

# **GEOPOLITICAL IMPLICATIONS OF THE EUROPEAN UNION IN THE SOUTH CAUCASUS AFTER THE 2007 ENLARGEMENT**

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Submitted to  
Central European University  
Department of International Relations and European Studies

In partial fulfillment of the requirements for the degree of Master of Arts

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Budapest, Hungary  
31 MAY 2007

Word Count: 16,085

## **ABSTRACT**

Even though after the collapse of the Soviet Empire the three republics of the South Caucasus, Armenia, Azerbaijan and Georgia became the objects of intense interests of the European Union, it was not until the 2004 when the EU developed a new policy approach towards the region. Through the European Neighborhood Policy the EU aims at spreading democracy and stability in the South Caucasus. Because after the inclusion of Bulgaria and Romania in the club on January 1, 2007, the EU shares the Black Sea with the region, the geopolitical importance of the South Caucasus has gained vital importance for the Union. Problems of the region, such as three frozen conflict zones, smuggling, drug and arms trafficking, terrorism can have a spill-over affect on the EU member states and in case of destabilization, may affect the EU's security and stability. Moreover, the region's problems and challenges affect its particular advantages, because of its rich energy supplies, the region is associated as a passageway for transporting oil and gas from the Caspian Sea to the Mediterranean. This thesis examines that the problems of the region are of crucial importance to the EU and how, through its various mechanisms, the EU is aiming at "constructing" democracy, and rule of law in the region. The Constructivist theory of International Relations will be used in order to explain the EU's strategy towards the South Caucasus region.

## **ACKNOWLEDGMENTS**

I am sincerely grateful to all those people who contributed to my work through their professional advices and comments. Apart from my supervisor my special thanks belong to Nicu Popescu, Irakli Rekhviashvili, David Chochua, Reka Futazs as well as my family and friends for their support and encouragement throughout the year.

ჩემს საყვარელ ოჯახს და მეგობრებს

*To My Dearest Family and Friends*

# TABLE OF CONTENTS

<b>ABSTRACT .....</b>	<b>i</b>
<b>ACKNOWLEDGMENTS .....</b>	<b>ii</b>
<b>TABLE OF CONTENTS .....</b>	<b>iv</b>
<b>LIST OF ABRIVIATIONS .....</b>	<b>v</b>
 <b>INTRODUCTION .....</b>	 <b>1</b>
 <b>CHAPTER 1: THEORETICAL FRAMEWORK.....</b>	 <b>5</b>
1.1. Constructivism: Concepts, definitions, mechanisms .....	6
 <b>CHAPTER 2: FROM TACIS TO ENPI.....</b>	 <b>11</b>
2.1. Armenia and the EU.....	12
2.2. Azerbaijan and the EU .....	15
2. 3. Georgia and the EU.....	16
 <b>CHAPTER 3: EUROPEAN NEIGHBORHOOD POLICY.....</b>	 <b>20</b>
3.1. “Old wine in new bottles?” .....	20
3.1.1. <i>Limitations of the ENP</i> .....	24
3.2. The ENP and South Caucasus region: three different paths to Europe .....	27
 <b>CHAPTER 4: GEOPOLITICAL IMPLICATIONS OF THE EU IN THE SOUTH CAUCASUS AFTER THE 2007 ENLARGEMENT.....</b>	 <b>31</b>
4.1. Energy Security .....	32
4.1.1. <i>TRACECA</i> .....	34
4.1.2. <i>INOGATE</i> .....	35
4.1.3. <i>Baku Initiative</i> .....	36
4.1.3. <i>Tbilisi- Baku-Ceyhan</i> .....	37
4.1.4. <i>Baku-Tbilisi-Erzurum</i> .....	39
4.2. Security threats of the South Caucasus .....	40
4.2.1. <i>Frozen conflicts</i> .....	41
4.2.2. <i>Smuggling</i> .....	45
4.2.3. <i>Drug trafficking</i> .....	46
4.2.4. <i>Sale of illegal weapons</i> .....	49
4.2.5. <i>Terrorism</i> .....	50
4.3. Changes after the 2007 enlargement.....	51
 <b>CONCLUSION.....</b>	 <b>55</b>
 <b>BIBLIOGRAPHY.....</b>	 <b>57</b>

## LIST OF ABRIVIATIONS

<b>AP.....</b>	<b>Action Plans</b>
<b>BFS.....</b>	<b>Black Sea Forum</b>
<b>BLACKSEAFOR.....</b>	<b>Black Sea Force</b>
<b>B.S.E.C.....</b>	<b>Black Sea Economic Cooperation</b>
<b>BTC.....</b>	<b>Baku-Tbilisi-Ceyhan</b>
<b>CIS.....</b>	<b>Commonwealth of Independent States</b>
<b>C.S.T.O.....</b>	<b>Collective Security Treaty Organization</b>
<b>EAGGF.....</b>	<b>European Agricultural Guidance and Guarantee Fund</b>
<b>ECHO.....</b>	<b>European Community Humanitarian Aid Program</b>
<b>EIDHR.....</b>	<b>European Initiative for democracy and Human Rights</b>
<b>ENP .....</b>	<b>European neighborhood Policy</b>
<b>ENPI.....</b>	<b>European Neighborhood Partnership Instrument</b>
<b>EU.....</b>	<b>European Union</b>
<b>EUSR.....</b>	<b>EU Special Representative</b>
<b>FSP .....</b>	<b>Food Security Program</b>
<b>GUAM.....</b>	<b>Georgia, Ukraine, Azerbaijan, Moldova</b>
<b>INCB.....</b>	<b>International Narcotics Control Board</b>
<b>INOGATE.....</b>	<b>Interstate Oil and Gas Transport to Europe</b>
<b>JCC.....</b>	<b>Joint Control Commission</b>
<b>MFA.....</b>	<b>Macro Financial Assistance</b>
<b>MEDA.....</b>	<b>The Euro-Mediterranean Partnership</b>
<b>NATO.....</b>	<b>North Atlantic Treaty Organization</b>
<b>OSCE.....</b>	<b>Organization for Security and Co-operation in Europe</b>
<b>PCA.....</b>	<b>Partnership and Cooperation Agreement</b>
<b>RRM.....</b>	<b>Rapid Reaction Mechanism</b>
<b>TACIS.....</b>	<b>Technical Assistance to the CIS countries</b>
<b>TCGP.....</b>	<b>Trans-Caspian Gas Pipeline</b>
<b>TRACECA.....</b>	<b>Transport Corridor Europe, Caucasus, Asia</b>
<b>WTO.....</b>	<b>World Trade Organization</b>

## INTRODUCTION

The collapse of the Soviet Union, in 1990s brought radical changes to the whole international arena. The dissolution of the U.S.S.R brought the new term, “post-Soviet space”, which can be divided into several regions of the former Soviet Union, to the political vocabulary.<sup>1</sup> One such post-Soviet space created during this period is the South Caucasus region. The three republics of the South Caucasus, Armenia, Azerbaijan and Georgia declared their independence from the Soviet Union in 1991. Before their declaration of independence, all three republics had quite a strong economy, a sustainable agriculture sector and specialized in the export of agriculture products. 1991 was the start of a civil war in Nagorno-Karabakh, which resulted in tense relations between Armenia and Azerbaijan; moreover, conflicts broke out in the two regions of Abkhazia and South Ossetia in Georgia.<sup>2</sup>

In other words, after the collapse of the Soviet Union, the region appeared in the situation of political turmoil. Because of the ethnic wars and social unrest, the region lost the majority of its trading partners, and it faced the problem of civilized orientation.<sup>3</sup> Therefore, based on the nation’s historic and cultural affiliation, the European integration has become one of the main objectives of the region’s political aspirations.<sup>4</sup>

Besides that, after gaining independence, the South Caucasus states -Armenia, Azerbaijan and Georgia became the objects of intense interest to their immediate neighbors, Iran, Russia, and

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<sup>1</sup> Mariam Dekanozishvili, “The EU in the South Caucasus: By What Means, to What Ends?”, Occasional Paper #2:2004, Georgian Foundation for Strategic and International Studies, <http://www.ceeol.com/aspx/getdocument.aspx?logid=5&id=5EEE1000-ECE3-404D-B9CB-8C075C3F6B30>

<sup>2</sup> The official web-site of European Union, *EU’s Relations with Georgia* [http://ec.europa.eu/comm/external\\_relations/georgia/intro/index.htm](http://ec.europa.eu/comm/external_relations/georgia/intro/index.htm)

<sup>3</sup> The official web- site of European Commissions delegation in Armenia, *EU and Armenia; Bilateral Relations* [http://www.delarm.cec.eu.int/en/eu\\_and\\_armenia/bilateral\\_relations.htm](http://www.delarm.cec.eu.int/en/eu_and_armenia/bilateral_relations.htm)

<sup>4</sup> Ibid,

Turkey. This phenomenon did not pass unnoticed for the European Union, either.<sup>5</sup> Therefore the EU appeared on the South Caucasian scene in the early 90's, when the process of transition towards market economy, strive for democracy and the reformation of the political structures loomed over the political situation in these countries.<sup>6</sup>

During the 1990s, the EU has launched several important projects in the South Caucasus. Though till 2003 it had not thought strategically about the region, first it was the Rose Revolution of Georgia which brought the EU closer to the Caucasus. As a result of the region's determination to comply with the democracy norms and values, the South Caucasus was included in the new foreign policy mechanism of the European Union, the European Neighborhood Policy in June 2004. The purpose of this policy is to promote political reforms in the participant countries in order to enhance prosperity, stability and security.

In this thesis I argue that through its various foreign policy tools the European Union is attempting to "construct" democracy and rule of law in the South Caucasus region. As constructivists state the world is a project under construction, and it is becoming rather than being, therefore through the ENP the EU promotes values which are of the great importance for the EU as well as its neighbors.

Due to the fact that the South Caucasus gained greater significance after the 2007 enlargement, my thesis aims at analyzing the EU interests in the region, detailing the geopolitical implications after the latest accession round. I argue that there are a number of reasons which determine the geopolitical importance of the South Caucasus for the EU. Firstly, the EU's growing interest in the diversification of the energy resources, gas and oil, pushes it towards

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<sup>5</sup> Mariam Dekanozishvili, "The EU in the South Caucasus: By What Means, to What Ends?", Occasional Paper #2:2004, Georgian Foundation for Strategic and International Studies, <http://www.ceeol.com/aspx/getdocument.aspx?logid=5&id=5EEE1000-ECE3-404D-B9CB-8C075C3F6B30>

<sup>6</sup> Ibid,



closer cooperation with the region. Moreover, after the inclusion of Bulgaria and Romania in the European Union, the EU now directly shares the Black Sea with the region, which has thus automatically become the “European Sea”. The security threats of the region, including frozen conflicts, smuggling, drugs and weapon trafficking and potentially even terrorism make it of vital importance for the EU, and if the EU fails to effectively deal with the threats, these may have serious consequences for the region as well as for the member states of the European Union.

The thesis consists of four parts. In the first chapter I will go over the theoretical framework, and will discuss the concepts, definitions and the mechanisms of the constructivist theory of International Relations and analyze how it explains the EU’s relations towards the South Caucasus. In the second chapter I will analyze the relations of the European Union and the South Caucasus before the regions’ inclusion in the EU’s new initiative, the European Neighborhood Policy and will look over the funds allocated by the EU to the stabilization of the region. In the third part, I will concentrate on the European Neighborhood Policy, the limitations and criticisms of the ENP, as well as the inclusion of the South Caucasus in the policy, and finally, the fourth chapter will provide the answer to the research question of the thesis, arguing that the energy resources and security threats make the region of vital importance to the EU.

In order to accomplish the aim of my thesis, I will use different types of methodologies. On the one hand, in order to explain the aim of the thesis, which is what are geopolitical implications of the EU in the South Caucasus after the 2007 enlargement, I will use text analysis, a wide range of information on the topic available on line, such as analytical articles, official statements, press releases, policy briefs, and chapters of books written on the topic. On the other hand, in order to support my arguments, I will use interviews I conducted with Georgian and international experts, focusing on the region of the South Caucasus.

The present thesis is important as it aims to explain the EU relations towards the South Caucasus region, the geopolitical importance of the South Caucasus for the EU after 2007 enlargement and the EU's new initiatives in the South Caucasus after its latest enlargement, which has not been undertaken so far.

## CHAPTER 1: THEORETICAL FRAMEWORK

The collapse of the Soviet Union brought radical changes in the whole international arena. During 1990s there was a situation of an international anarchy in the post Soviet countries, and as claimed by the realists, there was no central authority which would guarantee peace and justice. Furthermore, the “key units of analysis”, states had to gain power in order to survive, as if the state was weak, its neighbors could take advantage of it by military means.<sup>7</sup>

As stated by the realists, the international system is anarchical and the dominant goal of a state is security. Realists argue that states are leading actors in the international system, that states peruse power and the relationships of states with each other are dependent entirely on their power relationships with one another, internal politics and external politics are therefore separated.<sup>8</sup> This is known as the “billiard-ball model” of the international relations. According to realist scholars, “the movement of billiard balls, like the movement of states, can be explained completely in terms of the movement of the other billiard balls”. Moreover, realists claim that the world is the way it is and we have to accept it as such.<sup>9</sup>

In this chapter I argue that unlike realists, constructivists see the world as a project under construction, as becoming rather than being<sup>10</sup>, and therefore in order to explain EU’s strategy towards the South Caucasus region, I will use constructivist approach to international relations theory. I argue that because of the geopolitical importance of the region for the EU, the EU is trying to expand its norms and identity in the countries of the South Caucasus region and therefore construct its extensive presence in the region.

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<sup>7</sup> Michael Nicholson, *International Relations: A Concise Introduction*, (New York : PALGRAVE, 2002), 92

<sup>8</sup> Ibid, 92

<sup>9</sup> Ibid, 93

<sup>10</sup> Emanuel Adler, “Constructivism and International Relations”, in *Handbook of International Relations*, ed. Walter Carlsnaes and Thomas Risse, (London: SAGE, 2006), 95

It was the end of the Cold War, when the major West European regional organizations the EU, the NATO and to some extent, the Council of Europe have become the key institutional structures in the “construction” of new Europe. After the collapse of the iron curtain, these organizations started to encourage the process of democratization in the post-Soviet spaces.<sup>11</sup>

One of the most visible signs of the EU’s commitment to democracy promotion during the 1990s was the development of the political aid projects in the post Soviet countries.<sup>12</sup> Moreover, in November 1991, the EU’s democracy promotion commitment was incorporated into its foreign-policy machinery through the Maastricht treaty.<sup>13</sup> It was the Maastricht treaty which for the first time listed the promotion of human rights, democracy and rule of law in its provisions. During the same period, the EU introduced a number of new budget lines specifically for the purpose to fund new work on democracy and human rights.<sup>14</sup> The sections referring to democracy assistance were included in the agreements signed with third countries. These were mainly those countries committed to establishing and strengthening democracy and willing to cooperate with the EU.<sup>15</sup> Such agreements were concluded with the republics of the South Caucasus region as well.

### **1.1. Constructivism: Concepts, definitions, mechanisms**

The development of constructivism theory traces back to Karl Deutsch (1957) and Ernst Haas (1958), who anticipated modernist constructivism. In the 1950s Deutsch advanced a research program on security communities which dealt with peaceful transnational collective

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<sup>11</sup> Frank Schimmelfenning, *The EU, NATO and the Integration of Europe: Rules and Rhetoric*, (Cambridge: Cambridge University Press, 2003), 1

<sup>12</sup> Richard Youngs, *The European Union and the Promotion of Democracy: Europe’s Mediterranean and Asian Policies*, (Oxford: Oxford University Press, 2001), 2

<sup>13</sup> *Ibid*, 2

<sup>14</sup> *Ibid*, 2

<sup>15</sup> *Ibid*, 31

identities.<sup>16</sup> Even though Deutsch himself was not a constructivist, his sociological approach had an indelible influence on the later development of constructivism; still it was the end of the Cold War that made constructivism popular.

Important contributors to constructivist theory are works by Ashley (1987) on power, practice and international community; Onuf's 1989 book, in which he first referred to interpretative turn in IR as "constructivism", as well as by Kratochwil, with his book on rules, norms and decisions, which became the centre of constructivist research.<sup>17</sup> Moreover, an important contribution was made by the English School, which stresses the existence of an international society that is driven by norms and identities. The representative of the English School, Wendt wrote a series of important articles and a book that established him as one of the leading constructivist scholars.<sup>18</sup>

According to Wendt, norms constitute social identities, which give national interests their content and meaning. Constructivists' state that the way people apply norms to categorize the world is not irrelevant to the manner in which world politics unfolds.<sup>19</sup> According to Finnemore, international organizations "teach" how to diffuse these norms and help to constitute the national interests of states that adopt these norms.<sup>20</sup>

As for identities, Adler argues that they lie at the core of national and transnational interests. Identities are crucial factors for the understanding of international behavior, practices, institutions and change.<sup>21</sup> Adler and Barnett state that the identities of national groups may

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<sup>16</sup> Emanuel Adler, "Constructivism and International Relations", in *Handbook of International Relations*, ed. Walter Carlsnaes and Thomas Risse, (London: SAGE, 2006), 99

<sup>17</sup> Ibid, 99

<sup>18</sup> Ibid, 99

<sup>19</sup> Ibid, 103

<sup>20</sup> Ibid, 103

<sup>21</sup> Ibid, 104

expand across national borders and lead to the development of security communities.<sup>22</sup> Lynch therefore states that “changes in Jordan’s foreign policy are foremost changes in Jordan’s identity”.<sup>23</sup>

Drawing on a variety of social theories- critical theory, postmodernism, feminist theory, historical institutionalism, sociological institutionalism and the like, Wendt states that there are two basic tenets of constructivism: first, that the “structures of human association are determined primarily by shared ideas rather than material forces and second, that the identities and interests of actors are constructed by these shared ideas rather than given by nature”.<sup>24</sup>

According to Adler, IR constructivism is a three-layered understanding, which involves “metaphysics, social theory and IR theory and research strategies of social reality and social science”.<sup>25</sup> As Adler states, constructivism is a metaphysical stance about the reality that scholars seek to know, “from an IR perspective in which paradigms are associated with broad world-views of international political life (such as realism, liberalism and Marxism), constructivism is more like a paradigm of paradigms”.<sup>26</sup> In other words, according to Adler, unlike realism and liberalism, constructivism is not a theory of politics *per se*, rather it is a social theory on which the constructivist theories of international politics-for example, about war, cooperation and international community are based.<sup>27</sup> Second, constructivism is a social theory about the role of knowledge and knowledgeable agents in the constitution of social reality.<sup>28</sup> Finally,

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<sup>22</sup> Emanuel Adler, “Constructivism and International Relations”, in *Handbook of International Relations*, ed. Walter Carlsnaes and Thomas Risse, (London: SAGE, 2006), 105

<sup>23</sup> Ibid, 104

<sup>24</sup> Alexander Wendt, *Social Theory of International Politics*, (Cambridge: Cambridge University Press, 1999), 1

<sup>25</sup> Emanuel Adler, “Constructivism and International Relations”, in *Handbook of International Relations*, ed. Walter Carlsnaes and Thomas Risse, (London: SAGE, 2006), 96

<sup>26</sup> Ibid, 96

<sup>27</sup> Emanuel Adler, “Seizing the Middle Ground: Constructivism in World Politics”, *European Journal of International Relations* 3 (3): 319-63, 322

<sup>28</sup> Emanuel Adler, “Constructivism and International Relations”, in *Handbook of International Relations*, ed. Walter Carlsnaes and Thomas Risse, (London: SAGE, 2006), 96

constructivism is an IR theoretical and empirical perspective, and IR constructivism has led to new and important questions about the role of identities, norms and understandings in the constitution of national interests.<sup>29</sup>

Adler states that all the institutions of a state are based on collective understanding; moreover, he believes that the “human capacity for reflection or learning has its greatest impact on the manner in which individuals and social actors attach meaning to the material world, therefore the collective understandings provide people with reasons why things are as they are”.<sup>30</sup> Adler also describes international politics as “socially constructed”. He believes that international politics consists primarily of social facts, which are facts only by human agreement.<sup>31</sup> Unlike positivism and materialism, which take the world as it is, constructivism sees the world as a project under construction.

As stated by the constructivist scholars, one state’s actions can influence the way other states’ identities and interests are constructed. According to the new constructivist framework, “states play an important role in conditioning what norms were taken up elsewhere in the international system to the extent that one government’s actions affect the way other states behavior is assembled”.<sup>32</sup> Constructivists suggest that the interests and norms of a state are constructed through interaction with other states and the nature of discursive interaction conditions the construction of shared identities.<sup>33</sup>

After the dissolution of the great empire, the European Union has made the promotion of democracy and human rights “a cornerstone of its relations with external countries and has made

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<sup>29</sup> Emanuel Adler, “Constructivism and International Relations”, in *Handbook of International Relations*, ed. Walter Carlsnaes and Thomas Risse, (London: SAGE, 2006), 96

<sup>30</sup> Emanuel Adler, “Seizing the Middle Ground: Constructivism in World Politics”, *European Journal of International Relations* 3 (3): 319-63, 323

<sup>31</sup> Ibid, , 323

<sup>32</sup> Richard Youngs, *The European Union and the Promotion of Democracy: Europe’s Mediterranean and Asian Policies*, (Oxford: Oxford University Press, 2001), 6

<sup>33</sup> Ibid, 31

the intensification of these relations dependent upon respect for the values by its partners.”<sup>34</sup> The EU’s most important and successful mechanism of constructing democracy and peace in the former Soviet Countries was the EU’s membership conditionality. This positive conditionality has been capable of imposing a degree of pressure in the relations of the donors and the recipient.<sup>35</sup> This conditionality mechanism has been successful in the EU’s every enlargement round, the accession countries know that if they comply with the EU norms and if they accept the conditions set by the EU, they will receive the reward, which in this case is the full membership in the club. This EU mechanism has been successful for the “imposition” of its’ norms and values to the candidate countries. But unfortunately the South Caucasus is not yet in a shape to be offered membership in the club; therefore, the EU has been “searching” for alternative ways of imposing its values on Armenia, Azerbaijan and Georgia in some other manner.

In this thesis I argue that in order to construct democracy, human rights, impose its norms and identities on the region since the end of the Cold War, the EU has been building assistance and institutional ties in the South Caucasus- first informally and then formally starting from the Partnership and Cooperation Agreements (PCA) and continuing with European Neighborhood Policy (ENP).

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<sup>34</sup> Frank Schimmelfenning, “European Neighborhood Policy: Political Conditionality and its impact on Democracy in Non-Candidate Neighboring Countries“, Prepared for the EUSA Ninth Biennial International Conference, (Austin, March 31-April 2, 2005) [http://aei.pitt.edu/3302/02/European\\_Neighborhood\\_Policy.doc](http://aei.pitt.edu/3302/02/European_Neighborhood_Policy.doc)

<sup>35</sup> Richard Youngs, *The European Union and the Promotion of Democracy: Europe’s Mediterranean and Asian Policies*, (Oxford: Oxford University Press, 2001), 26



## CHAPTER 2: FROM TACIS TO ENPI

Since 1991, the EU has launched several projects in the South Caucasus region and provided the countries with humanitarian and technical assistance. However, until 1996 there was no legal framework established between the EU and the South Caucasus republics. The Partnership and Cooperation Agreement (PCA), which was signed in 1996, became the legal basis for the EU-South Caucasus bilateral relations. Because of the ethnic conflicts in the middle of 1990s, the EU was debating whether the PCA with the countries of the region could be signed.<sup>36</sup> The Commission was questioning “how realistic is it to expect full implementation of the relatively high level of obligations inherent to a PCA, by countries which were facing the difficulties which confront the Transcaucasian republics”<sup>37</sup>, but because the PCA was the desire of all the parties to establish close relations and a legal basis for a strong and comprehensive political and economic partnership it eventually entered into force in 1999, and has been providing the legal framework which guides the EU’s cooperation with the countries since then. The essential principles of the PCA are respect of democracy, principles of international law, human rights and market economy principles.<sup>38</sup>

In this chapter I argue that the EU took first steps for the “construction” of democracy in the South Caucasus republics right after the collapse of the “great empire”, I will analyze the programs launched and funds allocated by the EU in Armenia, Azerbaijan and Georgia, starting from the Technical Assistance to the CIS countries (TACIS) to European Neighborhood Partnership Instrument (ENPI). Since the EU has been implementing a wide-range of small

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<sup>36</sup> Nicu Popescu, “Europe’s Unrecognized Neighbors: The EU in Abkhazia and South Ossetia”, Working Documents, Centre for European Policy Studies, (Brussels: March 2007) [http://shop.ceps.be/downloadfree.php?item\\_id=1476](http://shop.ceps.be/downloadfree.php?item_id=1476)

<sup>37</sup> Ibid, 2

<sup>38</sup> The official web-site of the Ministry of Foreign Affairs of Georgia, *The European Neighborhood Policy* [http://www.mfa.gov.ge/index.php?sec\\_id=125&lang\\_id=ENG](http://www.mfa.gov.ge/index.php?sec_id=125&lang_id=ENG)

projects in the three republics during the past 16 years, I will very briefly go over only the major projects implemented by the EU till the start of the new era, the European Neighborhood Policy (ENP). At the end of each subchapter I will present an official chart of the European Commission, of the major programs implemented and funds allocated by the EU in each of the three countries.

## **2.1. Armenia and the EU**

The EU's very first assistance sent to Armenia was in 1991, when the Union started the implementation of the TACIS mechanism. TACIS covers a wide range of areas including support for institutional, legal and administrative reform; support to the private sector and assistance for economic development; support in addressing the social consequences of transition; development of infrastructure networks; promotion of environmental protection and management of natural resources, as well as the development of the rural economy and support for nuclear safety.<sup>39</sup>

The TACIS program has been contributing to Armenia's transition towards market economy, notably by assistance in the fields of legal and regulatory reform, the approximation of Armenian legislation to that of the EU's and support for Armenia's WTO accession.<sup>40</sup> TACIS national allocation over the years to Armenia represents around €100 million, but besides that the EC has additionally spent around €29 million of TACIS funds on improving the safety of the Medzamor Nuclear Power Plant (MNPP).<sup>41</sup>

TACIS also has been providing essential assistance to the implementation of Armenia's Poverty Reduction Strategy, which was approved in 2003. Both the 2002-2003 and 2004-2005

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<sup>39</sup> The official web-site of the European Union, *External Relations : The EU's relations with Eastern Europe and Central Asia, - TACIS*, [http://ec.europa.eu/comm/external\\_relations/ceeca/tacis/index.htm](http://ec.europa.eu/comm/external_relations/ceeca/tacis/index.htm)

<sup>40</sup> The official web-site of the European Union, *European neighborhood and Partnership Instrument, Armenia, Country Strategy paper 2007-2013*, [http://ec.europa.eu/world/enp/pdf/country/enpi\\_csp\\_armenia\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_csp_armenia_en.pdf)

<sup>41</sup> Ibid,

Action Programs are currently being implemented.<sup>42</sup> Moreover, TACIS Action Program 2006 was approved on 31 July 2006, and is designed in coherence with the mutually agreed priorities in the PCA and the ENP Action Plan. Armenia has also participated in TACIS Regional Programs with projects such as TRACECA, INOGATE and the Caucasus Environmental Centre (REC).<sup>43</sup>

Under the Food Security Program (FSP), which started in 1996, the EC has been providing significant budgetary support to key agriculture and social sectors in Armenia and has played an important role in tackling poverty in the country.<sup>44</sup> The program has been important, as it cooperates with the Ministry of Finance and Economy, Ministry of Agriculture, Ministry of Labor and Social Affairs, State Cadastre Committee and National Statistical Services. The implementation of the FSP has been very successful and therefore, the EC continued supporting the program for 2005-2006, in order to assist Armenia in the implementation of its Poverty Reduction Strategy.<sup>45</sup>

Besides TACIS, the EU has been implementing a number of other projects in post-Soviet Armenia: e.g. the European Community Humanitarian Aid program (ECHO) has been present in Armenia since 1992. The overall amount of funds spent through this program in Armenia amounts to €68.79 million.<sup>46</sup>

Besides that, Armenia has also benefited from EC Macro-Financial Assistance, consisting of a grant of €35.70 million. The grants have been conditioned to good macro-economic

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<sup>42</sup> The official web-site of the European Union, *European neighborhood and Partnership Instrument, Armenia, Country Strategy paper 2007-2013*, [http://ec.europa.eu/world/enp/pdf/country/enpi\\_csp\\_armenia\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_csp_armenia_en.pdf)

<sup>43</sup> Ibid,

<sup>44</sup> The official web-site of the European Union, *External Relations: Armenia*, [http://ec.europa.eu/comm/external\\_relations/armenia/intro/index.htm](http://ec.europa.eu/comm/external_relations/armenia/intro/index.htm)

<sup>45</sup> The official web-site of the European Union, *European neighborhood and Partnership Instrument, Armenia, Country Strategy paper 2007-2013*, [http://ec.europa.eu/world/enp/pdf/country/enpi\\_csp\\_armenia\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_csp_armenia_en.pdf)

<sup>46</sup> The official web-site of the European Union, *External Relations: Armenia*, [http://ec.europa.eu/comm/external\\_relations/armenia/intro/index.htm](http://ec.europa.eu/comm/external_relations/armenia/intro/index.htm)

performance and decisive structural reforms in the country (such as progress in privatization, upgrade of investment climate, fight against corruption, etc).<sup>47</sup>

In 2003 the EU European Initiative for Democracy and Human rights (EIDHR) launched its activities in support of NGOs in Armenia. The objective of the initiative was to promote and protect human rights and democratization as well as conflict prevention and resolution. The eleven projects implemented in Armenia were successful, and therefore, a new call for proposal under EIDHR micro projects 2005-2006 is under way.<sup>48</sup>

Table one below indicates the major programs the EU implemented in Armenia and the funds allocated to each program. The total amount of the projects up until 2006 is €386.39 million.

**Table 1. Total EC grants to Armenia (€million) since 1991<sup>49</sup>**

	<b>1991-1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002-2003</b>	<b>2004-2006</b>	<b>Total</b>
Tacis National Allocations	28.90	-	6.00	14.00	-	10.00	-	10.00	-	10.00	20.00	<b>98.90</b>
Nuclear Safety	-	-	-	10.00	1.00	-	-	11.00	-	-	7.00	<b>29.90</b>
ECHO	10.40	19.90	23.96	4.97	1.96	1.60	2.30	1.10	2.10	0.5	-	<b>68.79</b>
EAGGF	-	-	34.00	13.20	-	-	-	3.00	-	-	-	<b>50.20</b>
FSP	-	-	-	13.00	6.00	12.00	10.00	10.00	10.00	20.30	21.00	<b>102.30</b>
MFA	-	5.70	-	-	-	8.00	4.00	-	-	11.00	7.00	<b>35.70</b>
Aid against effects of Russian financial crisis	-	-	-	-	-	-	1.5	-	-	-		<b>1.5</b>
<b>Total</b>	<b>39.30</b>	<b>25.60</b>	<b>63.96</b>	<b>55.17</b>	<b>8.96</b>	<b>31.60</b>	<b>17.80</b>	<b>35.10</b>	<b>12.10</b>	<b>41.80</b>	<b>55.00</b>	<b>€386.39</b>

<sup>47</sup> The official web-site of the European Commission Delegation to Armenia, *Food Security Program in Armenia*, <http://www.delarm.cec.eu.int/en/programmes/food.htm>

<sup>48</sup> The official web-site of the European Union, *European neighborhood and Partnership Instrument, Armenia, Country Strategy paper 2007-2013*, [http://ec.europa.eu/world/enp/pdf/country/enpi\\_csp\\_armenia\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_csp_armenia_en.pdf)

<sup>49</sup> The official web-site of the European Union, *External Relations: Armenia*, [http://ec.europa.eu/comm/external\\_relations/armenia/intro/index.html](http://ec.europa.eu/comm/external_relations/armenia/intro/index.html)

## 2.2. Azerbaijan and the EU

Similarly to Armenia, Azerbaijan also received its first EU assistance in 1991. The EC has provided assistance to Azerbaijan amounting to almost €400 million. This included the TACIS program, the Food Security Program, post-war rehabilitation activities, the European Initiative for Democracy and Human Rights and humanitarian assistance provided by ECHO.<sup>50</sup>

The TACIS assistance in Azerbaijan has focused on two priorities: support for institutional, legal and administrative reform and support for the private sector and assistance for economic development.

Azerbaijan also participated in TRACECA and INOGATE programs. Moreover, Azerbaijan played an active part in the work of the High level group on the extension of the major trans-European transport corridor to neighboring countries.<sup>51</sup> Besides that, Azerbaijan became the fourth recipient party of an intergovernmental organization of a Science and Technology centre in Ukraine, which has been established by a number of donor countries dedicated to the non-proliferation of technologies and expertise relating to weapons of mass destruction.<sup>52</sup>

Table two below indicates the major programs implemented by the EU in Azerbaijan and the funds spent on the implementation of the programs.

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<sup>50</sup> The official web-site of the European Union, *European Neighborhood and Partnership Instrument, Azerbaijan, Country Strategy paper 2007-2013* [http://ec.europa.eu/world/enp/pdf/country/enpi\\_csp\\_azerbaijan\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_csp_azerbaijan_en.pdf)

<sup>51</sup> Ibid,

<sup>52</sup> Ibid,

**Table 2. Total EC grants to Azerbaijan (€million) since 1991<sup>53</sup>**

	1992-1994	1995	1996	1997	1998	1999	2000	2001	2002-2003	2004-2006	Total
Tacis National Allocations	20.50	6.00	8.00	8.00	8.00	8.00	7.00	7.00	14.00	30.00	<b>116.50</b>
Exceptional Assistance	-	-	-	-	10.00	10.00	10.00	-	-	-	<b>30.00</b>
ECHO	31.09	-	-	28.82	7.70	6.10	4.10	3.36	1.5	-	<b>82.67</b>
FEOGA	-	43.0	22.65	-	-	-	-	-	-	-	<b>65.65</b>
Food security	-	-	15.00	16.00	14.00	12.00	-	-	20.00	30.00	<b>107.00</b>
Rehabilitation	-	-	3.00	4.00	4.5	3.2	3.674	-	-	-	<b>18.374</b>
Exceptional Humanitarian Aid	-	8.00	-	-	-	-	-	1.5	-	-	<b>9.1</b>
<b>Total</b>	<b>59.59</b>	<b>77.82</b>	<b>56.35</b>	<b>34.1</b>	<b>40.6</b>	<b>38.06</b>	<b>22.17</b>	<b>7.00</b>	<b>34.00</b>	<b>60.00</b>	<b>€429.294</b>

## 2. 3. Georgia and the EU

In the period of 1992-2005, the EU gave Georgia €505 million in grants. The most important programs implemented were TACIS, the Food Security program, the EC Humanitarian Assistance, the European Initiative for Democracy and Human Rights, rehabilitation and the Macro-Financial Assistance (MFA).<sup>54</sup>

In 2002-2003 TACIS focused on support for institutional, legal and administrative reforms, as well as on support to addressing the social consequences of transition, which targeted the health sector, including the investments to support the primary healthcare program.<sup>55</sup>

<sup>53</sup> The official web-site of the European Union, *External Relations: Azerbaijan*  
[http://ec.europa.eu/comm/external\\_relations/azerbaijan/intro/index.htm](http://ec.europa.eu/comm/external_relations/azerbaijan/intro/index.htm)

<sup>54</sup> The official web-site of the European Union, *European neighborhood and Partnership Instrument, Georgia, Country Strategy paper 2007-2013* [http://ec.europa.eu/world/enp/pdf/country/enpi\\_csp\\_georgia\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_csp_georgia_en.pdf)

<sup>55</sup> The official web-site of the European Union, *External Relations: Georgia*,  
[http://ec.europa.eu/comm/external\\_relations/georgia/intro/index.htm](http://ec.europa.eu/comm/external_relations/georgia/intro/index.htm)

The Food Security program distributed over €9.25 million starting from 1996. Another important program implemented by the EU is the assistance to Georgia under the rehabilitation program to the South Ossetia region and Abkhazia.<sup>56</sup> The EC granted a number of grants in order to stimulate the peace-process between South Ossetia and Georgia. Moreover, the EC provided financial assistance to Georgia and participated in the Joint Control Commission (JCC) on South Ossetia since April 2001.<sup>57</sup>

In light of the increasing problems and the worsening of the security situation in Georgia, a revised CSP/IP for 2004-2006 was approved in September 2003. After the Rose Revolution, Rapid Reaction Mechanism (RRM) funds were made available to assist the preparation of the presidential and parliamentary elections.<sup>58</sup>

Besides that, though a Joint Action in the Framework of Common Foreign and Security Policy, the EU provided Georgia Border Guards with equipment worth of €1.045 million in 2000 and 2001, which was aimed at protecting the unarmed OSCE monitors at the border between Georgia and the Chechen republic of the Russian Federation.<sup>59</sup>

Table three below indicates the programs implemented by the EU since 1991 till 2006.

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<sup>56</sup> The official web-site of the European Union, *European neighborhood and Partnership Instrument, Georgia, Country Strategy paper 2007-2013* [http://ec.europa.eu/world/enp/pdf/country/enpi\\_csp\\_georgia\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_csp_georgia_en.pdf)

<sup>57</sup> The official web-site of the European Union, *External Relations: Georgia*, [http://ec.europa.eu/comm/external\\_relations/georgia/intro/index.htm](http://ec.europa.eu/comm/external_relations/georgia/intro/index.htm)

<sup>58</sup> The official web-site of the European Union, *European neighborhood and Partnership Instrument, Georgia, Country Strategy paper 2007-2013* [http://ec.europa.eu/world/enp/pdf/country/enpi\\_csp\\_georgia\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_csp_georgia_en.pdf)

<sup>59</sup> The official web-site of the European Union, *External Relations: Georgia*, [http://ec.europa.eu/comm/external\\_relations/georgia/intro/index.htm](http://ec.europa.eu/comm/external_relations/georgia/intro/index.htm)

**Table 3. Total EC grants to Georgia (€million) since 1991<sup>60</sup>**

	1992-1993	1994-1995	1996-1997	1998-1999	2000-2001	2002-2003	2004	2005	2006	Total
TACIS	13.00	10.00	16.00	16.00	15.00	14.00	25.00	-	20.00	<b>129.00</b>
ECHO	12.00	45.00	16.00	13.00	4.00	4.2	4.00	2.00	2.00	<b>102.2</b>
Food Aid	-	41.00	22.00	-	-	-	-	-	-	<b>63.00</b>
Humanitarian Aid	6.00	-	-	-	-	-	-	-	-	<b>6.00</b>
FSP	-	-	34.00	12.00	13.00	-	12.00	10.00	10.00	<b>91.00</b>
Rehabilitation	-	-	8.00	4.00	5.00	-	2.00	2.00	2.00	<b>23.00</b>
MFA	-	-	-	19.00	6.00	-	7.00	-	33.00	<b>65.00</b>
Aid against Russian financial crisis	-	-	-	4.00	-	-	3	-	-	<b>4.00</b>
CFSP/RRM	-	-	-	-	2.00	2.00	5.00	-	-	<b>9.00</b>
EIDHR	-	-	-	-	-	2.00	2.00	2.00	2.00	<b>8.00</b>
Other (DC, PVD, NGO)	-	-	-	-	-	-	2.00	1.00	2.00	<b>5.00</b>
<b>Total</b>	<b>31.00</b>	<b>96.00</b>	<b>96.00</b>	<b>68.00</b>	<b>45.00</b>	<b>22.2</b>	<b>59.00</b>	<b>17.00</b>	<b>71.00</b>	<b>€505.2</b>

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Even though the European Union appeared on the South Caucasus scene in the early 1990's, the intensity of the EU's role in the South Caucasus remained very limited. The EU has been implementing a number of useful projects in the countries of South Caucasus, the total

<sup>60</sup> The official web-site of the European Union, *European neighborhood and Partnership Instrument, Georgia, Country Strategy paper 2007-2013* [http://ec.europa.eu/world/enp/pdf/country/enpi\\_csp\\_georgia\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_csp_georgia_en.pdf)



amount of which is €1320.884. However, the EU has never been actively engaged in the regions internal problems.

The new era in the relations of the EU and the South Caucasus started in 2003, after the European Union invited the South Caucasus republics to participate in the European Neighborhood Policy. Since then the EU upgraded its visibility in the region. In the following chapter I will analyze the new foreign policy tool of the EU, the European Neighborhood Policy.

## CHAPTER 3: EUROPEAN NEIGHBORHOOD POLICY

The European Foreign Policy is an important part of the European Union's external relations. The policy has two addressees, its first addressee is internal to the EU, consisting of the member states and the citizens of the Union. The second one is external, consisting of the non member-states and the citizens of the third states.<sup>61</sup> In this chapter I will focus on the non-member states and the relations of the EU towards the countries participating in the EU's new initiative, the "European Neighbourhood Policy".

### 3.1. "Old wine in new bottles?"<sup>62</sup>

After the "big bang" enlargement in 2004, the EU obtained a number of new neighbours, which today stretch from the Baltic to the Adriatic and from the Aegean to the Mediterranean seas.<sup>63</sup> The EU soon realized that it can not enlarge forever, and in order to cope with this new situation, it had to establish a "new foreign policy tool" towards its neighbors.<sup>64</sup> Therefore, on March 11, 2003 Commissioner Chris Patten stated that over the decades the Union's most successful foreign policy instrument was the promise of EU membership, "This is not sustainable", he argued, "for the coming decade, we need to find new ways to export the stability, security and prosperity we have created within the enlarged EU. We should begin by agreeing on a clearer vision for relations with our neighbors."<sup>65</sup>

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<sup>61</sup> Helene Sjursen, Karen E. Smith. "Justifying EU Foreign Policy: The Logics Underpinning EU Enlargement". ARENA Working Papers WP01/1 [http://www.arena.uio.no/publications/wp01\\_1.htm](http://www.arena.uio.no/publications/wp01_1.htm)

<sup>62</sup> Eneko Landaburu, *From Neighborhood to Integration Policy: are these concrete alternatives to enlargement?* CFSP Conference "Revitalizing Europe" ( Brussels, 2006)

<sup>63</sup> Fulvio Attina, Rosa Rossi, "European Neighborhood Policy: Political, Economic and Social Issues", A publication of the Project **The European Union Neighborhood Policy** of the Faculty of Political Sciences of the University of Catania, (Catania, 2004), <http://www.fscpo.unict.it/EuroMed/ENPCataniabook.pdf>

<sup>64</sup> Ibid,

Afterwards, an “alternative” to the enlargement, the European Neighborhood Policy was first outlined in a Commission’s Communication of Wider Europe in March 2003, which was followed by a strategic paper on the European Neighborhood Policy.<sup>66</sup>

As stated by the European Commission, the ENP is not an “old wine in new bottles”, rather it is a truly modern foreign policy tool.<sup>67</sup> On May 12, the European Commission published a Strategy Document of its new foreign policy tool, which summarized the ways of building closer ties between the European Union and its “new neighbours” to the east and south.<sup>68</sup> In response to the publication of the paper, Javier Solana noted at the Thessaloniki European Council in June 2003 that, “Our task is to promote a ring of well governed countries to the East of the EU and on the borders of the Mediterranean with whom we can enjoy close and cooperative relations”.<sup>69</sup> The “ring” of the new neighbours originally included the EU’s immediate neighbours- Algeria, Belarus, Egypt, Israel, Jordan, Libya, Moldova, Morocco, the Palestinian Authorities, Syria, Tunisia and Ukraine. In 2004, it was extended to Armenia, Azerbaijan and Georgia.<sup>70</sup>

The main objective of the ENP is to create an area of “shared prosperity and values based on deeper economic integration, intensified political relations, enhanced cross-border cooperation”.<sup>71</sup> Moreover, the ENP offers its participant countries its most important values,

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<sup>65</sup> Fulvio Attina, Rosa Rossi, “European Neighborhood Policy: Political, Economic and Social Issues”, A publication of the Project **The European Union Neighborhood Policy** of the Faculty of Political Sciences of the University of Catania, (Catania, 2004), 9  
<http://www.fscpo.unict.it/EuroMed/ENPCataniabook.pdf>

<sup>66</sup> The official web-site of the European Union, *European Neighborhood Policy*  
[http://ec.europa.eu/world/enp/policy\\_en.htm](http://ec.europa.eu/world/enp/policy_en.htm)

<sup>67</sup> Eneko Landaburu, *From Neighborhood to Integration Policy: are these concrete alternatives to enlargement?* CFSP Conference “Revitalizing Europe” ( Brussels, 2006)

<sup>68</sup> Ahto Lobjakas. “European Union unveils details of 'European Neighborhood Policy'”. RFE/RL Newsline, (Brussels, 2004), <http://www.ukrweekly.com/Archive/2004/210403.shtml>

<sup>69</sup> Sinem Akgul Acikmefie.” Management of Security in EU’s Neighborhood: Union’s tactics revised” (2005)  
<http://www.sam.gov.tr/perceptions/Volume10/Autumn/SinemAkgulAcikmese.pdf>

<sup>70</sup> Ibid,

such as the rule of law, good governance, the respect for human rights, including minority rights, the promotion of good neighbourly relations, and the principles of market economy and sustainable development.<sup>72</sup> If the implementation of the membership Copenhagen criteria, which seems to be adapted in the ENP process, goes successfully, the EU gives chance to the neighboring countries to become its essential partners “to increase our mutual production, economic growth and external trade, to create an enlarged area of political stability and functioning rule of law”.<sup>73</sup>

Therefore, the ENP gives a chance to the countries to participate in various EU activities, through political, security and economic co-operation. As stated by Prodi, the fulfillment of the defined priorities by the states will bring them closer to the European Union, “we can not water down the European political project and turn the European Union into just a free trade area... the neighbors will share everything with the Union but institutions”.<sup>74</sup>

So to put it differently, the ENP is an extension of the EU’s norms, standards, rules and values beyond the borders of the EU. According to the so-called positive conditionality mechanism, which is employed here, the more EU required reforms will be implemented by the participating countries, the more EU funds they will get and the more closer they will integrate with the Union both politically and economically.<sup>75</sup> However this does not envisage membership,

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<sup>71</sup> Fulvio Attina, Rosa Rossi, “European Neighborhood Policy: Political, Economic and Social Issues”, A publication of the Project **The European Union Neighborhood Policy** of the Faculty of Political Sciences of the University of Catania, (Catania, 2004), 8  
<http://www.fscpo.unict.it/EuroMed/ENPCataniabook.pdf>

<sup>72</sup> Ibid, 8

<sup>73</sup> Ibid, 8

<sup>74</sup> Ibid, 9

<sup>75</sup> Nicu Popescue, “The EU and South Caucasus :learning lessons from Moldova and Ukraine”, Center for European Policy Studies, (Brussels, 2006) <http://www.cceol.com/aspx/getdocument.aspx?logid=5&id=b7746911-5e34-40b0-88b6-81d290af8bfe>

rather it offers “a privileged relationship” based on “mutual commitment to common values”.<sup>76</sup> Therefore, the EU makes it clear that the countries will gain rewards if they meet the conditions set by the EU, and that these rewards will be denied if they slide back to their bad habits. Gabbe describes this approach as “tough love” approach.<sup>77</sup>

The Strategic paper of the ENP argues that, the Action Plans comprise the steps of the states. The Action Plans (AP), on which the EU’s relations with the participant countries are based have to be agreed jointly with the neighboring countries. The minimum duration of an Action Plan should be three years, and it should be subject to renewal. The series of incentives of APs include: a perspective of a significant degree of integration, including a stake in the EU’s Internal Market; an upgrade of political cooperation; the opening of economies and the reduction of trade barriers; increased financial support; cooperation in the fields of justice and home affairs; energy, transport, information society, environment and research and innovation; social policy and besides that the dialogue on visa cooperation and strong EU commitment to the settlement of conflicts.<sup>78</sup> The Action Plans should be based on common principles, but be differentiated, taking into account the specificities of the neighbor, its national reform process and the relations with the EU.<sup>79</sup> Till 2006 the European Neighborhood Policy was funded by several programs, first was the TACIS program which extended to the Eastern neighbors and Russia, the second being MEDA program, which comprised the Southern Mediterranean Neighbors.<sup>80</sup>

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<sup>76</sup> Judith Kelly, “New Wine in Old Wineskins: Policy learning and Adaptation in the New Neighborhood Policy”, *Terry Sanford Institute of Public Policy, Working Paper*, January 2005

<sup>77</sup> Heather Grabbe, “How the EU should help its Neighbors”, Policy Brief, Centre for European Reform, (London, June 2004), [www.cer.org.uk](http://www.cer.org.uk)

<sup>78</sup> Commission of the European Communities, *On the Commission proposals for Action Plans under the European Neighborhood Policy*. Brussels, 9 December 2004 COM (2004) 795 Final  
[http://ec.europa.eu/world/enp/pdf/action\\_plans/communication\\_commission\\_enp\\_action\\_plans.pdf](http://ec.europa.eu/world/enp/pdf/action_plans/communication_commission_enp_action_plans.pdf)

<sup>79</sup> The official web-site of the European Union, *European Neighborhood Policy*,  
[http://ec.europa.eu/world/enp/howitworks\\_en.htm](http://ec.europa.eu/world/enp/howitworks_en.htm)

<sup>80</sup> Leonid Karabeshkin, “New Neighbors” – “Common Neighbors”!, Centre for Integration Research and Projects, (St. Petersburg, December 2004) [http://www.cirp.ru/conferences/new%20neighborhood%20policy/report\\_e.htm](http://www.cirp.ru/conferences/new%20neighborhood%20policy/report_e.htm)

From 2007 the new financial instrument for the neighborhood, the European Neighborhood and Partnership Instrument (ENPI) replaced MEDA and TACIS. The innovative feature of the instrument is its cross border cooperation component. Under this component, the ENPI finances “joint programs”, bringing together regions of Member States and partner countries sharing a common border.<sup>81</sup>

To conclude, the implementation of the European Neighborhood Policy was an important step in conducting relations with third states. Even though the European Neighborhood policy is not a guarantee of the EU membership, it is a great opportunity for states to foster closer relationships with the member states of the European Union and a good chance to increase mutual prosperity, stability and security in the region. As Benita Ferrero-Waldner argued in her speech in Slovenia on 28 August 2006,” It is our tool for laying the foundations for a much deeper relationship with the countries of Eastern Europe and the southern Mediterranean. And it is designed to extend the prosperity, stability and security enjoyed by the EU to our closest neighbors and partners.”<sup>82</sup> In the following sub-chapter I will examine the limitations of the ENP and analyze the criticisms of the policy.

### **3.1.1. Limitations of the ENP**

There is no doubt that the enlarged European Union needs an effective common policy to deal with its neighbors, but the new policy the Commission came up with is the subject of much skepticism.

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<sup>81</sup> The official web-site of the European Commission, *EU in the world, European Neighborhood Policy, frequently asked questions*. [http://ec.europa.eu/world/enp/faq\\_en.htm#4.1](http://ec.europa.eu/world/enp/faq_en.htm#4.1)

<sup>82</sup> The official web-site of the European Union, *Benita Ferrero Waldner: Political reform and sustainable development in South Caucasus: the EU's approach*, (Slovenia, 28 August, 2006) <http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/06/477&format=HTML&aged=0&language=EN&guiLanguage=en>

Through the European Neighborhood Policy the Commission hopes that it will stop neighboring countries from demanding the promises of membership for a while. At this point, the policy offers the countries a process of integration that does not prejudge which of them might join the EU someday.<sup>83</sup> The fact that the European Neighborhood Policy does not contain the promise of membership reduces its attractiveness for the neighbors. The Union “policymakers” assume that the neighbors will adapt to the EU norms in the same manner as did the accession countries, but without the prospect of membership the countries are less excited to adapt to the reforms offered by the EU.<sup>84</sup> According to Grabbe, the EU needs to give its neighboring countries additional incentives to co-operate; otherwise it will have little influence over them.<sup>85</sup>

Besides that, Missiroli states that the European Neighborhood Policy is something of a misnomer. What the policy deals with is not Europe’s neighborhood, but rather the EU’s one, which are two different things.<sup>86</sup> Missiroli notes that in this respect the Ukrainians are right when they state that they belong to Europe and not its “neighborhood”.

Moreover, the EU does not actually deal with a homogeneous neighborhood, but rather with “sets of neighbors which are very different from one another”.<sup>87</sup> As an example, the Mediterranean countries are very different from those in Easter Europe but the Policy puts both “apples and pears in the same policy basket”, which definitely is the subject of much criticism of the participant states.<sup>88</sup> Moreover, according to Missiroli, the ENP is not really a single policy,

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<sup>83</sup> Heather Grabbe, “How the EU should help its Neighbors”, Policy Brief, Centre for European Reform, (London, June 2004), [www.cer.org.uk](http://www.cer.org.uk)

<sup>84</sup> Ibid,

<sup>85</sup> Ibid,

<sup>86</sup> Antonio Missiroli, “The ENP three years on: where from-and where next?”, Policy brief, European Policy Centre, (Brussels, March 2007),1 [http://www.epc.eu/TEWN/pdf/1003848642\\_ENP%20three%20years%20on.pdf](http://www.epc.eu/TEWN/pdf/1003848642_ENP%20three%20years%20on.pdf)

<sup>87</sup> Ibid, 1

<sup>88</sup> Ibid, 2

rather it is a set of bilateral programs and instruments, the so-called umbrella that brings together the pre-existing EU funds and “tries to give them a common rationale”.<sup>89</sup>

Holm introduces “variable geometry” of the ENP. According to her, the neighbors which constitute a “ring of friends” are divided into different kinds of friends. Some friends are very good friends, other friends might turn into less good friends, and some others may not be friends at all, but very bad neighbors if they do not comply with the EU norms.<sup>90</sup> Thus, the ENP creates different kinds of “geographical others”. As Holm notes, the closer to the EU norms a country is, the less “geographical othering” occurs, the less close to the norms, the more “geographical othering” the country becomes.<sup>91</sup>

Karabeshkin states that the ENP is a foreign policy doctrine of the EU, rather than the cooperation program of equal partners. Neighboring countries are objects of the ENP and their opportunity to take part in the elaboration of the policy is taken away. Karabeshkin describes the relationship of the EU and neighboring countries by a model of “teacher” and “student”.<sup>92</sup> Being aware of being accused of behaving as a colonizer, Prodi declared that the “EU is open to coexistence on equal footing with the neighbors that have mutual commitment to common values”.<sup>93</sup> But the “coexistence on equal footing” does not envisage the membership perspective.

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<sup>89</sup> Antonio Missiroli, “The ENP three years on: where from-and where next?”, Policy brief, European Policy Centre, (Brussels, March 2007), 3

[http://www.epc.eu/TEWN/pdf/1003848642\\_ENP%20three%20years%20on.pdf](http://www.epc.eu/TEWN/pdf/1003848642_ENP%20three%20years%20on.pdf)

<sup>90</sup> Ula Holm, “EU’s Neighborhood Policy: A Question of Space and Security”, Danish Institute for International Studies, Working Paper (Denmark, 2005), 18 <http://www.isn.ethz.ch/pubs/ph/details.cfm?lng=en&id=14498>

<sup>91</sup> Ibid, 19

<sup>92</sup> Leonid Karabeshkin, “*New Neighbors*” – “*Common Neighbors*”!, Centre for Integration Research and Projects, (St. Petersburg, December 2004) [http://www.cirp.ru/conferences/new%20neighborhood%20policy/report\\_e.htm](http://www.cirp.ru/conferences/new%20neighborhood%20policy/report_e.htm)

<sup>93</sup> Ula Holm, “EU’s Neighborhood Policy: A Question of Space and Security”, Danish Institute for International Studies, Working Paper (Denmark, 2005), 20 <http://www.isn.ethz.ch/pubs/ph/details.cfm?lng=en&id=14498>



The ENP is not about enlargement; therefore it can not exercise the conditionality as effectively as the former.<sup>94</sup>

According to Schimmelfennig, the EU has predominantly relied on the attractiveness of membership to achieve progress in democracy and human rights and that “a credible membership perspective has been a necessary condition for an effective impact on domestic change”.<sup>95</sup> But because the membership clause is excluded from the ENP, the EU might have a hard time in expending its norms in the region.

### **3.2. The ENP and South Caucasus region: three different paths to Europe**

After their inclusion in the European Neighborhood Policy was rejected in a footnote in the European Commission document “Communication on the Wider Europe” in 2003, the three countries of the South Caucasus finally became the “part of the EU’s Neighborhood” in June 2004, several months after the Rose Revolution of Georgia.<sup>96</sup> Due to this occasion Commissioner Ferrero-Waldner stated,

we want to work together with Armenia, Azerbaijan and Georgia towards building a more stable, prosperous and secure neighborhood. With the European Neighborhood Policy we have opened a new chapter in our relations.<sup>97</sup>

Although the South Caucasus countries were included at the same time in the ENP, each country seems to have taken different paths to Europe. As a symbol of Georgia’s determination to integrate itself into the West, all the public buildings in downtown Tbilisi fly EU flags next to

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<sup>94</sup> Antonio Missiroli, “The ENP three years on: where from-and where next?”, Policy brief, European Policy Centre, (Brussels, March 2007) [http://www.epc.eu/TEWN/pdf/1003848642\\_ENP%20three%20years%20on.pdf](http://www.epc.eu/TEWN/pdf/1003848642_ENP%20three%20years%20on.pdf)

<sup>95</sup> Frank Schimmelfennig, “European Neighborhood Policy: Political Conditionality and its impact on Democracy in Non-Candidate Neighboring Countries“, Prepared for the EUSA Ninth Biennial International Conference, (Austin, March 31-April 2, 2005) [http://aei.pitt.edu/3302/02/European\\_Neighborhood\\_Policy.doc](http://aei.pitt.edu/3302/02/European_Neighborhood_Policy.doc)

<sup>96</sup> Lilli Di Puppò, *The South Caucasus countries and ENP: three different paths to Europe?* (Caucasus Europeanews, 2007) [http://www.caucas.com/home\\_eng/breve\\_contenu.php?id=287](http://www.caucas.com/home_eng/breve_contenu.php?id=287)

<sup>97</sup> The official web-site of the European Commission’s delegation to Georgia, Benita Ferrero-Waldner, *Visit to South Caucasus* <http://www.delgeo.cec.eu.int/en/press/29septemberi2006.html>

Georgian ones.<sup>98</sup> Moreover, in 2004, president Saakashvili voiced his determination for the EU accession. He appointed a French diplomat of Georgian descent as a foreign minister in order to boost European ties, and even introduced the position of the State Minister for European Integration.<sup>99</sup> Even though the EU extensively stresses that the ENP has no links with EU membership, the Georgian government officials and media are ambitious in this matter and have indicated that they view the ENP as a step bringing the country closer to EU membership.<sup>100</sup>

For Brussels, Armenia has been the better pupil among the three Caucasian republics. Yerevan seems to understand the rather technical language of Brussels and does not set hopes on EU integration in the close future.<sup>101</sup> Moreover, Armenia has been having a pro-Russian foreign policy, and it does not seem willing to upset its strong ally in the North. For Armenia, the ENP is more an answer to security threats “stemming from what is perceived as instable regions at the EU’s borders” rather than an attempt to spread European democratic norms and standards in the region.<sup>102</sup>

As for Azerbaijan, according to Di Puppò, Azerbaijan itself does not particularly seem inclined to “Europeanization” and has not shown much interest in establishing strong ties with the EU.<sup>103</sup> Due to its strategic importance in terms of energy security and its location as a direct neighbor of Iran, Azerbaijan has its own status as a country which can dictate its own conditions to the EU.<sup>104</sup>

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<sup>98</sup> Mark Leonard and Charles Grant, “Georgia and the EU: Can Europe’s Neighborhood Policy Deliver?” Centre for European Reform, (London, 2004 ) [www.cer.org.uk](http://www.cer.org.uk)

<sup>99</sup> Jaba Devdariani, *Europe remains ambiguous in its South Caucasus neighborhood*, Central Asia-Caucasus Institute, (Tbilisi, 2004) [http://www.cacianalyst.org/view\\_article.php?articleid=2527](http://www.cacianalyst.org/view_article.php?articleid=2527)

<sup>100</sup> Ibid,

<sup>101</sup> Lilli Di Puppò, *The South Caucasus countries and ENP: three different paths to Europe?* (Caucas Europeanews, 2007) [http://www.caucas.com/home\\_eng/breve\\_contenu.php?id=287](http://www.caucas.com/home_eng/breve_contenu.php?id=287)

<sup>102</sup> Ibid,

<sup>103</sup> Ibid,

<sup>104</sup> Ibid,

Even though the South Caucasus is the diversity of the three countries' orientations in politics, cultural and regional terms the EU favors regional approach towards the region. After the end of the Cold War, the EU fostered regional cooperation, in a context that was facing what has been considered a new wave of regionalism. The regionalism was an attempt to "regain some measures of political control over process of economic globalization that have curtailed national policy instruments".<sup>105</sup> Therefore, since then the regional approach has become a key factor of the EU's external relations.

The Commission defines the regional approach as follows: "a general concept that refers to all efforts on the part of neighboring countries to address issues of common interest".<sup>106</sup> Concerning the regional approach of South Caucasus, Javier Solana stated in November 2006,

we would like those three countries to work among themselves as a region and that is the focus of the program we are establishing with you. And therefore we want to work with you as a region. As a consequence of that the conflicts that exist in the region have to be solved, otherwise it will be very difficult to construct regional unity...<sup>107</sup>

Due to the dispute concerning flights between Azerbaijan and the Northern part of Cyprus, not only Baku, but Tbilisi and Yerevan had to suffer a delay in negotiations over the Action Plans in the summer of 2005.<sup>108</sup>

The Georgian government has expressed some doubts after the above mentioned incident, regarding the regional approach, as since the Rose Revolution Georgia had hopes set on being included in the Black Sea region, which comprises Ukraine and Moldova, rather than in the

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<sup>105</sup> Fulvio Attina, Rosa Rossi, "European Neighborhood Policy: Political, Economic and Social Issues", A publication of the Project **The European Union Neighborhood Policy** of the Faculty of Political Sciences of the University of Catania, (Catania, 2004), 8

<http://www.fscpo.unict.it/EuroMed/ENPCataniabook.pdf>

<sup>106</sup> Ibid, 9

<sup>107</sup> Radio Free Europe, Radio Liberty, *EU: Solana Says membership for South Caucasus :A different Story* (2006) <http://www.rferl.org/featuresarticle/2006/11/49cc53a7-9595-4960-ba54-0ba1f248963f.html>

<sup>108</sup> Lilli Di Pippo, *The South Caucasus countries and ENP: three different paths to Europe?* (Caucas Europeanews, 2007) [http://www.caucas.com/home\\_eng/breve\\_contenu.php?id=287](http://www.caucas.com/home_eng/breve_contenu.php?id=287)

unstable region of the South Caucasus.<sup>109</sup> According to the former Minister of Economy of Georgia the South Caucasus does not constitute a region as such, neither with the intense relationships nor a common South Caucasian identity. The common identity of the South Caucasus was constructed by the Russian empire and later by the Soviet Union. Moreover, the three states have always had individualist approaches in political, cultural and religious terms. The national choices the countries make illustrate their different approaches very clearly, Armenia perceives threats from Turkey and Azerbaijan, and has strong ties with Russia; Azerbaijan perceives threats from Iran, Armenia and to some extent Russia, is pro western and has strong ties with Turkey; Georgia, on the other hand, mainly perceives threats from Russia and is pro western, mainly seeking American protection.<sup>110</sup>

On the other hand, for the EU the regional approach seems effective in this regard, as the resolution of the Nagorno-Karabakh which is regarded as particularly tricky case by the regional observers, will require the cooperation of the two countries and has been designed as a priority in the EU-Armenia and EU Azerbaijan Action Plans, which is on the other hand, perceived as an obstacle for Georgia on the road to a fast progression towards the EU.<sup>111</sup>

To conclude, according to Marchetti, despite of the different layers of identities and orientations of the three Caucasian republics, the EU has “summed up” the Caucasus republics in the “Caucasian knot”, a knot the EU evidently tries to dissolve by the means of the ENP- and not by offering EU-membership.”<sup>112</sup>

In the next chapter I will be looking at the geopolitical interests of the EU in the South Caucasus, and what drives EU towards the closer cooperation with the region.

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<sup>109</sup> Irakli Rekhviashvili, interview by author

<sup>110</sup> Irakli Rekhviashvili, interview by author

<sup>111</sup> Ibid,

<sup>112</sup> Andreas Marchetti, “Widening without Enlarging: The European Neighborhood Policy and the South Caucasus”, Center for European Integration Studies, (2005) [http://www.esiweb.org/pdf/esi\\_turkey\\_tpq\\_id\\_63.pdf](http://www.esiweb.org/pdf/esi_turkey_tpq_id_63.pdf)

## CHAPTER 4: THE GEOPOLITICAL IMPLICATIONS OF THE EU IN THE SOUTH CAUCASUS AFTER THE 2007 ENLARGEMENT

The South Caucasus is of particular interest to the West because of its geopolitical location and mainly its energy resources. Besides that, instability in the South Caucasus is a threat to the European Union and the energy supplies, pipelines and the challenges of international crime and trafficking make the stability of the region a clear EU interest.<sup>113</sup> Moreover, the unresolved conflicts in Nagorno-Karabakh, Abkhazia and South Ossetia have the potential to ignite into full-scale wars in Europe's neighborhood.<sup>114</sup> In order to guarantee its own security, the EU has to get more involved in the region. Through the European Neighborhood Policy and its Action Plans, the EU is expanding its norms and values in the South Caucasus and promotes democracy, human rights and rule of law.

The EU's increased interests in the region manifested itself in the appointment of the EU Special Representative (EUSR) on the South Caucasus region in July 2003, the mandate of the EUSR was to "assist Armenia, Azerbaijan and Georgia in carrying out political and economic reforms, notably in the fields of rule of law, democratization, human rights, good governance, development and poverty reduction and to prevent conflicts in the region", as well as, "to assist in the resolution of conflicts, and to prepare the return of peace, promoting the return of refugees and internally displaced persons".<sup>115</sup> Rather than mandating the EUSR to seek direct involvement in conflict resolution, the mandate mentioned that the EUSR should "support the United Nations Secretary General and his Special representative for Georgia, and the group of friends of the

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<sup>113</sup> International Crisis Group, "Conflict resolution in the South Caucasus: The EU's role", Europe Report No. 173-20 March 2006 <http://www.crisisgroup.org/home/index.cfm?id=4037&l=1>, 9

<sup>114</sup> Ibid, 9

<sup>115</sup> Nicu Popescu, "Europe's Unrecognized Neighbors: The EU in Abkhazia and South Ossetia", Working Documents, Centre for European Policy Studies, (Brussels: March 2007), 15  
[http://shop.ceps.be/download.php?item\\_id=1476](http://shop.ceps.be/download.php?item_id=1476)

United Nations Secretary General for Georgia [...] and the conflict resolution for the South Caucasus under the aegis of the OSCE”.<sup>116</sup>

A Finish diplomat, Heikki Talvitie, was appointed to the position. This decision was declared to be in line with the Council’s wish to “play a more active political role in the region”.<sup>117</sup> In 2006, a Swedish diplomat, Peter Semneby replaced Talvitie with an extended mandate, “to assist creating the conditions for progress on settlement of conflict”, rather than just supporting the framework of the conflict resolution.<sup>118</sup>

In this chapter I argue that because after the 2007 enlargement the EU shares the Black Sea with the South Caucasus, the importance of the region has increased. The energy resources, frozen conflicts, smuggling, drugs and arms trafficking and terrorism in the South Caucasus make the region of vital importance to the EU.

#### **4.1. Energy Security**

The geopolitical importance of the South Caucasus is based on the presence of energy resources, namely gas and oil, exploited mostly by Azerbaijan in the Caspian Sea. The Caspian Sea contains 3-4 percent of the world’s oil reserves and 4-6 percent of the world’s gas reserves.<sup>119</sup> In itself, the Caucasian share of global oil and gas reserves is not that considerable, but in light of the uncertainty over the reliability of the Persian Gulf supplies, as well as a possibility that Russia might use its energy supplies as a power tool, the transport of the Caspian and Central Asian

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<sup>116</sup> Nicu Popescu, “Europe’s Unrecognized Neighbors: The EU in Abkhazia and South Ossetia”, Working Documents, Centre for European Policy Studies, (Brussels: March 2007), 15

[http://shop.ceps.be/downfree.php?item\\_id=1476](http://shop.ceps.be/downfree.php?item_id=1476)

<sup>117</sup> Dov Lynch and others, “The EU: towards a strategy”, in *South Caucasus a challenge for the EU*. Chaillot Paper No.65. The Institution for International Studies, (Paris: December 2003), 172

<http://www.iss-eu.org/chaillot/chaill65e.pdf>

<sup>118</sup> Nicu Popescu, “Europe’s Unrecognized Neighbors: The EU in Abkhazia and South Ossetia”, Working Documents, Centre for European Policy Studies, (Brussels: March 2007), 15

[http://shop.ceps.be/downfree.php?item\\_id=1476](http://shop.ceps.be/downfree.php?item_id=1476)

<sup>119</sup> Marcel de Haas, “Current Geostrategy in the South Caucasus”, *Power and Interest News Report*, (December 2006), [http://www.pinr.com/report.php?ac=view\\_report&report\\_id=595&language\\_id=](http://www.pinr.com/report.php?ac=view_report&report_id=595&language_id=)

supplies to the West via the Caucasus has gained vital importance.<sup>120</sup> As the EU is largely dependent on energy security from a very limited number of countries, the energy resources of the South Caucasus are of particular interest to the EU.<sup>121</sup> Because of its rich energy supplies, the function of the region is associated as a passageway for the transporting of oil and gas from the Caspian to the Mediterranean.

A number of states and organizations are involved in the South Caucasus besides the EU. At the regional level, there is the Black Sea Economic Cooperation (B.S.E.C.), the Black Sea Force (BLACKSEAFOR) the Caspian Sea Force (CASFOR), the cooperation between Georgia, Ukraine, Azerbaijan and Moldova (G.U.A.M.) and the Collective Security Treaty Organization (C.S.T.O.) within the Commonwealth of Independent States (C.I.S.); and at the global level, the North Atlantic Treaty Organization (N.A.T.O.).<sup>122</sup>

Already during the 1990s the EU became interested in the potential of the region and started the implementation of important regional projects in the South Caucasus. TRACECA (Transport Corridor Europe, Caucasus, Asia) and INOGATE (Interstate Oil and Gas Transport to Europe) were undoubtedly the most significant.

Moreover, the European Neighborhood Policy gives a chance to the EU to get more engaged in the region and gain direct access to the oil and gas supplies of the region. As Benita Ferrero-Waldner stated in November 2006 at the conference “Towards an EU External Energy Policy”,

The ENP takes full account of the vital role that the EU’s neighbors play in the EU’s energy security either as suppliers or transit countries. This has been fleshed out in the major energy

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<sup>120</sup> Marcel de Haas, “Current Geostrategy in the South Caucasus”, *Power and Interest News Report*, (December 2006), [http://www.pinr.com/report.php?ac=view\\_report&report\\_id=595&language\\_id=1](http://www.pinr.com/report.php?ac=view_report&report_id=595&language_id=1)

<sup>121</sup> Alessandro Vitale, *The EU want to build and energy strategy in the Caspian Region*, (*Caucaz European News*, January 2007) [http://www.caucaz.com/home\\_eng/breve\\_contenu.php?id=293](http://www.caucaz.com/home_eng/breve_contenu.php?id=293)

<sup>122</sup> Marcel de Haas, “Current Geostrategy in the South Caucasus”, *Power and Interest News Report*, (December 2006), [http://www.pinr.com/report.php?ac=view\\_report&report\\_id=595&language\\_id=1](http://www.pinr.com/report.php?ac=view_report&report_id=595&language_id=1)

cooperation sections of the ENP Action Plans which have been jointly established with these neighbors.<sup>123</sup>

Currently there are number of projects implemented in the field of energy security in the South Caucasus region. In the following sections I will look at the five projects implemented in the South Caucasus with the support of the European Union.

#### **4.1.1. TRACECA**

TRACECA was launched in 1993 by the European Union, the objective of which is to connect the Black and Caspian Seas by means of modern transport and communication systems and to develop a coherent and integrated infrastructure within the region.<sup>124</sup> The objectives of the program were formulated in 1993 at the Conference in Brussels by the European Commission and the Governments of Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan to support their integration into the international economy by improving trade and transport.<sup>125</sup>

In the period from 1996 to 1998 Ukraine and Moldova also joined the program. In 2000 Bulgaria, Romania and Turkey applied to the European Commission with a request to join TRACECA. Today the TRACECA program comprises thirteen countries: five countries in Europe, three in the Caucasus and five more in Central Asia.<sup>126</sup>

The member states consider TRACECA routes of strategic importance. As most of the member countries of TRACECA are landlocked, the policy gives them an additional link to reach

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<sup>123</sup> The official web-site of the European Commission, *External Relations :Energy conference* [http://ec.europa.eu/comm/external\\_relations/energy/energy\\_conference\\_2006/index.htm](http://ec.europa.eu/comm/external_relations/energy/energy_conference_2006/index.htm)

<sup>124</sup> Mariam Dekanozishvili, "The EU in the South Caucasus: By What Means, to What Ends?", Occasional Paper #2:2004, Georgian Foundation for Strategic and International Studies, <http://www.cceol.com/aspx/getdocument.aspx?logid=5&id=5EEE1000-ECE3-404D-B9CB-8C075C3F6B30>

<sup>125</sup> The official web-site of TRACECA, <http://www.traceca-org.org/default.php?l=en>

<sup>126</sup> Ibid,



European markets and to integrate into the global trade via TRACECA territories or waters.<sup>127</sup>

Since 2007 there is no further TACIS TRACECA Action program, the new EU instruments relevant to TRACECA are the European Neighborhood and Partnership Instrument (ENPI) and the Development Cooperation and Economic Cooperation Instrument (DCECI).

#### **4.1.2. INOGATE**

INOGATE was launched in November 1995 in Brussels. INOGATE is an international co-operation program, which aims at promoting the regional integration of the pipeline systems and which is facilitating the transport of oil and gas within both the NIS region and towards the market in Europe.<sup>128</sup>

At present there are 21 countries who are signatories of an INOGATE umbrella agreement, which is an intensified agreement that “sets out an institutional system designed to rationalize and facilitate the development of interstate oil and gas transportation systems and to attract the investment necessary for their construction and operation”.<sup>129</sup> INOGATE supports the security of the supply of both the EU and the INOGATE participating countries by enhancing the safety and security of the existing hydrocarbon network; by facilitating the extension of the network to reduce bottlenecks and enhance supplies; by attracting and facilitating the necessary investments; by acting to improve the investment climate and by supporting the convergence of the regulatory framework and normative standards of Participating Countries towards those existing in the EU.<sup>130</sup> The New Action program 2007-2013 will be implemented by the new larger external EU technical assistance initiative “European Neighborhood and Partnership Instrument”.

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<sup>127</sup> The official web-site of TRACECA, <http://www.traceca-org.org/default.php?l=en>

<sup>128</sup> The official web-site of INOGATE, <http://www.inogate.org/inogate/en/about>

<sup>129</sup> Ibid,

<sup>130</sup> The official web-site of INOGATE, <http://www.inogate.org/en/>

### 4.1.3. *Baku Initiative*

In 2004 the EU signed the “Baku Initiative”, which enhances energy cooperation between the European Union and the countries of the Black and Caspian basin and their neighbors.<sup>131</sup> The initiative, which began as a result of the conclusions reached at the Energy Ministerial Conference in Baku on 13 November 2004, aims at “creating a Black Sea/Caspian region energy community shaped on Brussels’ energy rules”.<sup>132</sup> On November 30, 2006 the Conference held in Kazakhstan prepared an “Energy Road Map” setting out the long-term vision for the new energy cooperation.<sup>133</sup> The partner countries of the “Baku Initiative” are Armenia, Azerbaijan, Belorussia, Georgia, Iran (political conditions permitting), Kazakhstan, Kyrgyzstan, Moldova, the Russian Federation (observer), Ukraine, Uzbekistan, Tajikistan, Turkey, Turkmenistan and the EU, which is represented by the DGs for Transport and Energy, External relations and EuropeAid Cooperation office.<sup>134</sup>

This initiative is important as, on the one hand, the EU is highly interested in securing its energy supplies, and on the other hand, all partner countries are interested in securing energy supplies, avoiding price fluctuations and attracting investments.<sup>135</sup> As set out in the Agreed Conclusions of the Baku Initiative, the representatives from both the European Commission and participating countries recognize the importance of the cooperation in energy and agree to further develop their cooperation within the framework of the European Neighborhood Policy.<sup>136</sup>

The success of the initiative will be dependent on the strength of the commitment by the countries of the region towards market-oriented reforms, regional integration and sustainable

<sup>131</sup> The official web-site of INOGATE, *Baku Initiative*, <http://www.inogate.org/inogate/en/baku-initiative>

<sup>132</sup> Alessandro Vitale, *The EU want to build and energy strategy in the Caspian Region*, (*Caucaz European News*, January 2007) [http://www.caucaz.com/home\\_eng/breve\\_contenu.php?id=293](http://www.caucaz.com/home_eng/breve_contenu.php?id=293)

<sup>133</sup> The official web-site of the European Union, *External relations: Baku Initiative* [http://ec.europa.eu/comm/external\\_relations/energy/baku\\_initiative/index.htm](http://ec.europa.eu/comm/external_relations/energy/baku_initiative/index.htm)

<sup>134</sup> *Ibid*,

<sup>135</sup> The official web-site of INOGATE, *Baku Initiative*, <http://www.inogate.org/inogate/en/baku-initiative>

<sup>136</sup> *Ibid*,

development. Even though the initiative will not revise the current pattern of energy trade in the Eurasian space, it will help in the long run to build more market- friendly energy relations between the EU and Caspian energy producers.<sup>137</sup>

#### **4.1.4. Tbilisi- Baku-Ceyhan**

The importance of the South Caucasus has increased since the 1,800 kilometer Baku-Tbilisi-Ceyhan (BTC) pipeline was opened in 2005. The pipeline has the potential of bringing oil from Azerbaijan through the Caucasus to the Mediterranean Coast of Turkey. It is the second longest oil pipeline in the world (the longest being the Druzhba pipeline from Russia to central Europe).<sup>138</sup> When working at normal capacity, beginning in 2009, it will transport 1 million barrels of oil per day.

Construction work on the BTC pipeline began in 2003. The pipeline runs 443 km through Azerbaijan, 249 km through Georgia and 1,076 km through Turkey to the Ceyhan Marine terminal. The BTC pipeline facilities include eight pump stations, of which two are located in Azerbaijan, two in Georgia and four in Turkey.<sup>139</sup>

The project cost is estimated to be \$3.7 billion. The pipeline was officially inaugurated at the Sangachal terminal, near Baku, by President Ilham Aliyev of the Azerbaijan Republic, President Mikhail Saakashvili of Georgia and President Ahmet Sezer of Turkey, joined by President Nursultan Nazarbayev of Kazakhstan on 25 May 2005.<sup>140</sup> The BTC pipeline consortium is made up of BP, with a 30.1% stake as project operator, Azerbaijan's State Oil

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<sup>137</sup> Alessandro Vitale, *The EU want to build and energy strategy in the Caspian Region*, (Caucaz European News, January 2007) [http://www.caucaz.com/home\\_eng/breve\\_contenu.php?id=293](http://www.caucaz.com/home_eng/breve_contenu.php?id=293)

<sup>138</sup> The official web-site of the European Union, *External relations: Baku Initiative* [http://ec.europa.eu/comm/external\\_relations/energy/baku\\_initiative/index.htm](http://ec.europa.eu/comm/external_relations/energy/baku_initiative/index.htm)

<sup>139</sup> The official web-site of the British Petroleum, *Baku-Tbilisi-Ceyhan Pipeline*, <http://www.bp.com/genericarticle.do?categoryId=9006669&contentId=7014358>

<sup>140</sup> The official web-site of the British Petroleum, *Baku-Tbilisi-Ceyhan Caspian Pipeline* <http://www.hydrocarbons-technology.com/projects/bp/>

Company with 25%, the American companies Unocal (8.9%), Conoco-Phillips (2.5%), and Amerada Hess (2.35%), Norway's Statoil (8.7%), Turkish Petroleum (6.5%), Italy's ENI (5%), Total of France (5%), and the Japanese-based Itochu and Inpex with 3.4% and 2.5% stakes, respectively.<sup>141</sup> "This pipeline is of strategic importance not only to Azerbaijan, but to the other new independent states as well", says Ilham Shaban, oil analyst in Baku. "This is a reliable way to the world markets."<sup>142</sup>

The pipeline will become the main export route for the oil resources of the landlocked Caspian region. Caspian oil will provide Europe with an alternative source outside the Middle East region.<sup>143</sup> As stated by the European Commission Energy Commissioner, "The Baku-Tbilisi-Ceyhan pipeline will improve our security of supply and our diversification goals since it will bring oil from a different part of the world- the Caspian region- through a different route".<sup>144</sup>

The pipeline has a projected lifetime of at least forty years, during which the export to Western Europe is expected to represent a major share. It is also expected that the pipeline's life duration can be extended.<sup>145</sup>

Recently, Kazakhstan signed an oil transportation agreement under which it has joined the Baku-Tbilisi-Ceyhan oil pipeline. The pipeline will be able to carry oil from the Kazakhstan oil field from 2009-2010.<sup>146</sup>

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<sup>141</sup> Vladimir Socor, "Baku-Tbilisi-Ceyhan Oil Pipeline Inaugurated", *The Jamestown Foundation*, (May 2005) [http://jamestown.org/edm/article.php?article\\_id=2369812](http://jamestown.org/edm/article.php?article_id=2369812)

<sup>142</sup> BBC News, *Caspian pipeline dream becomes reality*, (September, 2002) <http://news.bbc.co.uk/2/hi/europe/2263611.stm>

<sup>143</sup> Vladimir Socor, "Baku-Tbilisi-Ceyhan Oil Pipeline Inaugurated", *The Jamestown Foundation*, (May 2005) [http://jamestown.org/edm/article.php?article\\_id=2369812](http://jamestown.org/edm/article.php?article_id=2369812)

<sup>144</sup> <http://news.bbc.co.uk/2/hi/europe/2263611.stm>

<sup>145</sup> The official web-site of the British Petroleum, *Baku-Tbilisi-Ceyhan Caspian Pipeline* <http://www.hydrocarbons-technology.com/projects/bp/>

<sup>146</sup> The official web-site of European Union, *Baku-Tbilisi-Ceyhan Fact Sheet* <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/06/282&format=HTML&aged=1&language=EN&guiLanguage=en>

#### 4.1.5. Baku-Tbilisi-Erzurum

The EU is currently making a number of efforts to strengthen its diversification of natural gas need. The Baku-Tbilisi-Erzurum gas pipeline, which was completed in 2006, brings gas from the Caspian to the Black Sea over to Mediterranean, which is eventually transported to Europe.<sup>147</sup> The pipeline is 692 kilometers long, and the annual capacity will be up to sixteen bcm.<sup>148</sup>

The pipeline is constructed in the same corridor as the BTC pipeline, in order to minimize the environmental and social impact. The first delivery of gas started in December 2006. This project is fundamental for the EU's security of energy supply.<sup>149</sup> Moreover, since 2006, the new Trans-Caspian Gas pipeline project has been reactivated. The project of natural gas import from Turkmenistan in 1996 was for the first time suggested by the United States. In 1999, the OSCE meeting in Istanbul issued a declaration of intent to construct a pipeline.<sup>150</sup> But because of complicated relations between Caspian Sea countries, and the unresolved disputes of the Caspian boundaries, the project was postponed till summer 2000 and only the Baku-Tbilisi-Erzurum pipeline project was developed parallel to the Baku-Tbilisi-Ceyhan oil pipeline.<sup>151</sup>

The South Caucasus pipeline constitutes the first step of the Trans-Caspian Gas Pipeline (TCGP), which aims at integrating the Trans-Caspian gas pipeline with the Nabucco project by connecting the two planned lines near Erzurum.<sup>152</sup> The aim of the pipeline is to transport Kazakh and Turkmen natural gas through Turkey to Europe. The estimated cost of the construction is \$ 5

<sup>147</sup> Alessandro Vitale, *The EU want to build and energy strategy in the Caspian Region*, (Caucas European News, January 2007) [http://www.caucas.com/home\\_eng/breve\\_contenu.php?id=293](http://www.caucas.com/home_eng/breve_contenu.php?id=293)

<sup>148</sup> The Permanent Mission of Turkey to the United Nations, <http://www.un.int/turkey/page87.html>

<sup>149</sup> The official web-site of European Union, *Baku-Tbilisi-Ceyhan Fact Sheet*

<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/06/282&format=HTML&aged=1&language=EN&guiLanguage=en>

<sup>150</sup> The official web-site of the British Petroleum, *Baku-Tbilisi-Ceyhan Pipeline*, <http://www.bp.com/genericarticle.do?categoryId=9006669&contentId=7014358>

<sup>151</sup> Vladimir Socor, "Discussions intensify with Kazakhstan on Trans-Caspian Gas Pipeline", *The Jamestown Foundation* (March 2007), [http://jamestown.org/edm/article.php?article\\_id=2371966](http://jamestown.org/edm/article.php?article_id=2371966)

<sup>152</sup> Ibid,

billion, which is going to have an annual capacity of 30 billion cubic meters, running from the eastern Caspian shore, across the seabed to Azerbaijan, and further via Georgia into Turkey. The gas afterwards would be piped to European Union member countries in Southern and Central Europe. Besides that, in the long run the South Caucasus pipeline will supply Europe with Caspian natural gas through Turkey-Greece interconnector, the extension of the Odessa-Brody oil pipeline to Poland, and the Constantza-Trieste as well as the Burgas-Alexandropolis oil pipelines.<sup>153</sup>

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As demand for energy increases in Europe the South Caucasus region becomes strategically important for the European Union as a transportation corridor for the Caspian oil and gas to Europe. Because of increasing needs, the EU searches for alternative sources of energy. In the next few years, with peak of production in 2012, Caspian share in global trade in energy supplies estimates to be 160-180 billion dollars. Moreover, the EU who nowadays significantly depends on the resources of Russia , gets chance to decrease this dependency by sheltering the alternative supply routes.

#### **4.2. Security threats of the South Caucasus**

The particular advantages of the South Caucasus are closely linked with the region's problems and challenges. Stability in the Caucasus is a crucial requirement for the uninterrupted transport of Caspian oil and gas.<sup>154</sup> Unfortunately, the region is not fully stable, it is engaged in

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<sup>153</sup> Dov Lynch and others, "The EU: towards a strategy", in *South Caucasus a challenge for the EU*. Chaillot Paper No.65. The Institution for International Studies, (Paris: December 2003), 172  
<http://www.iss-eu.org/chaillot/chaill65e.pdf>

<sup>154</sup> Ibid, 173

three conflicts on its territory, there are two frozen conflicts on the territory of Georgia, Abkhazia and South Ossetia, and a dispute between Armenia and Azerbaijan over the Nagorno-Karabakh conflict remains unresolved.<sup>155</sup>

The 2004 enlargement brought the EU closer to the South Caucasus. It focused for the first time on the Abkhazia South Ossetia and Nagorno-Karabakh conflicts and committed the EU to the “contribution of the conflict resolution” in the region. The stabilization of the region became a priority for the EU. Besides the interest in oil supplies, the EU is willing to get more involved in the region, as it is said to be the center for smuggling, drug trafficking, sale of illegal weapons and potentially even terrorism. The EU fears that any renewed outbreak of a “Caucasus crisis” could spill over and undermine Union security.<sup>156</sup>

#### **4.2.1. Frozen conflicts**

The stabilization of the region is of vital importance to the EU. Besides three conflicts on the territory of the South Caucasus region, there are external tensions which also influence the instability of the region itself. To the North lies Russia with its dispute with Chechnya, where the normalization of the situation is far from being reached. To the east the demarcation of the Caspian Sea border is not yet determined, in the South the region borders Iran, and to the West Armenia-Turkey relations are far from “ideal”.<sup>157</sup>

During the 1990s, the EU restricted its actions to condemning the violence in the region and calling for a peaceful resolution of the conflicts in the South Caucasus. Eventually, the EU started to assist the UN in providing the humanitarian and rehabilitation aid. By 2001 the

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<sup>155</sup> Dov Lynch and others, “The EU: towards a strategy”, in *South Caucasus a challenge for the EU*. Chaillot Paper No.65. The Institution for International Studies, (Paris: December 2003), 172  
<http://www.iss-eu.org/chaillot/cha65e.pdf>

<sup>156</sup> International Crisis Group, “Conflict resolution in the South Caucasus: The EU’s role”, Europe Report No. 173-20 (March 2006) <http://www.crisisgroup.org/home/index.cfm?id=4037&l=1>

<sup>157</sup> Dov Lynch and others, “The EU: towards a strategy”, in *South Caucasus a challenge for the EU*. Chaillot Paper No.65. The Institution for International Studies, (Paris: December 2003), 175

European Union decided to address some of the conflicts in the PCA process.<sup>158</sup> One of the ideas of increased EU involvement in the conflict resolution was the so-called Stability Pact for the Caucasus. It was first raised at the 1999 OSCE summit in Istanbul; the major difficulty in front of the initiative was the “Russian- Armenian stance that the Russian military presence in the South Caucasus should be a major component of a new system of regional security”. This was not shared by many of the other participants in the discussions.<sup>159</sup>

Nowadays, the EU states to be willing to get more involved in the region’s so-called frozen conflicts, but at this point there is not much to be done in this field. As stated by Javier Solana, there are some conflicts which are frozen, some others which are less frozen, but “in any case, we would very much like- being the type of conflict that exists there- to offer help from the European Union as much as possible”.<sup>160</sup>

However, all three countries perceive the EU offers differently. For Armenia, the EU is more like a post-conflict rehabilitation tool rather the conflict resolution mechanism. As Armenian foreign minister Vartan Oskanian indicated, his country prefers that the OSCE’s so-called Minsk group continues mediating in Nagorno-Karabakh; “the EU offers are appreciated, but Armenia is not looking for “direct EU involvement in conflict resolution”.<sup>161</sup> Azerbaijan, on the other hand, would like the EU to play a “more active” role. As the foreign minister of Azerbaijan stated, “besides the Minsk Group we think that European organizations, [the]

<sup>158</sup> Georgi Kamov, “EU’s role in conflict resolution: the case of the Eastern Enlargement and Neighborhood Policy areas”, <http://www.iehei.org/bibliotheque/memoires/2006/KAMOV.pdf>, I.E.H.E.I. (June 2006), pp 57

<sup>159</sup> Ibid, 57

<sup>160</sup> Radio Free Europe, Radio Liberty, (December, 2005) <http://www.rferl.org/featuresarticle/2005/12/8ee0efce-5abe-4a6a-94b8-6e765f253510.html>

<sup>161</sup> Ibid,



European Union, [the] Council of Europe, European public opinion can also be involved in the process”.<sup>162</sup>

Georgia, on the other hand, is more ambitious, it has more aspirations towards the EU's direct involvement in the region's so-called “frozen” conflicts. In 2003, after the Rose Revolution the Georgian President, Mikheil Saakashvili asked the EU for involvement in the conflict zones. But the Finnish EU presidency gave the clearest signal that Europe is not willing to get too deeply involved in Georgia. As Helsinki's European Affairs Minister Paula Lenhtomaki declared, “I believe Georgia may have unrealistic expectation of the EU.”<sup>163</sup>

However, the EU has upgraded its political visibility since then. In 2005 the President of Georgia presented the “South Caucasus Peace Plan” at the Council of Europe. The plan offered the South Caucasus broad autonomy and a variety of benefits and incentives. The plan asked the EU to become a guarantor of the peace, with supporting roles for the US and Russia. The EU was very much supporting the peace plan, which was eventually rejected by the South Ossetian Separatist de facto leaders, who stated that the “peace plan is a regular PR event for Georgia's western sponsors”.<sup>164</sup>

Two years later, on February 26, 2007, after meeting with the president of Georgia, Javier Solana stated “We (the EU) are ready to help Georgia and participate in peacekeeping operations if necessary, any peacekeeping mission should have precise and achievable goals”.<sup>165</sup>

Regarding the issue in March 2007, Peter Semneby, the EU special representative for the South Caucasus, presented a 15-step plan regarding greater EU involvement in the resolution of

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<sup>162</sup> Radio Free Europe, Radio Liberty, (December, 2005) <http://www.rferl.org/featuresarticle/2005/12/8ee0efce-5abe-4a6a-94b8-6e765f253510.html>

<sup>163</sup> Andrew Rettman, “EU rules out Georgia peacekeeping role”, *EUOBSERVER*, (October 2006) <http://euobserver.com/>

<sup>164</sup> Molly Corso, *Georgia promotes South Ossetia Peace Plan*, (Eurasia net, 2005) <http://www.eurasianet.org/departments/insight/articles/eav071205.shtml>

<sup>165</sup> EN.Rian.Ru, *EU may send peacekeepers to Georgia - foreign policy chief* (February, 2007) <http://en.rian.ru/world/20070226/61262519.html>

the South Caucasus conflicts. The plan focused on the separatist conflicts in Georgia. Semneby's plan for Abkhazia is as follows,

The expansion of the UN-sponsored peace process format and the EU's involvement in it as an observer; the formation of joint customs structures in Abkhazia that would promote the legalization of trade across the border between Russia and the self-styled Republic of Abkhazia; the deployment of an EU peacekeeping force in the region should Moscow and Sokhumi agree to this; the implementation of various EU-sponsored cultural programs in Abkhazia; the opening of an EU information centre in Sokhumi.<sup>166</sup>

As for South Ossetia, the EU draft focuses on monitoring alleged Russian arms smuggling through the Roki Tunnel, which links the breakaway region with Russia.<sup>167</sup> The proposal also suggests extending the mandate of the EU border assistance mission. However, at the same time Semneby noted that the EU is not aiming for any formal role at conflict resolution right now, but the only thing which he wants to achieve is to “move the station away from the brink of hostilities”.<sup>168</sup> The EU member states themselves differ on the plan. Germany, Italy and France, as well as Greece, Bulgaria and Hungary are “refraining from taking steps that would anger Russia”.<sup>169</sup>

Due to the same reason, the EU seems more comfortable with a post-conflict rehabilitation and peace-building role in the Caucasus conflict zones.<sup>170</sup> By mid-2006, the EU claimed to be the largest donor in Abkhazia, implementing projects worth around \$25 million.<sup>171</sup> In South Ossetia the EU funded projects of nearly \$ 8 million between 1997 and 2006. These projects concerned “the rehabilitation of drinkable water supply network, rehabilitation of

<sup>166</sup> BBC Monitoring, “Pundit Says EU Envoy's Plan For Conflicts”, *Georgian Newspaper Rezonansi*, March 24, 2007, <http://www.gfsis.org/pub/eng/showpub.php?detail=1&id=133>

<sup>167</sup> Eurasia 21, “Abkhazia: EU Representative Proposes Greater Involvement”, *The Messenger*, March 23, 2007, <http://www.eurasia21.com/cgi-data/news/files/5696.shtml>

<sup>168</sup> Ibid,

<sup>169</sup> Ibid,

<sup>170</sup> International Crisis Group, “Conflict resolution in the South Caucasus: The EU's role”, Europe Report No. 173-20 (March 2006) <http://www.crisisgroup.org/home/index.cfm?id=4037&l=1>

<sup>171</sup> Georgi Kamov, “EU's role in conflict resolution: the case of the Eastern Enlargement and Neighborhood Policy areas”, <http://www.iehei.org/bibliotheque/memoires/2006/KAMOV.pdf>, I.E.H.E.I. (June 2006), 60

schools, electricity and gas networks, railways, support for agriculture development in various towns and villages of the conflict region”.<sup>172</sup>

But EU's role in the resolution of “Caucasus crisis” remains generally very limited. According to Popescu, even though Nagorno-Karabakh is the most dangerous conflict in the South Caucasus region, with the potential of turning into open warfare, the EU is less involved in contributing to the conflict resolution in the region. This is due to the fact that the EU itself is weak in the short-term conflict resolutions; it would rather stay neutral in the debates between Armenia and Azerbaijan.<sup>173</sup> In the case of Georgia, the EU has prioritized South Ossetia over Abkhazia. This is due to the fact that South Ossetia is easier to solve than Abkhazia. It is closer to Tbilisi and less geographically isolated, whereas Abkhazia is further away and is perceived as a “hard conflict” case. Moreover, because Tskhinvali is 100 km away from Tbilisi, it is seen as being more important for building a sustainable, functioning and democratic Georgia.<sup>174</sup>

#### **4.2.2. Smuggling**

Since the collapse of the Soviet Union, the borders of the Caucasus have become very transparent and insecure. This is due to the fact that there is an increasing level of corruption in the state bodies of the South Caucasus republics and moreover, because of the lack of technical expertise and equipment among the local governments to guard the borders. The ethnic conflicts in the South Caucasus and the subsequent de-facto change of the state borders also contribute to the increase of cross-border smuggling.<sup>175</sup>

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<sup>172</sup> Nicu Popescu, “Europe's Unrecognized Neighbors: The EU in Abkhazia and South Ossetia”, Working Documents, Centre for European Policy Studies, (Brussels: March 2007), 13  
[http://shop.ceps.be/download.php?item\\_id=1476](http://shop.ceps.be/download.php?item_id=1476)

<sup>173</sup> Nicu Popescu, interview by author

<sup>174</sup> Ibid,

<sup>175</sup> Fariz Ismailzade, "Narcotics through the Caucasus towards Europe: Trafficking Patterns and impact on local State's and EU security", <http://www.policy.hu/ismailzade/issue.html>

The latest large incident of smuggling in Georgia happened in December 2006, when a Russian man with sunken cheeks and a wispy mustache crossed the border of Georgia and in two plastic bags in his leather jacket carried 100 grams of uranium, which could help fuel an atom bomb. The Russian man came to Georgia to meet a buyer, who he believed would pay him \$ one million and deliver the material to a Muslim man from a “serious organization”, the authorities stated.<sup>176</sup>

Incidents like this happen often in the South Caucasus region. “The weak law enforcement and porous borders in Abkhazia, South Ossetia and Nagorno-Karabakh facilitate trafficking in nuclear materials as well as other forms of contraband, such as narcotics, counterfeit currency and such”.<sup>177</sup> This is worrisome for the region and its neighbors. It is estimated that illicit trade, not only in atomic goods but also in everything from stolen cars to furs amounts to \$100 million a year, and the supplies find their way especially through Georgia via separatist regions. As stated by the American ambassador to Georgia, John F. Tefft, “this highlights how smuggling and loose border control, associated with Georgia’s separatist conflicts pose a threat not just to Georgia but to all the international community”.<sup>178</sup>

#### **4.2.3. Drug trafficking**

Because of its strategic location between Asia and Europe and due to the anarchic conditions existing in the breakaway regions in the South Caucasus and in the conflict zones of the former Soviet Union, the region became a major transit point for narcotics.<sup>179</sup> International

<sup>176</sup> Lawrence Scott Sheets and William J. Broad, *Smuggler’s Plot Highlights Fear Over Uranium*, (January 2007)

<sup>177</sup> Richard Weitz, *Nuclear smuggling case deepens Georgian-Russian tensions* (April 04, 2007) [http://www.cacianalyst.org/view\\_article.php?articleid=4751](http://www.cacianalyst.org/view_article.php?articleid=4751)

<sup>178</sup> *Ibid*,

<sup>179</sup> Jean-Christophe Peuch, “South Caucasus: Region Growing As Hub For International Drug Trafficking”, *Radio Free Europe/Radio Liberty* ( March 9, 2004) <http://www.rferl.org/featuresarticleprint/2004/03/dcc66ef1-27f2-4b6f-83ae-bc1e427a9bba.html>

experts believe heroin represents up to 80 percent of the illicit drugs transited through the region.<sup>180</sup>

According to Azerbaijan's national coordinator for the SCAD program, Mezhahir Efendiyev, there are a number of factors which contribute to the region's emergence as a major drug-trafficking route. "If one takes into account, on the one hand, the fact that the three South Caucasus countries are geographically located between Asia and Europe and on the other hand, the fact that the CIS states represent a major market for the heroin, it is natural that this route should suit the drug mafias. This route which originates in Afghanistan and goes to Europe through the South Caucasus and the rest of the CIS, is a very easy one."<sup>181</sup>

Moreover, Pavel Pachta, an employee of the International Narcotics Control Board (INCB) indicates that the crossroads of the so-called Balkan Route and its sister "Silk Road Route", which links Afghanistan to Europe through Central Asia, is important "not only as a transit point for drugs, but also as a potential provider of chemicals for Afghan-based heroin producers."<sup>182</sup> The experts estimate that Afghan-produced drugs reach Azerbaijan through two main routes, one which directly goes through Turkmenistan and the Caspian Sea, and another route the 611-kilometer-long land border between Azerbaijan and Iran.<sup>183</sup>

Loose border control and anarchic relations between the government and the trafficking groups has "secured Azerbaijani territory as a transshipment point for narcotics being transported to Russia and Central and Western Europe".<sup>184</sup> Among the most important centers for trafficking are the port of Sumgait and the exclave of Nakhchivan. The Sumgait mafia has direct links with

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<sup>180</sup> Jean-Christophe Peuch, "South Caucasus: Region Growing As Hub For International Drug Trafficking", *Radio Free Europe/Radio Liberty* ( March 9, 2004) <http://www.rferl.org/featuresarticleprint/2004/03/dcc66ef1-27f2-4b6f-83ae-bc1e427a9bba.html>

<sup>181</sup> Ibid,

<sup>182</sup> Ibid,

<sup>183</sup> Ibid,

<sup>184</sup> Ibid,

Central Asia, and has been involved in drug trafficking for the past decade. Drugs also enter Azerbaijan through the Astara and Jalilabad areas. Because Nakhchivan is located between Iran and Turkey and is detached from the rest of Azerbaijan, it presently remains an important transshipment point for Afghan heroin.<sup>185</sup> Experts estimate that from all the three South Caucasus republics Azerbaijan plays a key role in both “Balkan” (Iran to Western Europe) and “Northern” (Central Asia to Western Europe, from Turkmenistan via the Caspian Sea) trafficking routes.<sup>186</sup>

Armenia, on the other hand, remains less involved in drug trafficking, mainly due to the fact that Armenia has closed borders with two of its four neighbors. Moreover, it is surrounded by countries which are traditionally involved in trafficking, but narcotics transiting Iran transit Armenia and are sent to Russia or further to Western Europe.<sup>187</sup> As for Georgia, illicit drugs are transited either through Abkhazia, the Black Sea port of Poti, or Batumi, from where they find a way to Ukraine and Romania.<sup>188</sup>

What makes the situation even more dangerous is the fact that the nature of the drug businesses in the South Caucasus remains unclear to the local analysts and decision makers. The links of the drug dealers and the terror groups and criminal society still remains understudied.<sup>189</sup> Moreover, the mapping of the drug smuggling routes is poorly analyzed and due to this fact, the official data of the smuggled drugs remains unclear, which eventually leads to the poor anti-narcotics measures and policies.<sup>190</sup>

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<sup>185</sup> Cornell Caspian Consulting, “The South Caucasus: A Regional Overview and Conflict Assessment”, (Stockholm, 2002) <http://www.cornellcaspiian.com/sida/sida-cfl-2.html>

<sup>186</sup> Ibid,

<sup>187</sup> Ibid,

<sup>188</sup> Ibid,

<sup>189</sup> Fariz Ismailzade, "Narcotics through the Caucasus towards Europe: Trafficking Patterns and impact on local State's and EU security", <http://www.policy.hu/ismailzade/issue.html>

<sup>190</sup> Ibid,

The rising smuggling of drugs in the Caucasus poses a threat not only to the security and stability of the South Caucasus region, but also to the security of the EU.<sup>191</sup> From an EU perspective, the drug trafficking along the Silk Road from Afghanistan to Turkey is the most problematic one, therefore “the EU provides an attractive ideological model for the political elites from the South Caucasus, with its community of values and standards as well as with its process of integration of peripheries into the core, based on multilateral organizations”.<sup>192</sup>

#### **4.2.4. Sale of illegal weapons**

The South Caucasus republics are involved in many illegal activities perpetrated by criminal organizations. In addition to the smuggling of fuel, cigarettes, alcohol – which pose a threat to the economies of the countries, the region also is an important international centre for arms trafficking.<sup>193</sup> Widespread corruption, political and economic instability and conflicts on the territory of the South Caucasus have helped the rooting of transnational crime in the region. Given its geopolitical location between Russia, Turkey, and the Arab world, the South Caucasus acts as a natural channel for arms smuggling. Moreover, given the unresolved nature of the conflicts “there is both a great demand for arms in the region and a steady supply”.<sup>194</sup> Azerbaijan is said to be the biggest smuggler for weapons. The weapons are smuggled between Russia and Iran. Civil conflicts also led to a flood of weapons, which have been pouring into the region since 1989 from Russia, Turkey, Iran, Greece and Western states. Because the conflicts in the region remain unresolved, there is a great demand for arms in the region. The majority of illicit

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<sup>191</sup> Jean-Christophe Peuch, “South Caucasus: Region Growing As Hub For International Drug Trafficking”, *Radio Free Europe/Radio Liberty* ( March 9, 2004) <http://www.rferl.org/featuresarticleprint/2004/03/dcc66ef1-27f2-4b6f-83ae-bc1e427a9bba.html>

<sup>192</sup> Heinrich Boll Foundation, “The South Caucasus: A Challenge for Europe?”, Documentation of a Conference at Heinrich Boll Foundation, (Berlin, May 2003) <http://www.deutsch-armenische-gesellschaft.de/dag/rbkkboell.pdf>

<sup>193</sup> Cornell Caspian Consulting, “The South Caucasus: A Regional Overview and Conflict Assessment”, (Stockholm, 2002) <http://www.cornellcaspien.com/sida/sida-cfl-2.html>

<sup>194</sup> Ibid,

trafficking operations in the South Caucasus are conducted by criminal groups, the governments of the countries as well as the EU acknowledge that if these issue is not dealt effectively the security of the region as well as the security of the wider EU neighborhood can not be provided.<sup>195</sup>

#### **4.2.5. Terrorism**

The threat of terrorism has existed in the EU for a while. After 2001, the terrorist attacks in London and Madrid have confirmed this. Therefore, guaranteeing security and establishing the “ring of well governed friends” is a primary task for the EU and its member states. Because the South Caucasus is the transit route for transporting oil and gas to Europe, and because of the anarchic conditions existing in the breakaway regions in the South Caucasus, the threat of terrorist acts increases immensely.

In 2005 there was a terrorist threat on the BTC pipeline, Azerbaijan’s national Security services obtained the information that regional insurgents and members of Al Qaeda were planning acts of sabotage designed to disrupt the construction of the BTC pipeline.<sup>196</sup> If that had happened, the attack would have disrupted the flow of much needed oil from the Caspian Sea to the Western markets, and the region would have appeared in a new wave of destabilization.

In 2005 Commissioner for External relations and European Neighborhood Policy Benita Ferrero-Waldner stated that cooperating with the ENP countries more closely on promoting common foreign policy priorities like fight against terrorist is of a vital importance for the EU.

Terrorism is perceived as a threat to European values and to humanity, meaning an attack on universalism and European values. “Humanism and universalism are thus represented as

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<sup>195</sup> Cornell Caspian Consulting, “The South Caucasus: A Regional Overview and Conflict Assessment”, (Stockholm, 2002) <http://www.cornellcaspiant.com/sida/sida-cfl-2.html>

<sup>196</sup> Institute for Analysis of Global Security, Baku-Tbilisi-Ceyhan: not yet finished and already threatened, ( November, 2004) <http://www.iags.org/n1104041.htm>



concepts that define European values. Terrorism on the contrary is defined by anti-democracy and destruction of humanity”.<sup>197</sup> Thus, fight against terrorism became a high priority for the EU in safeguarding the region of South Caucasus and guaranteeing its own security.

#### **4.3. Changes after the 2007 enlargement**

After the inclusion of Bulgaria and Romania to the EU, Europe’s geopolitics have shifted again. The EU’s extension to Southeastern Europe has underlined the importance of the Black Sea region once again, both from economic, energy and from security points of view.<sup>198</sup> The included areas are termed the “Wider Black Sea”.<sup>199</sup> The “Wider Black Sea” has the potential of becoming a gateway between the Balkans and the South Caucasus, which links Romania to Georgia, and via-Azerbaijan, to the energy-strategic Caspian Sea.<sup>200</sup>

The inclusion of Romania and Bulgaria to the club and the accession talks with Turkey is bringing the South Caucasus region closer to the EU. The region is becoming more and more involved in the new initiatives started by the European Union, which is not only important for the European Union’s security and stability, but is of immense importance for the countries of the South Caucasus, which get a chance to enjoy close and more cooperative relations with the EU.<sup>201</sup>

In December 2006, the Commission issued a proposal entitled “Strengthening the European Neighborhood Policy”, which presents the Black Sea synergy “as an attempt to add a regional dimension to the ENP following Bulgaria’s and Romania’s accession to the EU in

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<sup>197</sup> Ula Holm, “EU’s Neighborhood Policy: A Question of Space and Security”, Danish Institute for International Studies, Working Paper (Denmark, 2005) <http://www.isn.ethz.ch/pubs/ph/details.cfm?lng=en&id=14498>

<sup>198</sup> Frederico Bordonaro, “EU: Strategic relations with South Caucasus”, *Spero News*, (March 2007) <http://www.speroforum.com/site/article.asp?id=8438>

<sup>199</sup> *Ibid*,

<sup>200</sup> *Ibid*,

<sup>201</sup> Georgian Official, interview by author

January 2007”.<sup>202</sup> The Black Sea synergy highlights the growing ties between the EU and the Black Sea region. Through the Black Sea synergy, the EU attempts to make sense of the new geopolitical realities in the Black Sea region, including its new periphery, Georgia, Ukraine, the NATO expansion in the region, the growing concerns over the future EU energy supplies and Russia’s reliability as an energy partner.<sup>203</sup> Moreover, the Black Sea synergy focuses on issues such as good governance, environment, security, energy, social policy, education, fisheries, research and transport.<sup>204</sup>

In order to avoid duplication with already existing regional cooperation frameworks, such as the Black Sea Economic Cooperation (BSEC) and the Black Sea Forum (BFS), the Black Sea synergy will not be institutionalized, there will be no additional funds allocated under this framework, rather it aims at coordinating different regional initiatives and EU policies in the region.<sup>205</sup> Even though the EU has been reluctant to support new regional initiatives such as GUAM (Georgia, Ukraine, Azerbaijan and Moldova), arguing that these initiatives have little substance, and provide no added value, the EU has been active in promoting its new initiative. As the Black Sea is a major energy transit zone, the EU perceives the Black Sea synergy as a good way to diversify its energy resources.<sup>206</sup>

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<sup>202</sup> Lilli Di Puppò, “The European Union begins to think strategically about the Black Sea”, *Caucas Europe News* (May, 2007)

[http://www.caucas.com/home\\_eng/breve\\_contenu.php?id=312&PHPSESSID=9778fa7440e37de72ff3746e6bc6fae6](http://www.caucas.com/home_eng/breve_contenu.php?id=312&PHPSESSID=9778fa7440e37de72ff3746e6bc6fae6)

<sup>203</sup> The official web site of the European Commission, *Black Sea- Bright Future* ( April 2007)

[http://ec.europa.eu/news/external\\_relations/070411\\_1\\_en.htm](http://ec.europa.eu/news/external_relations/070411_1_en.htm)

<sup>204</sup> Lilli Di Puppò, “The European Union begins to think strategically about the Black Sea”, *Caucas Europe News* (May, 2007)

[http://www.caucas.com/home\\_eng/breve\\_contenu.php?id=312&PHPSESSID=9778fa7440e37de72ff3746e6bc6fae6](http://www.caucas.com/home_eng/breve_contenu.php?id=312&PHPSESSID=9778fa7440e37de72ff3746e6bc6fae6)

<sup>205</sup> Ibid,

<sup>206</sup> Ibid,

The Black Sea synergy picks up on the “ENP +” initiative, which is also targeted at Ukraine, Belarus, Moldova and three South Caucasus countries, and which Germany is promoting during its EU presidency in the first half of 2007.

After two years of the operational experience of the European Neighborhood Policy, the Commission and the Council agreed that the ENP needed to be strengthened, therefore the idea of the “ENP plus” was originated.<sup>207</sup> The overall goal of the “ENP Plus” is to implement “attractive and realistic policy dedicated to promoting security and stability in the countries directly bordering the EU”.<sup>208</sup> Moreover, its goal is to transfer part of the *acquis communautaire* to the ENP countries, particularly interests such as the internal market, energy, transportation and home affairs.<sup>209</sup> The “ENP plus” would also focus on additional crucial aspects such as visa facilitation, enhanced political dialogue, supporting Black Sea cooperation and obtaining additional funding through the single EU member states and the World Bank.<sup>210</sup> The “ENP plus” is seen by Berlin as an opportunity to secure “a Central Asian and South Caucasian dimension of Europe’s energy and strategic security.”<sup>211</sup>

Even though the EU is promoting these new initiatives, according to Popescu, not much has changed since the accession of Romania and Bulgaria to the club; everyone knew that on January 1, 2007 these two countries will become the full members of the EU, and therefore, the

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<sup>207</sup> Michael Emerson, Gergana Noutcheva and Nicu Popescu, “European Neighborhood Policy Two years on: Time indeed for an ‘ENP plus’”, Center for European Policy Studies, Center for European Policy Studies, Policy Brief No.126, Brussels, March 2007

<sup>208</sup> Iris Kempe, “What are the pillars of the “new Ostpolitik” during the German EU presidency?” *Caucas Europe News*, (March 2007)  
[http://www.caucas.com/home\\_eng/breve\\_contenu.php?id=304](http://www.caucas.com/home_eng/breve_contenu.php?id=304)

<sup>209</sup> Ibid,

<sup>210</sup> Ibid,

<sup>211</sup> Frederico Bordonaro, “EU: Strategic relations with South Caucasus”, *Spero News*, (March 2007)  
<http://www.speroforum.com/site/article.asp?id=8438>

EU relations with South Caucasus are unlikely to change radically because of the fact that now the EU shares the Black Sea with the South Caucasus region.<sup>212</sup>

\* \* \*

The security risks and interests of the South Caucasus discussed in the chapter determine its geopolitical implication for the European Union. Its gas and energy supplies, frozen conflict, smuggling, drugs and arms trafficking and threat of terrorism together create the interest of the EU in the region. The interest has increased since after the accession of Bulgaria and Romania to the EU, the Black Sea became the “European Sea” and its border countries became close neighbors of the European Union. Through the European neighborhood Policy Action Plans and its new initiatives, such as the “ENP +” and the Black Sea synergy the EU is expending its norms in the South Caucasus, and is trying to fight all the above mentioned crisis of the region.

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<sup>212</sup> Nicu Popescu, interview by author

## CONCLUSION

In this thesis I argued that geopolitically the South Caucasus is of an essential importance to the EU because of its energy supplies. The latest enlargement of the EU brought it closer to the region, now the Black Sea, which is shared by the South Caucasus and the European Union, has become the “European Sea”, playing a crucial role in transferring energy supplies from Asia to Europe.

As a result of the energy security programs, such as TRACECA, INOGATE, Baku-Tbilisi-Ceyhan, Baku-Tbilisi-Erzurum, Baku Initiative, the region became the transit route for delivering “big oil” to Europe. Even though the amount of oil and gas is not as big as those of Russia and Middle East, it still decreases Europe’s dependence on these politically instable regions. Moreover, the frozen conflict zones, Abkhazia, South Ossetia and Nagorno-Karabakh, have the potential of growing into full fledged wars, which would contribute to the destabilization of the region and EU’s immediate neighborhood. Conflicts on the territory of Georgia are “easier” to solve, as Europe supports the territorial integrity of Georgia, and through the ENP it is willing to contribute to the peaceful resolution of the Georgian internal conflicts. Moreover, Georgia is willing to see the EU involvement in its “frozen conflict” zones.

The situation is challenging in the case of the Nagorno-Karabakh conflict. Even though the EU supports the peaceful resolution of the conflict, it still prefers to stay “neutral”, as the Nagorno-Karabakh is perceived to be a “hard conflict” case, and the EU is not very enthusiastic in engaging in a conflict which it does not believe to be solved in the close future.

Besides that, in my thesis I argue that smuggling, drug trafficking, sale of illegal weapons and terrorism increase the risks of security threats in the region and its neighbors. Because the European Union is unlikely to offer membership to Armenia, Azerbaijan and Georgia any time

soon, it has come up with new innovative means to impose its conditionality on the region and exercise its influence in the South Caucasus. The EU's new initiative, the European Neighborhood Policy, has stability and cooperation as its key objective. It supports state-building, the rule of law, human rights, and minority rights, as well as the contribution to the peaceful resolution of the "Caucasus crisis".

I have explained the EU's strategy towards the South Caucasus region by using the constructivist theory of the International relations, which perceives the world as a place under construction, becoming rather than being. I argued that through implementing various projects, the EU attempts to construct a European identity for the region that is necessary to bring the broken region back together, as well as to create a "ring" of well governed countries, with whom it can enjoy closer and cooperative relations.

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