www.consilium.europa.eu/uedocs/cmsUpload/EUSRs-REV_Jan07.pdf

a Finnish diplomat, Heikki Talvitie to carry out the above listed tasks. The willingness to play a more active role in the region, created policy objectives for the Special Representative outlined in the Article 2 of the Joint Action, which encompasses helping the countries of the South Caucasus in political and economic reforms, preventing as well as contributing to the peaceful settlement of conflicts, promoting the return of refugees and internally displaced persons, as well as encouraging cooperation between the states of the region and generally increasing the EU's visibility.⁶⁸ The mandate of the EUSR was renewed in early 2006 and a new Special Representative, Peter Semneby, was appointed on 20th of February.

Together with this, the EU has embarked on a new initiative within the EUSR's mandate, creating the Border Support Team in April 2005 with a mandate mainly to advise the Georgian Border Guard and to provide mentoring in the field. Article 3(g) of the current EUSR's appointment Joint Action 2006/121/CFSP, which has two prior amendments (2005/330/CFSP and 2005/582/CFSP) to accommodate the added responsibilities of border management, requires him to provide the EU with reports and a continued assessment of the border situation, as well as facilitate confidence-building between Georgia and the Russian Federation. Together with this, the EUSR is responsible for assisting the Georgian Border Guard and other relevant government institutions in Tbilisi in preparing a comprehensive reform strategy. Also by working with the Georgian authorities, it is supposed to increase communication between Tbilisi and the border,

⁶⁸The Council of the European Union, *Council Joint Action 2003/496/CFSP*
<http://consilium.europa.eu/uedocs/cmsUpload/L169-8.7.2003.pdf>

including mentoring.⁶⁹ As for, secessionist regions, they are currently excluded from the process.

2.2.3 European Neighborhood Policy

Together with establishment of the legal framework for cooperation with the South Caucasus and creation of the post of the EUSR, the tendency of increased interest towards the region has been continued with the inclusion of the three countries into the European Neighborhood Policy (ENP) in June, 2004.⁷⁰ The ENP represents the latest tool in the hands of the EU to manage the relations with neighboring countries who are cut short of EU membership. The ENP aims at developing privileged partnership with participant states basing it on economic integration, security and political cooperation.⁷¹ As Leonard and Grant explain, the ENP “seeks to turn potentially unstable countries in the former Soviet Union, North Africa and Middle East into a ‘ring of friends’, by making European aid and market access conditional on economic and political reforms.”⁷²

The first initiatives of formulating the policy go back to the year 2001.⁷³ The ENP initially aimed at covering the relations with Belarus, Ukraine, Moldova and the Southern Mediterranean, but as Armenia, Azerbaijan and Georgia became part of the initiative in 2004, the policy now encompasses a significant number of the EU’s neighbors who either

⁶⁹ EUR-Lex European Union Law, *Council Joint Action 2006/121/CFSP*
http://www.eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_049/l_04920060221en00140016.pdf

⁷⁰ The European Commission, *European Neighborhood Policy*
http://ec.europa.eu/world/enp/partners/index_en.htm

⁷¹ Sevilay Kahraman, “The European Neighborhood Policy: The European Union’s New Engagement Towards Wider Europe,” *Perceptions* (Winter 2005):1
<http://www.sam.gov.tr/perceptions/Volume10/winter2005/SevilayKahraman.pdf>

⁷² Mark Leonard and Charles Grant, *Georgia and the EU: Can Europe’s neighborhood policy deliver*, Centre for European Reform, 2 http://www.cer.org.uk/pdf/policybrief_georgia_sept05.pdf

⁷³ The European Commission, *What is the European Neighborhood Policy*, 11 April, 2007
http://ec.europa.eu/world/enp/policy_en.htm

share a land or a sea border with the Union.⁷⁴ Furthermore, unlike the PCA, the Action Plan (AP), which outlines the terms of agreement with the participating countries, does not possess legally binding force. The AP rather represents means of political leverage, “outlining joint set of objectives and measures”, which are to be carried out between the EU and the participating states.⁷⁵ In addition, AP’s main goal is to bring the chosen countries norms and standards in unison with that of the EU, where the strategic partnership leads to deeper levels of integration. As Popescu argues, “the ENP is neither a foreign policy, nor an enlargement policy.”⁷⁶ Rather it represents a blend of domestic, foreign and enlargement policy tools, where the EU tries to tackle the issue of influencing its neighbors without immediate prospects of membership, where Action Plans overwhelmingly concentrate on domestic policies.⁷⁷

In November 2005, Armenia, Azerbaijan and Georgia started negotiations, and finalized the agreements for the period of 5 years taking effect from 2006.⁷⁸ Currently, the Action Plans for the South Caucasus countries represent “operational tools”, where on this stage no new contractual documents are planned to be introduced.⁷⁹ But once the 5 year period elapses and if the conditions of the Action Plans are met, the possibility of deepening the relationship with new agreement might follow.

⁷⁴ Andreas Marchetti, “Widening without Enlarging: The European Neighborhood Policy and the South Caucasus,” *Turkish Policy Quarterly* 5, no.2 (Summer 2006): 3.

⁷⁵ Ibid.

⁷⁶ Nicu Popescu, “The EU and the South Caucasus: learning lessons from Moldova and Ukraine,” *Journal of Foreign Policy of Moldova*, no. 04 (2006): 2,11

<http://www.cceol.com/aspx/getdocument.aspx?logid=5&id=b7746911-5e34-40b0-88b6-81d290af8bfe>

⁷⁷ Ibid.

⁷⁸ For comprehensive overview of the Country Reports and Action Plans for the South Caucasus countries visit the European Commission at http://ec.europa.eu/world/enp/documents_en.htm#2

⁷⁹ Yakobashvili and Gogolashvili, *The South Caucasus: Back and Forward to Europe*, 7.

Even if the EU argues that it “does not seek to impose priorities or conditions on its partners”,⁸⁰ considering the ENP as a mere tool for promotion of the EU’s values and norms is still debatable. It is important to note that, the ENP has been specifically designed to meet the objectives outlined in the European Security Strategy, “where the EU’s growing commitment towards its neighbors rather seems to follow a concise geopolitical logic”, which for its part explains the reason for including certain countries (like the South Caucasus) and excluding others (Kazakhstan, Kyrgystan, Tajikistan, Turkmenistan, and Uzbekistan).⁸¹ Thus, one of the major goals of the ENP is to minimize the Union’s security threats and advance the stability in its immediate neighborhood. The above move is well explained by the neorealist logic of maintaining regional security as well as minimizing possible threats emanating from neighbors.

2.2.4 Signs of Reluctance

As seen from the above, the EU engagement in the South Caucasus can be highlighted from several angles. The EU’s financial assistance has been significant for the emerging states of the South Caucasus as the collapse of the Soviet Union brought economic and social deterioration to this region. The EU funds have enabled Armenia, Azerbaijan and Georgia to fight poverty and meet the immediate humanitarian needs at the wake of independence. The Commission programs have facilitated building of railroads, oil and gas pipelines, as well as road networks. It has helped the countries in

⁸⁰ The European Commission, *European Neighborhood Policy Strategy Paper*, 8, 12 May, 2004 http://ec.europa.eu/world/enp/pdf/strategy/strategy_paper_en.pdf

⁸¹ Marchetti, *Widening without Enlarging*, 6.

institutional, administrative and judicial reforms, which has paved the way for the accession to the World Trade Organization (WTO)⁸² as well as Council of Europe (CoE).

Yet, together with positives, there are signs of reluctance which stem from the EU engagement in the region. With regards to the impact as well as efficiency of the EUSR for the South Caucasus, even if his mandate encompasses number of major tasks including support for political and economic reforms as well as settlement of conflicts, the actual impact of his involvement has not been prominent. The EUSR does not participate directly in negotiations with break away regions, merely assisting the UN and OSCE lead talks.⁸³ Also, in terms of evaluating the impact of the EUSR's Border Support Team so far, even if its inclusion into the EUSR's mandate demonstrates the increased awareness towards the border monitoring problem in Brussels, it is apparent that after the forced withdrawal of the OSCE Border Monitoring Operation (BMO), the border with the North Caucasus has been largely left unmonitored.⁸⁴ The EU has been unable to make a vigorous stand by initially sending only three officials, with the promise to increase personnel in an "unspecified future time".⁸⁵ Still, it should be noted that as far as the EUSR is concerned, his mandate, which has been reviewed above could well accommodate the rise of the EU's profile in the region that seems to rest more within the hands of politics than policies at present. Thus, when judging the EUSR's efficiency, we

⁸² Azerbaijan is still conducting negotiations for WTO membership; for further information visit World Trade Organization, *Accessions* http://www.wto.org/english/thewto_e/acc_e/a1_azerbaidjan_e.htm

⁸³ See Bruno Coppieters, "An EU Special Representative to a New Periphery," 160-163, in Dov Lynch ed., *The South Caucasus: a challenge for the EU*, Chaillot Paper 65, December 2003, The European Union Institute for Security Studies <http://www.iss-eu.org/chaillot/chaill65e.pdf>

⁸⁴ See Vladimir Socor, "France leads the EU's Nyet to Georgian Border Monitoring," *Eurasia Daily Monitor* 2 no. 76, 19 April 2005 http://www.jamestown.org/publications_details.php?volume_id=407&&issue_id=3303

⁸⁵ Ibid.

have to consider the fact that its actions are in line with all the complicating factors connected with enhancing the EU's presence in the region in general.

Together with the above, reluctance to treat the South Caucasus with greater importance stems from the ENP initiative itself. The ENP representing a “strategic adaptation from enlargement policies” tries to positively influence the EU's neighboring countries through opening up the prospect of closer cooperation with the Union but as Kelly argues, “the available policy tools are weaker, while the tasks in terms of political reform are more demanding”.⁸⁶ The ENP requirements are similar to those introduced to the acceding countries in the last decade, where contrary to the ENP member countries, acceding states have had a full prospect of membership. Accordingly, current ENP participants are not given a membership incentive, which would undoubtedly “help domestic public accept painful reforms”.⁸⁷ Therefore, when considering the South Caucasus, we can see that, the countries are put in “an arbitrary position”, where as part of the ENP initiative, they are deprived of the membership prospect, but are expected to fully comply with the vigorous demands, which may never be fully met and even turn into the source of conflict under the conditions if the states consider the ENP as a first step towards the eventual EU membership.⁸⁸ Consequently, we can see that if the EU had a genuine interest in fully supporting transformation of the South Caucasus countries into stable and democratic entities it would open up the prospect of membership, which would fuel the support for reform. This is especially true for Georgia, who has open aspirations of becoming a member. Furthermore, in case of the South Caucasus, the reluctance of the

⁸⁶ Judith Kelley, “New Wine in Old Wineskins: Promoting Political Reforms Through the New European Neighborhood Policy,” *Journal of Common Market Studies* 44 no.1 (2006): 48-50.

⁸⁷ *Ibid.*, 51.

⁸⁸ Marchetti, *Widening without Enlarging*, 8.

EU can be depicted from not working to materialize its pledge of applying the differentiated approach to all the ENP participants. The EU maintains a regional approach towards the South Caucasus with the ENP AP's being "quite similar" for all three states.⁸⁹ Furthermore, we can see that the start of negotiations for all three countries has been delayed once the Republic of Cyprus came to question the Azerbaijani connections with the Turkish Republic of North Cyprus.⁹⁰ Thus, not fulfilling the differentiation commitment further undermines the aspirations of compliance with demanding reforms, where country's individual achievements can be "held back by the laggards"⁹¹. Accordingly, the EU is not committing enough effort to apply individual treatment to the countries of the South Caucasus, which lowers the incentives of compliance depicting the Union's lack of interest towards the region.

2.3. Conclusion

We can see from the above chapter that the early years of the EU-South Caucasus relations generally focused on developing economic ties with the region as well as introducing the countries to the European values and norms. The EU has embarked on assistance programs immediately after the removal of the Soviet rule, and has initiated number of important regional undertakings under TACIS program, including TRACECA and INOGATE. Since the signing of the PCAs, which forms the legal basis of the EU-South Caucasus relations, the region has been gradually put on the EU's agenda. This has been further reconfirmed by the creation of the post of the EUSR for the South Caucasus as well as the inclusion of Armenia, Azerbaijan and Georgia in the ENP. It has been

⁸⁹Yakobashvili and Gogolashvili, *The South Caucasus: Back and Forward to Europe*, 7.

⁹⁰ Popescu, *The EU and the South Caucasus*, 8.

⁹¹ Kelley, *New Wine in Old Wineskins*, 34.

argued that, the ENP, together with the ability to promote EU values and norms, represents a tool for maintaining regional security and minimizing possible threats, the move which is well explained by the neorealist logic of upholding the stability of the direct neighborhood.

Furthermore, we can see that the EU assistance, through humanitarian support as well as by means of building railroads, pipelines and road networks, has enabled the South Caucasus states to sustain their weak statehood. This for its part has served as a way of furthering security of the Union's periphery, where newly independent states of the South Caucasus had the great potential of upsetting the regional tranquility in 1990s, when Armenia, Azerbaijan and Georgia were steps away from turning into failed states. Thus, the Union did not abandon this region even if the compliance with the democratic values has not been significant. On the contrary, it associated more closely with the South Caucasus. Here we can depict the Union as a rational actor, who by supporting the peaceful transition in the South Caucasus receives considerable gains in the light of stable neighborhood and resources.

Yet, the Union has shown the signs of reluctance when dealing with the region, which stems from the limited role of the EUSR as well as the ENP initiative in the South Caucasus. The actual impact of the EUSR's involvement has not been prominent, where the EU falls short of empowering the Special Representative with the ability to directly participate in negotiations with break away regions in the South Caucasus. Together with this, the initiation of the ENP has put forward demanding obligations for the South Caucasus states, where the incentives of compliance excludes the membership perspective, which represents the most powerful policy tool in the hands of the EU.

Accordingly, it has been argued that the Union is not sufficiently committed to reforming the region, which would necessarily involve the use of its most successful policy, the enlargement. I turn to reviewing the security interests, which should push forward the EU's engagement next.

Chapter 3: The Security Interests of the EU in the South Caucasus

After reviewing the evolution of the EU's engagement in the South Caucasus, in order to highlight the importance of the region to the Union, I turn to examining the EU security interests in the South Caucasus. I start by evaluating the importance of energy security, moving to assessing the security threats, which emanate from disputed territories, transnational crime, trafficking and terrorism. I conclude by summarizing the main findings and highlighting the linkages with the theoretical assumptions presented in the first chapter.

3.1. Energy Security

...we have seen the issue of security of energy supply become the issue of international relations... The reality is our growing dependence on imported energy... In an era when perhaps 70% of our gas need will come from outside the European Union, we must diversify and secure adequate import capacity. This is also true for oil.⁹²

The above speech by Andris Piebalgs, the Energy Commissioner of the EU, well demonstrates the Union's awareness of the need to secure alternative routes of energy supply. It is apparent that credible assumptions regarding European economic growth, energy prices, environmental regulations and similar factors predict the rise in energy import dependence for the EU.⁹³ As reported by the Commission's 'Green Paper', in case of inaction, in 20 to 30 years, 70% of the Union's energy requirements, as opposed to

⁹² Andris Piebalgs, Energy Commissioner, *Nabucco Pipeline – Searching for Alternative Routes for our Gas Supply*, Speech at the "Nabucco Energy Ministerial Conference" Vienna, 26 June 2006

<http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/06/413&format=HTML&aged=0&language=EN&guiLanguage=en>

⁹³ John Gault, "EU Energy Security and the Periphery", in Roland Dannreuther ed., *European Union Foreign and Security Policy* (London, New York: Routledge, 2004), 171.

current 50%, will be supplied through imported products.⁹⁴ As Gault explains, European oil production, mainly in the North Sea, will decrease from about 7 million barrels per day (mmbd) to less than 3 mmbd by 2030.⁹⁵ Accordingly, “reducing the risks linked to such dependence” as well as “balancing between and diversifying the various sources of supply (by product and by geographical region)”⁹⁶ becomes an increasingly important undertaking.

Currently, as stated in the European Security Strategy, Europe is the biggest importer of oil and gas, where most energy imports come from the Gulf, Russia and North Africa.⁹⁷ The EU’s dependence on Russia is particularly prominent, covering about 44% of the gas imports and 18% of the oil imports.⁹⁸ Additionally, Russia, representing the world’s second largest producer and exporter of oil (following Saudi-Arabia) and “global number one for gas”, controls oil and gas output from the Eastern Caspian (Kazakhstan, Turkmenistan).⁹⁹ As a result, Europe suffers from dual dependence on Russia in the light of first, the country’s own supplies as well as transit of supplies from the Caspian region.¹⁰⁰ Together with this, the latest events in connection with Ukraine, where in early January 2006, Russia’s *Gazprom* cut the gas supply to Ukraine in order to negotiate a deal for higher prices on gas delivery,¹⁰¹ clearly demonstrates that the country

⁹⁴ The European Commission, *Green Paper: Towards a European Strategy for Security of Energy Supply*, Brussels, 29 November, 2000 COM 769 Final, 4 http://ec.europa.eu/comm/energy_transport/doc-principal/pubfinal_en.pdf

⁹⁵ Gault, *EU Energy Security*, 171-172.

⁹⁶ The European Commission, *Green Paper 29 November 2000*, 4.

⁹⁷ *European Security Strategy*, 8.

⁹⁸ Malek, *The South Caucasus at the Crossroads*, 156.

⁹⁹ Vladimir Socor, “The Caspian – Black Sea Region: A Key to Diversifying Europe’s Energy Supplies,” in Ronald D. Asmus ed., *Next Steps in Forging a Euroatlantic strategy for the Wider Black Sea* (Washington, D.C.: The German Marshall Fund of the United States, 2006), 141.

¹⁰⁰ Ibid.

¹⁰¹ Michael Thumann, “European Energy security, the Black Sea and Russian interests – Can there be a common strategy,” in Ronald D. Asmus ed., *Next Steps in Forging a Euroatlantic strategy for the Wider Black Sea* (Washington, D.C.: The German Marshall Fund of the United States, 2006), 125.

is ready and able to use its resources as a political leverage for bargaining, which in case of necessity can easily be applied to the EU as well. Furthermore, due to the change in the global market since September 11th, Europe has a prominent interest in diversifying its supplies to lessen the reliance on Saudi Arabian as well as Persian Gulf oil.¹⁰² Therefore, the South Caucasus, constituting part of the Western Caspian, represents an important transit route where stabilization and integration of the above region into the European environment can be seen as an important aspect of the EU's energy security approach.

Accordingly, the Union acknowledges the significance of upgrading and constructing new infrastructure needed for the security of the EU energy supplies, where creation of TRACECA and INOGATE are the first steps in facilitating direct imports of Caspian oil and gas through the South Caucasus states to Europe. The importance of developing necessary infrastructure in the region, as well as backing already initiated projects stems from the interest in resource rich Azerbaijan, as well as highly convenient transit route from Azerbaijan via Georgia to Turkey, where together with the possibility of acquiring Caspian and Central Asian (Kazakhstan, Turkmenistan) resources, the Union is able to avoid both Russia and Iran on its way. Accordingly, alongside the United States, the EU has stakes in supporting the Baku-Tbilisi-Ceyhan¹⁰³ (BTC) as well as South Caucasus Pipeline projects.¹⁰⁴ The above largely US promoted East-West energy corridor benefits the common Euro-Atlantic interest of diversifying Europe's energy supplies,

¹⁰² Zeyno Baran, "Developing a Euro-Atlantic Strategy Towards Black Sea Energy: The Example of the Caspian", in Ronald D. Asmus, Konstantin Dimitrov and Joerg Forbig ed., *A New Euro-Atlantic Strategy for the Black Sea Region* (Washington D.C. The German Marshall Fund of the United States, 2004), 116.

¹⁰³ Visit official web page of the British Petroleum, *Baku-Tbilisi-Ceyhan Pipeline Overview* <http://www.bp.com/genericarticle.do?categoryId=9006669&contentId=7014358>

¹⁰⁴ Visit official web page of the British Petroleum, *South Caucasus Pipeline Overview* <http://www.bp.com/genericarticle.do?categoryId=9006670&contentId=7014371>

accomplishing parts of TRACECA and INOGATE program goals, but, as Socor argues, the EU seems to be “remotely interested” in active participation letting the US take the lead.¹⁰⁵ Nonetheless, since the South Caucasus has been included in the ENP, the importance of energy issues have been additionally reflected in the countries Action Plans, which aims at converging South Caucasus energy strategies with the EU energy policy objectives.¹⁰⁶

However, it is important to highlight that the Caspian region with its 34-billion-barrel oil potential can not constitute a major rival to OPEC (Organization of the Petroleum Exporting Countries)¹⁰⁷ with its proven reserves of over 800 billion barrels, “and it would be unfounded to assume that the BTC pipeline is crucial in lessening Western dependence on oil from the Middle East: [whereas] it will supply only one percent of global oil demand at first stage”.¹⁰⁸ Therefore, the pipeline will be beneficial in multiplying the routes of supply to Europe, but the issue of diversification of the EU oil and gas supply will still remain high on the agenda in the upcoming future.¹⁰⁹

3.2. Disputed Territories

Due to the fact that the South Caucasus possesses a significant stake in European energy security, the stability and development of the region gains utmost importance. The integration of the South Caucasus into European structures is increasingly hindered by the separatist areas of Abkhazia and South Ossetia in Georgia, as well as a dispute over Nagorno-Karabakh region between Armenia and Azerbaijan. The conflict regions have

¹⁰⁵ Vladimir Socor, “The EU in the South Caucasus: Too Little, But Not Yet Too Late,” *Wall Street Journal Europe*, October 03, 2003

¹⁰⁶ Leila Alieva, *EU and the South Caucasus*, Bertelsmann Group for Policy Research, Discussion Paper, December 2006, 16.

¹⁰⁷ For additional information visit <http://www.opec.org/home/>

¹⁰⁸ Malek, *The South Caucasus at the Crossroads*, 159.

¹⁰⁹ Ibid.

the potential of triggering instability in the EU's immediate neighborhood, which can lead to the creation of direct security threats for the Union. This is especially true under circumstances when, after the latest enlargement with Bulgaria and Romania on January 1st 2007, Georgia shares a Black Sea border with the EU. Abkhazia, one of the break away regions of the country, is situated on the shores of the Black Sea.

The settlement of the abovementioned conflicts has been tackled by a number of international organizations. As for the EU, the above security concerns urge the Union to become more actively engaged alongside the main international players in the region. It should be highlighted that the importance of taking "stronger and more active interest in the problems of the Southern Caucasus" is explicitly outlined in the European Security Strategy,¹¹⁰ where regional conflicts are considered as a great threat to stability. Accordingly, the Union has advanced its reach to the disputed territories, first by upgrading the mandate of the EUSR and later by including conflict settlement as one of the priority areas in the ENP Action Plans. The Action Plans represent a new opportunity for involving the Union to a greater extent in the conflict resolution process, where each South Caucasus state has attempted to attach individual interests to the wording of the AP's.¹¹¹

However, even if many believe the Union can serve as an 'honest broker' between the conflicting parties and create favorable conditions for settlement,¹¹² apart from the abovementioned innovations, the EU's role in resolution of the South Caucasus territorial disputes is not seen as widely engaging. As International Crisis Group explains, the EU

¹¹⁰ *European Security Strategy*, 15.

¹¹¹ Alieva, *EU and the South Caucasus*, 13.

¹¹² Arman Grigorian, "The EU and Karabakh Conflict," in Dov Lynch ed., *The South Caucasus: a Challenge for the EU*, Chaillot paper 65, December 2003, European Union Institute for Security Studies, 140 <http://www.iss-eu.org/chaillot/chaill65e.pdf>

does not participate in negotiations either in Nagorno-Karabakh or Abkhazia and South Ossetia,¹¹³ rarely raising the issue of South Caucasus conflicts at the high level discussions with partners, having involved few sanctions or incentives for the peace process.¹¹⁴ The Union's engagement is recommended at different levels, including increasing its political visibility, creating new incentives and applying conditionality, where the EU is able to act as an impartial third party distinct from US/Russia rivalries.¹¹⁵ The sending of civilian and military assessment missions under the ESDP, as well as direct and active participation in the negotiation process through the EUSR is also widely encouraged. Nevertheless, as Grigorian argues,

It would be naïve, and even dangerous, to neglect the enormous obstacles that the EU will undoubtedly encounter. The problems facing the South Caucasus are very real and very difficult to solve. Success is far from guaranteed, and failure may actually make things worse. Therefore, any third party involvement, including that of the EU, should be based first and foremost on a careful analysis of these obstacles.¹¹⁶

3.3. Transnational Crime and Trafficking

The extensive list of the South Caucasus security threats is far from being immune to transnational criminal activities. Since the collapse of the Soviet Union, the growth of organized crime in the former Soviet republics has been considerable.¹¹⁷ There are a number of factors contributing to the above, including weakness of state structures, economic downturn following the collapse of the Soviet system, geographical aspects, which places former Soviet countries between the source of illicit drugs and the major market, Europe, as well as state institutions which “have proven to be malleable to

¹¹³ As part of South Ossetia's rehabilitation program, the European Commission participates in the meetings regarding economic aspects of the Joint Control Commission in the break away region, but this does not envisage any political input

¹¹⁴ International Crisis Group, *Conflict Resolution in the South Caucasus: the EU's Role*, Europe Report 173, March 20, 2006 <http://www.crisisgroup.org/home/index.cfm?id=4037>

¹¹⁵ Ibid.

¹¹⁶ Grigorian, *The EU and Karabakh Conflict*, 129.

¹¹⁷ Svante E. Cornell, “The Growing Threat of Transnational Crime,” in *The South Caucasus: a challenge for the EU*, Chaillot paper 65, December 2003, The European Union Institute for Security Studies, 23.

corruption”.¹¹⁸ Unfortunately, all of these factors are characteristic of the South Caucasus states.

The uncontrolled territories of the region have immense impact on the proliferation of transnational criminal activities. These regions are governed by separatist authorities, which are not held accountable against state regulations or international law.¹¹⁹ Together with this, as Cornell explains, the armed conflicts in the South Caucasus have been accompanied by severe deterioration of the regional economy. Conflicts have also had its impact on governance, where corruption has become a widespread phenomenon for state structures.

Together with this, since September 11th, international concern regarding links between uncontrolled territories and transnational crime has gained greater significance. Whereas weapons, fuel and people are all trafficked for profit, the drug trade is still seen as the most lucrative.¹²⁰ As for the South Caucasus, its ‘beneficial’ strategic location links the region with the “Balkan” and “Northern” routes for drug smuggling, intercepting with Iran-Azerbaijan and Iran-Armenian borders where part of the goods finds its way to Georgia before reaching either Russia or Europe, with the ‘northern’ route involving transits via Georgia and Azerbaijan across the Caspian, particularly from Turkmenistan.¹²¹ The uncontrolled conflict territories exacerbate the situation even further, providing convenient passages for drug movement.

¹¹⁸ Ibid., 23-25.

¹¹⁹ See Alexandre Kukhianidze, Aleko Kupatadze and Roman Gotsiridze, *Smuggling through Abkhazia and Tskinali Region/South Ossetia*, Transnational Crime and Corruption Center (Tbilisi: American University, 2004) <http://www.traccc.cdn.ge/publications/>

¹²⁰ Cornell, *The Growing Threat of Transnational Crime*, 28.

¹²¹ Ibid, 29-32.

Arms and nuclear smuggling is another major criminal activity in the Caucasus, which is not surprising considering the fact that the region represents a crossroad between main suppliers of arms and nuclear components from Russia to their customers in the Middle East.¹²² It is reported that nuclear smuggling cases have risen drastically in this area, where between 1996 and 2001, 16 of the 72 registered cases world wide occurred in Turkey, Caucasus and Central Asia.¹²³ As the New York Times reports, the regions of the former Soviet Union continue to provide a fruitful ground for illicit trade and trafficking in atomic materials.¹²⁴ The importance of border security proved especially alarming when in January 2006, a Russian citizen was arrested after crossing the border with Georgia, carrying 100 grams of uranium, enriched to the level it could be used “to fuel an atom bomb”.¹²⁵ A similar case was reported in 2003, when an arrest was made after an attempted border crossing from Georgia to Armenia of a man in possession of 170 grams of uranium.¹²⁶ As noted by nuclear experts, the most troublesome factor of the above cases rests in the material itself: in big quantities, it could provide terrorists with the ability to make a nuclear weapon.¹²⁷ Finally, together with all of the above security challenges, Georgia, Armenia and Azerbaijan represent transit countries for human trafficking for sexual exploitation in Turkey, the United Arab Emirates (U.A.E.), Greece, Israel, Russia, Pakistan and Western European countries.¹²⁸

¹²² Ibid., 37.

¹²³ Douglas Frantz, “Nuclear Booty: More Smugglers Use Asia Route,” *The New York Times*, September 11, 2001.

¹²⁴ Lawrence Scott Sheet and Willian J. Broad, “Georgia Says It Blocked Smuggling of Arms-Grade Uranium”, *The New York Times*, January 25, 2007

¹²⁵ Ibid.

¹²⁶ Radio Free Europe, “Georgia: Uranium Case Underscores Nuclear-Safety Fears,” January 26, 2007 <http://www.rferl.org/featuresarticle/2007/01/573b0a06-2f67-4d30-93d4-7c9d5a034899.html>

¹²⁷ Ibid.

¹²⁸ See US State Department, *Trafficking in Persons Report*, June 2006 <http://gvnet.com/humantrafficking/index.html>

The European Union well acknowledges the significance of cooperation with third countries in the fight against the above listed threats, which is explicitly stated in the December 2005 Council's Strategy for External Dimension of Justice, Freedom and Security.¹²⁹ The ENP Action Plans have outlined cooperation in the fields of justice, freedom and security as one of the priority areas for the South Caucasus countries. The cooperation on border management, the fight against organized crime, trafficking in human beings, drugs and money laundering is emphasized in all of the three AP's.¹³⁰ Nevertheless, organized criminality and corruption has not been tackled through a number of EU available instruments, including ESDP civilian crisis management operations, which could facilitate the Union's deeper engagement in the region.

3.4. Threats of Terrorism

Terrorism, identified as the biggest of the five major threats facing Europe in the European Security Strategy, has topped the Euro-Atlantic security agenda since September 11th, resulting in a redefinition of the strategic significance of the wider Black Sea region, of which the South Caucasus forms a part.¹³¹ As MacFarlane explains, the involvement of Islamic militants in Chechnya as well as in Georgia, and the close links of the above groups with al-Qaida point at the importance of the Caucasus in the 'war on terror'. Coming out of the abovementioned, the EU has a stake in supporting economic,

¹²⁹ The European Commission, Justice and Home Affairs, External Relations, *A Strategy for the External Dimension of JHA*

<http://register.consilium.europa.eu/pdf/en/05/st14/st14366-re03.en05.pdf>

¹³⁰ For comprehensive overview of the Country Reports and Action Plans for the South Caucasus countries visit the European Commission at http://ec.europa.eu/world/enp/documents_en.htm#2

¹³¹ Sergiu Celac, "Five Reasons Why the West Should Become More Involved in the Black Sea Region." in Ronald D. Asmus, Konstantin Dimitrov and Joerg Forbig ed., *A New Euro-Atlantic Strategy for the Black Sea Region* (Washington D.C. The German Marshal Fund of the United States, 2004), 138.

as well as the political problems of the region, which creates a “fairly strong case for EU engagement in the Caucasus”.¹³²

The concerns over terrorist activities in the region reached its peak on several occasions. In October 1999, the Armenian Parliament was captured by a terrorist group, which resulted in 8 people’s death, including the Prime-Minister, Speaker of the Parliament and Two Vice-Speakers.¹³³ Together with this, in connection with the Pankisi Gorge on the territory of Georgia, the perceived threats of terrorism became a huge concern. The Georgian government received allegations from the Russian side for years regarding the harboring of Chechen terrorists on their soil. As Devdariani explains, the Pankisi Gorge, which borders the Russian Federation, “gradually developed over the 1990s into a lawless criminal area of Georgia where Chechen fighters driven from Russia found shelter”.¹³⁴ Following the official Russian accusations, and threats of Russian hot pursuit actions against Chechen fighters into the Georgian territory,¹³⁵ the Georgian government, with the support and insistence of the United States, was compelled to conduct a clean-up operation. The results were disquieting, with a number of boeviks either arrested or forced into Russian territory.¹³⁶

Coming out of the abovementioned, it is increasingly beneficial for Europe to support the South Caucasus states in fighting regional instability, which can backfire on European security at any point. Furthermore, the South Caucasus, as an energy transport corridor, can suffer immensely if under any circumstance it becomes a victim of an

¹³² MacFarlane, *The South Caucasus and Central Asia*, 125.

¹³³ Uwe Halbach, “Insecurity in the Caucasus: Views from Outside”, in Gayane Novikova ed. *The South Caucasus Regional security and Stability*, Conference Papers (Yerevan: Amrots Group, 2004), 98.

¹³⁴ David Darchiashvili, “Georgian Security Problems and Policies,” in *The South Caucasus: a challenge for the EU*, Chaillot paper 65, December 2003, The European Union Institute for Security Studies, 117.

¹³⁵ Ibid.

¹³⁶ See BBC News, “Georgia Says Gorge ‘Under Control’”, September 2, 2002 <http://news.bbc.co.uk/2/hi/europe/2231955.stm>

unfortunate terrorist attack. Creating a ‘security belt’, where the states of the region will represent a front line for hindering the penetration of terrorist threats to Europe¹³⁷ could be highly advantageous for the EU. This is especially true under the circumstances, when the South Caucasus bears geographical proximity with the Middle East. This huge importance of neighborhood stability, as MacFarlane argues, can make the Union willing to exchange democratic principles for strong leadership, where the EU may allow itself to ignore the “transgressions of leaders of the countries” who are important players in the energy sector (like Azerbaijan) and the fight against terrorism.¹³⁸

3.5. Conclusion

As seen from the above, the EU member states, as rational actors, have strong interest in the South Caucasus, where the region holds significant incentives for engagement, with oil and gas rich Azerbaijan as well as convenient transit rout via Georgia to Turkey, avoiding Russia and Iran. Yet, as neorealists argue, the states are sensitive to costs and with the shift of external constraints and opportunities they alter their strategies in connection with participation. Thus, the EU member states, engage in the South Caucasus energy supply issues to the extent which benefits them, including support for BTC and South Caucasus Pipelines but due to obstacles, which increase the costs of engagement, still maintain a cautious approach. This is especially true under circumstances when, as provided above, the resources from the Caspian are not able to constitute a measurable alternative to that of major suppliers. Furthermore, under neorealist logic, anarchical environment pushes states to act according to their interest,

¹³⁷ Diana Ananyan, “The South Caucasus: On the Eve of Istanbul Summit,” June 23, 2004, SPECTRUM Center for Strategic Analysis <http://www.spectrum.am/eng/articles.php?id=31>

¹³⁸ MacFarlane, *The South Caucasus and Central Asia*, 131.

which influences the EU member states outlook towards the region, where we see fundamental interests colliding with obstacles of engagement discussed in the subsequent chapter.

Furthermore, the economic prosperity of the region is largely linked with the political stability of the South Caucasus, which is constantly at risk due to the existence of disputed regions in Georgia as well as between Armenia and Azerbaijan. In order to increase the security of its direct neighborhood, where the issue of governance under anarchic system is provided by major regional powers, the Union is compelled to become a better security actor, introducing innovations in the EUSR's mandate as well as strengthening the conflict resolution issues through the Action Plans of the ENP. The importance of regional security is further reconfirmed by threats emanating from transnational crime and trafficking as well as terrorist activities in the region. Coming out of the abovementioned, as has been argued above, the Union might be compelled to exchange democratic principles for strong leadership if a country represents an important player either in the energy sector (like Azerbaijan) or in the fight against terrorism. This serves to undermine the normative value of the Union, where ignoring the wrongdoings of leaders in exchange for security and resources depicts its behavior as a rational actor, with choices of involvement made under calculation of costs and benefits.

Accordingly, even if under constructivist logic, the ideological power is supposed to portray the Union's international identity, we see an apparent hierarchy between the EU's security interests and the core EU normative principles such as liberty, democracy, rule of law or respect for human rights. As part of the neorealist assumptions, these could be viewed in the lenses of the 'second-order concerns', where the states do pursue non-

security goals but place security interests and balance-of-power logic on the top of normative aspirations. Moreover, we have to consider the fact that normative diffusion is not sufficiently strong in the South Caucasus even if the procedures necessary for it are provided, where we still see the Union remain interested in the region. Institutionalization of a relationship under cooperation agreements (procedural diffusion), as well as aid and technical assistance with conditionality (transference) and physical presence of the Union (overt diffusion) through Commission delegations are all taking place in the region but the compliance with the EU values and norms can not be considered successful. Still we see the Union continuing its engagement in the region, where apparently incentives for the EU actions can not be considered entirely normative when dealing with the South Caucasus.

Together with this, the South Caucasus, even if important for the EU energy security, still does not constitute a major priority on the Union's agenda. Under conditions when the disputed territories create significant security threats, there is no active EU involvement in the conflict resolution process, where the role of the Union is limited to financial assistance and support of other actors on the ground. Together with this, although transnational crime and trafficking, as well as threats of terrorism are thriving in the region, we see only vague interest from the EU's side to tackle these issues, where the use of available instruments, such as ESDP missions is not even discussed. This is puzzling due to the fact that ensuring the neighborhood's stability can not be achieved without elimination of the major obstacles in the light of the above listed threats. Thus, even if it is increasingly beneficial for the EU to fight the regional instability in the

South Caucasus, we see the great reluctance within the Union to treat the region with sufficient interest. I turn to reviewing the factors hindering the EU's engagement next.

Chapter 4: The Factors Influencing the EU's Reluctance in the South Caucasus

After reviewing the security interests of the EU in the South Caucasus, I now turn to addressing the question why the EU has been reluctant to enhance its activities in the South Caucasus. I identify four major obstacles which contribute to maintenance of the EU's limited role in the region. These are the difficulty of formulating a relationship with Russia, the lack of strategy towards the region, regional differences and overcrowded international presence.

4.1. Formulating a Relationship with Russia

To start with, the European reluctance to engage more actively in the South Caucasus is conditioned by a number of factors, where most importantly the review of Russian policies towards the region followed by the Union's response to the Russian approach is appropriate. Among the regional powers Russia is the major player in the South Caucasus. The country has been working on establishing its dominance in the region since the collapse of the Soviet Union, where the CIS represents one of the Russian attempts to establish its "hegemonic role".¹³⁹ Russia has maintained military bases in Georgia and Armenia and while Georgia negotiated an agreement for the withdrawal of military equipment at the 1999 OSCE Summit in Istanbul, a promise which has been well dragged in time, Armenia still maintains 102 Russian bases on its territory.¹⁴⁰

¹³⁹ Dekanozishvili, "The EU in the South Caucasus", 5.

¹⁴⁰ Malek, *The South Caucasus at the Crossroads*, 153.

Together with this, it is no news that Russia has been actively involved in all three South Caucasus conflicts. Russian troops in their ‘peacekeeping roles’, have become guarantors of the continuing existence of break away regions in Georgia and as Baev argues, Russian incentives for ‘de-freezing’ conflicts falls short of motivation.¹⁴¹ It is in Russia’s interest to maintain the *status quo*, since these conflicts provide the country with a powerful tool for having the final say in political developments in the region.¹⁴² Accordingly, Russia is keen on maintaining its strong leverage over the conflict resolution in order to keep the South Caucasus states in its direct sphere of influence. Furthermore, the existence of unresolved conflicts hinders the countries positioning on the international arena, where for example Georgian aspirations of membership in Western security structures is not easily achievable before a settlement is found. Together with this, an additional geopolitical value of the South Caucasus for Russia is seen in creating an “unstable buffer zone” between a number of rival powers (Turkey, Iran), while the “immediate proximity” with the North Caucasus, where Chechnya borders Georgian territory, is also a significant factor, which requires active policies towards the South.¹⁴³ More importantly, this is added to economic concerns including active Russian interest in the Caspian oil and gas policies.¹⁴⁴

As for the EU, its response to Russian policies in the region can be best termed as the ‘Russia-first’ approach. As Malek argues, apart from certain US presence, Russia seems to remain a leading power in the South Caucasus setting terms for further

¹⁴¹ Pavel Baev, “Russia’s Policies in the North and South Caucasus”, in Dov Lynch ed., *The South Caucasus: a Challenge for the EU*, Chaillot Paper 65, December 2003, European Union Institute for Security Studies, 49.

¹⁴² For comprehensive overview see Alexei Arbatov and others, *Managing Conflicts in the Former Soviet Union: Russian and American Perspectives* (London, Massachusetts: The MIT Press, 1997)

¹⁴³ Dekanozishvili, “The EU in the South Caucasus”, 5.

¹⁴⁴ See Svante E. Cornell, *Small Nations and Great Powers* (England: Curzon Press, 2001), 359-361.

European integration of these states. Together with this, the strategic importance of the European energy security and the Russian ability to fuel Europe's dependence makes the EU and Russia indispensable partners. Accordingly, even if the South Caucasus represents an important alternative transit route for diversification of European energy supply, the EU is still reluctant to contradict its Northern neighbor in issues related to the region, where maintaining a good working relationship with one of its major providers of energy is crucial. Furthermore, as noted in chapter three, the Caspian supplies can not be compared to that of Russian resources, where instead of looking for alternative routes, the Caspian oil and gas is often discussed as part of the EU-Russia energy dialogue in Europe. Moreover, as noted by Solana at the Energy Conference in Brussels,

Obviously, we should engage all key supplier and transit countries. But whatever we do, Russia will be the mainstay of our energy imports. We are right to insist on wanting a genuine partnership. But here too, we should ask ourselves some tough questions.¹⁴⁵

Additionally, when answering the question how the energy objectives will influence choices in foreign policy, Solana acknowledges that energy needs may cut short the EU's "ability to push wider foreign policy objectives", including areas of conflict resolution, human rights and good governance.¹⁴⁶ Also, it must be noted that often resources lie in the hands of leaders who are not closely associated with Western values and norms (e.g. Azerbaijan), where the quest for democratization agenda complicates the goal of diversification of energy supplies.¹⁴⁷ Accordingly, the Union may be compelled to act as a rational actor choosing its major security needs over normative values. We see an apparent conflict in the EU's major interests, where on the one hand access towards the

¹⁴⁵ The European Council, *Towards an EU External Energy Policy*, The 2006 Brussels Conference, November 2006, 19
http://ec.europa.eu/external_relations/energy/energy_conference_2006/final_brochure.pdf

¹⁴⁶ The European Council, *Towards an EU External Energy Policy*, 18.

¹⁴⁷ S. Neil MacFarlane, "The South Caucasus and Central Asia," in Roland Dannreuther ed., *European Union Foreign and Security Policy* (London, New York: Routledge, 2004), 131.

energy resources is crucial, but on the other hand the need for resources complicates obtaining an affirmative stance on other also significant issues, such as conflict resolution, rule of law or human rights. As an example, we can see the EU's cautious approach towards the conflict territories in the South Caucasus. Even if the Russian engagement in these conflicts is primarily viewed in negative terms, creating a major obstacle in the resolution of the disputes, the recommendations regarding EU involvement as an impartial third party negotiator or peacekeeper has been left unanswered. The Georgian government has continually tried to replace the Russian dominated peacekeeping, which is "not in line with the approved principles of UN peacekeeping,"¹⁴⁸ by international observers but the EU has been unreceptive. As a response to Russian resistance, the Union has declined from taking over a border monitoring operation from the OSCE in Georgia, largely due to the fact that the Georgian request was seen "as an attempt to drive a wedge between Russia and the EU, with which Moscow is linked by close ties of partnership".¹⁴⁹ The Russian dismay with regards to the idea of the EU's presence on the Georgian-Russian border resulted in choosing the weakest option available for EU engagement, by sending only three experts to Tbilisi.¹⁵⁰ Furthermore, the Union's policies towards Nagorno-Karabakh are even weaker than towards Georgian conflicts.

4.2. Lack of Strategy Towards the Region

Together with the 'Russian factor' in the EU-South Caucasus relations, one of the important criticisms when discussing the Union's policies towards the region, stems from the fact that it has shown great reluctance in developing a coherent strategy towards the

¹⁴⁸ Malek, *The South Caucasus at the Crossroads*, 154.

¹⁴⁹ Central Asia-Caucasus Analyst, "Russia Slams Georgian Request for EU Border Monitoring," March 4, 2005 http://www.cacianalyst.org/view_article.php?articleid=3143

¹⁵⁰ Socor, *France leads the EU's Nyet to Georgian Border Monitoring*

region. As Malek argues, the South Caucasus suffers from a limited interest from the Western public.¹⁵¹ Lynch further explains that EU policies towards the region are not a result of “calculated decisions taken as part of clear policy-making process” but quite the contrary.¹⁵² There are a number of reasons, which hinder the formulation of a decisive strategy towards the South Caucasus. To start with, we need to consider the complexity of the region itself.¹⁵³ As seen from the previous chapter, there are important internal as well as external security threats emanating from the South Caucasus. This creates a huge complication when trying to construct a universal policy approach, which would benefit all the interested parties, including Russia and Iran. Together with this, the “ethnically and religiously highly heterogeneous South Caucasus”¹⁵⁴, is comprised of countries with diverse political, economic and religious background. Accordingly, when the Union “is defining its interests in these countries in security terms”,¹⁵⁵ it is apparently faced with a multitude of problems.

Together with this, an additional obstacle for formulating a decisive strategy includes the existence of more urgent priorities on the Union’s agenda, which require greater attention than that of South Caucasus’ problems. As Popsecu argues, “the South Caucasus may seem unstable because of its conflicts, but it is not the most unstable region in the greater EU neighborhood.”¹⁵⁶ He further continues that the regions both to the North and South of the South Caucasus suffer from less stable conditions. Chechnya, Kurdish, Iranian and Iraqi problems present the situation in Armenia, Azerbaijan and

¹⁵¹ Malek, *The South Caucasus at the Crossroads*, 145.

¹⁵² Dov Lynch, “The EU: Towards a Strategy,” in Dov Lynch ed., *The South Caucasus: a Challenge for the EU*, Chaillot Paper 65, December 2003, European Union Institute for Security Studies, 172.

¹⁵³ *Ibid.*, 176.

¹⁵⁴ Malek, *The South Caucasus at the Crossroads*, 145.

¹⁵⁵ Coppieters, *An EU Special Representative to a New Periphery*, 159.

¹⁵⁶ Nicu Popescu, *Europe’s Unrecognized Neighbors*, CEPS Working Document no. 260, March 2007, Center for European Policy Studies, 6.

Georgia in fairly stable terms. “Thus, there is a sense that the South Caucasus is urgent, but not the most urgent task for EU foreign policy.”¹⁵⁷ Together with this, the “limited budgetary envelope for stabilization” is to a great extent dominated by the Balkans, which hinders greater coordination for a sharper policy towards the region.¹⁵⁸ Apart from the fact that Balkans, Moldova and the Middle East are geographically nearer to the EU, they require bigger EU foreign policy commitment.¹⁵⁹ The ESDP operations, which are already deployed in number of areas, take up most of the limited resources of the CFSP budget, where as Popescu argues, “some tough decisions on priorities are required”, and while there has been an increase in funds for EU foreign policy, the commitments have increased as well.¹⁶⁰

Together with all of the abovementioned, it should be highlighted that the “South Caucasus has not had a lobbyist within the EU to catalyze a greater interests from Brussels”.¹⁶¹ Member states as rational actors engage in the regions with strategic importance to their interests, where as an example we can see that Finland has played a decisive role in the formulation of the Northern Dimension for the Union, while Spain has been active in the Barcelona process.¹⁶² As for the South Caucasus, a member based lobby has not been sufficiently strong to urge more active involvement.¹⁶³

4.3. Regional Differences

¹⁵⁷ Ibid.

¹⁵⁸ MacFarlane, *The South Caucasus and Central Asia*, 132.

¹⁵⁹ Popescu, *Europe’s Unrecognized Neighbors*, 6.

¹⁶⁰ Ibid., 7.

¹⁶¹ Lynch, *The EU: Towards a Strategy*, 179.

¹⁶² Ibid.

¹⁶³ MacFarlane, *The South Caucasus and Central Asia*, 132.

Together with problems associated with the Russian presence in the region as well as difficulty of formulating a decisive strategy towards the South Caucasus, the EU's relatively passive engagement stems from the regional differences within the South Caucasus states itself, where the attitudes of the three countries towards the Union are conditioned by their foreign policy priorities and threat perceptions, which creates significant divergence in the countries' aspirations towards greater European integration.¹⁶⁴

Armenia has maintained one of the best ties with Russia since the collapse of the Soviet Union. The above is mainly provoked by severely strained relations between Armenia and Azerbaijan, as well as broken diplomatic relations with Turkey. As Cornell explains, "a historical factor, understood in Armenia as genocide of Armenians that Turkey continuously refuses to recognize" creates fears of Turkish aggression in the country.¹⁶⁵ Even if Turkey's post-1945 foreign policy, its NATO membership and the EU aspirations makes Turkish hostility highly improbable, the above threat perception still seems to "guide Armenian foreign policy".¹⁶⁶ These fears are further reconfirmed by the Turkish sympathy towards Azerbaijan over the Nagorno-Karabakh conflict, where closure of the common border and refusal to open up diplomatic relations with Armenia serves as an additional proof of enmity.¹⁶⁷ This sets the stage for Armenian "strong security relations" with Russia, as well as close links with Iran.¹⁶⁸

¹⁶⁴ Point confirmed at the interview by author with Irakli Rekhviashvili, former Minister of Economic Development of Georgia, May 25, 2007 Budapest, Hungary

¹⁶⁵ Svante E. Cornell and others, *A Strategic Conflict Analysis of the South Caucasus*, Central Asia-Caucasus Institute, June 2005, Prepared for the Swedish Development Cooperation Agency, 11.

¹⁶⁶ Ibid.

¹⁶⁷ Ibid., 12.

¹⁶⁸ Ibid.

As for Azerbaijan, the initial security concerns after independence focused more on Russia's assertive role in the country, which threatened its sovereignty and undermined its power position towards Armenia, where Russia has used the Nagorno-Karabakh conflict as leverage to increase its influence in Azerbaijan.¹⁶⁹ Gradually the relations between the two countries have improved, where major Azerbaijani security threats have shifted towards Iran. Iran-Azerbaijani relations have remained problematic, with an incident in summer 2001 involving fears of Iranian military action to stop international companies based in Azerbaijan from carrying out exploration activities in the areas of the Caspian Sea towards which Iran had its claims.¹⁷⁰

Finally, Georgia's perception of external threat is better defined by being almost entirely directed towards Russia. As Cornell describes, the relations are strained by a range of factors, starting from disputes over withdrawal of Russian troops from the Georgian territory to threats of direct military action. This is further added to severe economic leverage, where Russia is able to influence political relations by cutting off resource supply. Hindering negotiations with secessionist regions as well as introducing "discriminatory visa regime" towards Georgia, while excusing the secessionist regions, where Russia openly demonstrates continuous support of separatist regions, exacerbates the situations even further.¹⁷¹

Thus, we can see from the above that all three South Caucasus states have distinctively different security perceptions, which conditions their foreign policy outlook. Accordingly, there is a "certain inequality in preparedness" of these three nations to

¹⁶⁹ Elkhan Nuriyev, "Geopolitical Breakthrough and Emerging Challenges: The Case of the South Caucasus," *Perceptions* 6 no. 2 (June-July 2001): 3

¹⁷⁰ Cornell, *A Strategic Conflict Analysis of the South Caucasus*, 12.

¹⁷¹ Ibid.

collaborate with the Western democracies, as well as the ability to “integrate more fully into the international community.”¹⁷² Armenia, due to its non-existent relations with Turkey and Azerbaijan, coordinates closely with Russia and Iran and has limited its ability to embark on greater initiatives with regards to integration into the Western structures, including the EU. Azerbaijan, perceiving threats from Iran, Armenia and to a certain extent Russia, is mainly dependant on Western and Turkish support, where even if it does not share the major normative base with the Union, it is still capable of moving closer to the EU due to its strategic location and resources, while Georgia especially after the Rose Revolution of 2003, due to its increasingly pro-Western stance and deteriorating relations with Russia, is irreversibly moving towards Europe. Coming out of the abovementioned, by attempting to work through their threat perceptions, “the importance attributed to ties with the EU diverges considerably in each country... whereas Georgian aspirations are explicit... they are much less present in Azerbaijan and currently not on the political agenda in Armenia”.¹⁷³

As a result, the above complex foreign policy stance of each of the South Caucasus states makes the EU more cautious towards its further engagement, where a necessary precondition for active involvement has to include strong commitment to mutual partnership. Under the circumstances in which each South Caucasus country has its specific agenda towards deeper integration, the uninvited participation can further limit the EU’s positive impact where, costs of unsuccessful actions may involve upsetting relations with the key geopolitical players of the region.

¹⁷² Nuriyev, *Geopolitical Breakthrough and Emerging Challenges*, 5.

¹⁷³ Marchetti, *Widening without Enlarging*, 3.

4.4. Overcrowded International Presence

Together with all of the above listed complicating factors, the reluctance for engagement in the South Caucasus stems from the fact that the region is already crowded by a large number of international players including the United Nations (UN), the OSCE, the US as well as a relatively recent newcomer to the region, NATO.

The UN has been engaged in settlement of the Georgian-Abkhazian conflict since 1992, establishing the permanent observer mission, UNOMIG, in Georgia, where the unarmed military observers have been monitoring the compliance with the agreed cease-fire.¹⁷⁴ The UNOMIG, together with the Russian peacekeeping force under CIS, has significantly contributed to stability and halting of violence between the conflicting parties but has fallen short of the ability “to work towards resolution of the conflict”.¹⁷⁵ The UN has undertaken a number of major attempts to broker a deal for peace settlement, but the efforts have not been translated into any noteworthy results.¹⁷⁶ No security conditions have been created for the safe return of refugees either. Together with this, even if the UN led monitoring has had substantial positive results, including contribution to the overall stability, as well as raising awareness of the situation on the ground through constant monitoring, the resumption of hostilities has been hindered mainly by exogenous factors. Most importantly - the military inability of the Georgian side to mount an attack on Abkhazia, the creation of an “Abkhazian front line” as well as the expected Russian

¹⁷⁴ For comprehensive overview visit UNOMIG official web page at <http://www.un.org/Depts/dpko/missions/unomig/index.html>

¹⁷⁵ Domitilla Sagramoso, “The UN, the OSCE and NATO,” in Dov Lynch ed., *The South Caucasus: a Challenge for the EU*, Chaillot Paper 65, December 2003, European Union Institute for Security Studies, 66.

¹⁷⁶ Ibid., 67

military support for Abkhaz in the case of Georgian attack.¹⁷⁷ Accordingly, even if the UN engagement since 1992 has witnessed deployment of the monitoring mission, together with renewed and failed rounds of numerous negotiations stabilizing the situation from warfare to its current ‘frozen’ status, its main objective, the deterrence as well as resolution of the conflict, has not been achieved and currently seems to exceed UN abilities. Furthermore, it must be noted that the Group of Friends of the Secretary-General on Georgia (GF), comprising the United States, the United Kingdom, France, Germany and Russia have been assisting the Abkhazian peace settlement, where the “Russian unclear position” and “lack of will of the GF to override Russia’s objections” has not resulted in a positive breakthrough either. Consequently, it can be argued that the fact that the three key EU member states who are the GF participants are unable to make any measurable difference in the peace process, serves as a further deterrent to enhanced EU involvement.

Additionally, the UN engagement has been complemented by efforts of the OSCE, which has been actively drawn into the conflict resolution, being present in Nagorno-Karabakh as well as South Ossetia. The OSCE Minsk Group, co-Chaired by Russia, France and the United States¹⁷⁸, has provided a forum for negotiations between the conflicting parties over Nagorno-Karabakh.¹⁷⁹ Together with this, the OSCE has been involved in monitoring the cease-fire, conducting patrolling activities along the line.¹⁸⁰ Currently the OSCE is the only international body dealing with the Nagorno-Karabakh

¹⁷⁷ Ibid., 65-66.

¹⁷⁸ The Minsk Group also includes following participating states: Belarus, Germany, Italy, Portugal, the Netherlands, Sweden, Finland, Turkey as well as Armenia and Azerbaijan

¹⁷⁹ For comprehensive overview visit OSCE official web page, *CiO Representative on Minsk Conference* at <http://www.un.org/Depts/dpko/missions/unomig/index.html>

¹⁸⁰ Sagramoso, *The UN, the OSCE and NATO*, 76.

conflict, where among a number of positive developments a highly important aspect includes the ability of the organization to bring Armenia and Azerbaijan to the negotiating table.¹⁸¹ Yet, due to its “lack of coercive capacity” the OSCE has not succeeded in reaching a successful settlement of the abovementioned dispute.¹⁸²

Together with this, the OSCE has been working on the resolution of the South Ossetian conflict with Georgian, South Ossetian, North Ossetian and Russian sides, monitoring the cease-fire agreement of 1992, as well as observing the conduct of the Russian-led Joint Peacekeeping Forces (JPKF).¹⁸³ Through the above listed activities, the OSCE has been able to contribute to the overall security of the region but as for successful results in terms of conflict resolution the similar difficulties, as in the Nagorno-Karabakh case arise, where the lack of coercive instruments, as well as highly conflicting positions of the parties, and lack of international attention hinders the final settlement.¹⁸⁴

Additionally, NATO has become more actively engaged in the region introducing the Partnership for Peace (PfP) program since 1994, which works on “increasing stability, diminishing threats to peace and building strengthened security relationships” between the partner countries and the organization.¹⁸⁵ Furthermore, all three South Caucasus states have agreed an Individual Partnership Action Plans (IPAP), improving the focus of their activities, which furthers the deepening of the relationship with NATO.¹⁸⁶ Yet, the

¹⁸¹ Ibid.

¹⁸² Ibid. The author explains that the OSCE is unable to impose the settlement on the parties, where it has to solely rely on the willingness of the conflicting sides to come to a compromise

¹⁸³ For comprehensive overview visit OSCE official web page, *OSCE Mission to Georgia* at <http://www.osce.org/georgia/>

¹⁸⁴ Sagramoso, *The UN, the OSCE and NATO*, p.77

¹⁸⁵ Visit NATO official web page, *The Partnership for Peace* <http://www.nato.int/issues/pfp/index.html>

¹⁸⁶ Visit Visit NATO official web page, *Individual Partnership Action Plans* <http://www.nato.int/issues/ipap/index.html>

obstacles to NATO's success in the South Caucasus, as argued by Cornell, are facilitated by two major factors, the Russian opposition and the internal disagreements between member states, out of which European members are the most resistant.¹⁸⁷ Accordingly, taking the lead in supporting enhanced security in the South Caucasus still represents a great challenge.

In addition, together with supporting NATO activities in the region, the US represents one of the major players in the South Caucasus. Besides supporting the pipeline projects, which avoids Russia and Iran, the US assistance to the region has included number of undertakings, most importantly Freedom Support Act (FSA) program, food aid (U.S. Department of Agriculture), Peace Corps, and security assistance.¹⁸⁸ Furthermore, Georgia and Armenia have been included in the Millennium Challenge Account, which provides assistance to developing nations as part of a US foreign aid initiative, aiming at facilitating positive shifts in political and economic reforms in selected countries.¹⁸⁹ Together with this, since September 11th, the US focus has sharpened towards greater military engagement, where emphasis has been put on security and counterterrorism.¹⁹⁰ The US has supported strengthening of Azerbaijani border and customs controls as well as fight against terrorism.¹⁹¹ Moreover, the country has initiated a Train and Equip Program in Georgia (GTEP), designed to train Georgian troops against

¹⁸⁷ Svante E. Cornell, "Nato's Role in South Caucasus Regional Security," *Turkish Policy Quarterly* 3 no.2 (2004): 9

¹⁸⁸ Jim Nichol, "Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S. Interests," 14, CRS Issue Brief for Congress, May 9, 2006
<http://fpc.state.gov/documents/organization/67154.pdf>

¹⁸⁹ See Larry Nowels, "Millennium Challenge Account: Implementation of a New U.S. Foreign Aid Initiative," CRS Issue Brief for Congress, November 14, 2005
<http://leahy.senate.gov/issues/foreign%20policy/PDFS/MCA.pdf>

¹⁹⁰ Dov Lynch, "A Regional Insecurity Dynamic," in Dov Lynch ed., *The South Caucasus: a Challenge for the EU*, Chaillot Paper 65, December 2003, European Union Institute for Security Studies, 172.

¹⁹⁰ Ibid.16.

¹⁹¹ Ibid.

insurgency.¹⁹² Also, the US has secured financial assistance for mutual projects on training anti-terrorist units and border troops.¹⁹³ The country has strategic incentives in maintaining its presence in the region, where the geographical location of the region creates a crossroads between Europe and Asia not to mention the importance of counterbalancing Russian and Iranian interests in the region.¹⁹⁴ Together with this, importance of resources and diversification of supply to the West are also crucial. Due to the fact that European involvement has been developing at a considerably low pace and number of obstacles still hinders activation of its role in the region, the US is best placed to push for greater Western policies in the region, where it is able to claim a position of the major player in the South Caucasus.

Consequently, under the circumstances in which the EU is highly cautious of its active role in the region, unwilling to commit its own peacekeepers to the conflict territories, or deploy its crisis management operations, there is not a vast room for action, due to the fact that most of the positive results, which can be inferred from international presence are already mastered by the above listed players. The reluctance to engage can be further strengthened if we consider the fact that despite the immense experience of UN and OSCE in dealing with the region, there has not been a substantial breakthrough either in resolution of the conflicts or elimination of the major security threats and challenges in the region. Together with this, due to the fact that the US represents a major interested party in the region, it almost automatically involves European interests in its actions, be it

¹⁹² See US Department of Defense, "Georgia 'Train and Equip' Program Begins," April 29, 2002 <http://www.defenselink.mil/releases/release.aspx?releaseid=3326>

¹⁹³ Lynch, *A Regional Insecurity Dynamic*, 16.

¹⁹⁴ Archil Gegeshidze, "The South Caucasus: Politics and Interests of the Regional Actors" Georgian Foundation for Strategic and International Studies, 2004, 3, available at http://www.umich.edu/~iinet/asp/Docs/papers/GEGESHIDZE_PAPER.doc

support for pipeline construction or military training programs, which under neorealist terms can even be seen as buck-passing, where the EU lets the US bear majority of risks connected with rivalries between the major regional players for dominance in the South Caucasus.

Thus, when getting engaged, the EU would have to face similar obstacles as the parties who are actively involved, where for example making meaningful change in the Nagorno-Karabakh conflict would require tools for imposing settlement on the parties, where the consent of all participating sides would be crucial. Russia, being the most powerful party at the negotiating table, under close ties with Armenia, would most probably oppose such a strong influence. As Popescue argues, “the EU has a preference for getting involved in conflicts where it can make a difference, i.e. conflicts that are potentially solvable”.¹⁹⁵ If we look at the Georgian example, we can see that the resolution is far from being reached in the near future, where the EU impact is most likely not decisive due to the fact that “parties are far from agreeing on a settlement”.¹⁹⁶ Consequently, the EU seems to view no added value in its involvement, where, due to all of the above listed obstacles, the reluctance to active engagement creates the inability to make a substantial difference.

4.5. Conclusion

As seen from the above chapter, the EU reluctance over active engagement in the South Caucasus is facilitated by a number of factors, including relations with Russia, lack of strategy towards the region, as well as regional differences and overcrowded international presence. As discussed above, the Russian policies towards the region

¹⁹⁵ Popescu, *Europe's Unrecognized Neighbors*, 7.

¹⁹⁶ Ibid.

constitute a major factor in the EU's limited role. The country possesses strong strategic interests in maintaining its status as a major regional player in the South Caucasus, where leverage over the conflict resolution process enables Moscow to control political developments in the region as well as influence the Western orientation of the South Caucasus states. The EU response towards Russian policies has been generally dominated by a 'Russia first' approach where the Union's strong economic ties with Russia makes it less receptive to the South Caucasus problems. By examining the EU's approach towards the Russian policies in the region, we can depict the Union as a rational actor who avoids complicating the relationship with its major economic partner. Accordingly, the Union may be compelled to place its security interest on top of its normative values, where it restricts participation in areas which makes Russia worry about its presence.

Together with the Russian factor, the Union's reluctant approach is visible through the difficulty of formulating a decisive EU strategy towards the South Caucasus. There are a number of factors contributing to the lack of strategy, including the complexity of the region, as well as more urgent priorities on the EU's agenda. In addition, the EU member states as rational actors engage in regions which are of strategic importance and positioning to them, where the South Caucasus, due to existing obstacles of engagement in the region, does not possess a strong lobby support in Brussels.

Furthermore, reluctance over deeper engagement is fueled by the regional differences within the South Caucasus states, where foreign policy priorities and the threat perceptions of each country positions their outlook on the European Union, with Georgian aspirations being unambiguous, while Azerbaijan enthusiasm being relatively passive and the least ambitions coming from Armenia. Accordingly, the inability to

create an extensive mutual partnership further pushes the EU towards a more cautious approach.

And finally, the reluctance of more active engagement in the South Caucasus stems from the number of international players already involved in influencing the positive shifts in the region. Most importantly they include the UN and the OSCE, which have been tackling the settlement of frozen conflicts in the region, as well as the US and relatively limited role of NATO. Yet, despite their huge experience and constant efforts to find a peaceful resolution, no substantial achievements have been made towards conflict settlement and elimination of other major security threats and challenges. Accordingly, it is argued that under the circumstances where the Union is reluctant to take a more active stance in the region, additional involvement in the activities already undertaken by the above actors would bear no substantial added value, which serves as a further deterrent to a more dynamic engagement in the region.

Thus, we can see from the above that the major EU obstacles in furthering engagement in the South Caucasus represents a result of rational calculation of costs and benefits, where the costs outweigh the gains of engagement. As a result, we see the Union maintaining a passive presence in the region, where the EU maximizes its own security by letting the US take up the regional rivalry burden and supporting activities of other international organizations on the ground. Due to all of the abovementioned factors, the Union itself keeps the lukewarm support for Armenia, Azerbaijan and Georgia.

CONCLUSION

The analysis of the evolution of the EU's engagement in the region demonstrates that in the starting years, the EU involvement in the region has generally focused on developing economic ties with the region as well as introducing the countries to European values and norms. The EU embarked on assistance programs immediately after the removal of the Soviet rule, and has initiated a number of important regional undertakings under TACIS program, later signing the Partnership and Cooperation Agreements with all three South Caucasus states, as well as introducing the post of the EU Special Representative and including the region in the European Neighborhood Policy.

The need for more vigorous EU engagement has been conditioned by a number of factors, where most importantly the security interests of the Union has played a crucial role. Coming out of the Union's energy import dependence, the South Caucasus has opened up the possibility of developing an alternative transit route from Azerbaijan via Georgia to Turkey, which has enabled the avoidance of Russia and Iran as transit countries for supply. Furthermore, the economic prosperity of the region has been largely linked with the political stability of the South Caucasus, which is constantly at risk due to three unresolved conflict territories, where the EU's interest in seeing the disputes resolved is very high. Together with this, the important security threats emanating from the region have included transnational crime and trafficking as well as threats of terrorism, where the desire to create a stable and strong neighborhood for the Union can not be achieved without a vigorous fight against the above obstacles.

Yet, due to a number of important setbacks the Union has maintained lukewarm support for the region, falling short of embarking on more dynamic engagement. The obstacles have included the difficulty of formulating a relationship with Russia, as well as the absence of a decisive strategy towards the region, which has been conditioned by factors such as complexity of the region, more urgent priorities on the EU's agenda together with lack of lobby support in Brussels. The regional differences of the South Caucasus states have also added to the EU's cautious approach, where the inability to create an extensive mutual partnership has further kept the EU away from the region. Together with the above, the overcrowded international presence has served as an additional complicating factor, where the efforts of the UN, OSCE, as well as NATO, have not led to substantial changes in resolving the security challenges within the region. Additionally, it has been argued that the active US presence further serves as a deterrent to the more active EU engagement, where the Union abstains from upsetting its relations with the major regional powers, while letting the US take the lead.

Accordingly, the main finding of the thesis has been that by rational calculation of costs and benefits of engagement, non-active involvement in the South Caucasus currently represents a cogent choice. The EU member states, as rational actors, engage in the South Caucasus to the extent which benefits them, including strengthening the economic ties with the region, as well as contributing to the fight against the region's security challenges, which is directly linked with the security of the EU's external border. However due to the fact that obstacles hindering the engagement are larger, lack of a more vigorous interest is logical, which can be viewed not as a weakness, but as a strength of the policy from the EU's side.

Together with this, the Union has enshrined the importance of democratic values and norms in every communication with the South Caucasus states, however, even if the compliance with the required normative benchmarks has been bleak, especially during the initial years of engagement, the EU has not abandoned the region, but on the contrary, it has associated more closely with the South Caucasus. The Union as a rational actor has supported the peaceful transition in the region receiving considerable gains in the light of stable neighborhood and resources. Additionally, it has been noted that the EU is compelled to limit its policies in the crucial areas of conflict resolution, human rights, as well as good governance when dealing with the South Caucasus, which partly serves as a flaw to the constructivist logic of the Union as a normative power, where we can depict the EU abstaining from any political participation in the conflict resolution process in the South Caucasus. Together with this, it has been argued that when dealing with the region, the Union may be compelled to further neglect its normative side, especially when dealing with the energy security issues, where the conditionality approach proves invaluable for the resource rich countries such as Azerbaijan. Accordingly, the neorealist approach seems to better explain the EU's actions in the region, where the EU's normative side is not entirely neglected but the leading principle for action is still seen in the issues related to security interests and rational calculations.

Finally, I can conclude by noting that, if no drastic changes in the international environment take place, the Union is unlikely to turn into a significant player in the South Caucasus in the near future. The EU's engagement will serve as a valuable tool for accelerating the reforms as well as addressing the problems of transition in the three

countries, but it will be not the EU but Russia, the United States, Turkey and Iran who will battle over dominance in the region.

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