The EU in the South Caucasus: By What Means, to What Ends?

by
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Introduction

The end of the Cold War and the disintegration of the USSR caused radical changes on whole international arena. It produced the new term in political dictionary such as post-Soviet space, which in turn, can be divided in several regions experiencing their political, economic and social characteristics. The phenomena did not pass unnoticed for the European Union either. It opened new opportunities for the EU, produced new expectations from the newly independent states, caused the EU to redefine and redirect its external policies towards this part of the world and to place the newly independent states in its “pyramid of privileges”. Where is the South Caucasus region in this pyramid? To what extent the EU can be assumed to be an active player in the South Caucasus? What are the factors affecting the EU policy towards the region?

Soon after gaining the independence, the South Caucasian states-Armenia, Azerbaijan and Georgia-became the object of intense interests to not only their powerful neighbors (Iran, Russia and Turkey) but also to the world’s leading powers (the US, the EU) due to the region’s significant oil reserves and its attractive and striking geo-economic and geo-strategic location-its potential role as a transit corridor between Europe and Asia.

The European Union appeared on the South Caucasian scene from the early 90’s, when the process of transition towards market economy and democracy began in these countries and when conflict and petroleum loomed over the political landscape of the Caucasus. The EU has launched several projects and has provided the region with humanitarian and technical assistance, followed by the Partnership and Cooperation Agreements. Although the presence of the EU in the region has been obvious, the intensity of the EU’s role in the South Caucasus still remains very debatable. A number of external and internal factors are influencing the European Union policy towards the region. Some of them promote the EU activation, while others impose constraints and cause reluctance on the EU side. The following paper represents a modest attempt to shed light on aforementioned issues.

The EU interests in the South Caucasus

The South Caucasus is envisaged in the framework of broader energetic Caspian region. The South Caucasus represents so-called micro-region that is definitely an important area for the EU facing new energy needs and trying to diversify its energy supplies. The South Caucasus is
potentially very lucrative and attractive place for FDI, especially for oil multinationals. The restoration of historical Silk Road falls within the very interest of the EU because it represents a direct trade channel with Asia. The countries of South Caucasus could assume a key role as a bridge between Asia and Europe at the extreme edge of Europe after the enlargement of the EU. The persistent conflict on the Caucasian territory that might spread instability across borders further reinforces the EU interest in the stable region. Immigration is another issue that might cause trouble for the EU. The poorer and more instable the region is, the larger immigration to the EU will be.\(^1\) This problem might become especially relevant if Turkey is going to join the EU. Geographical position makes the region a natural conduit for smuggling of arms and drugs and organized crime. A concern about terrorism is yet another dimension that raises the importance of the South Caucasus, and especially of Georgia, due to the conflict in Chechnya. During private conversation in Brussels (February 2003) Mr. Michael Kolher, the representative of the EU Commission’s External Directorate-General, mentioned: “The EU should not let Caucasian state, like Georgia, become a failed state because of increasing terrorism concerns in contemporary world and particularly in the region.” Finally, to the extent that the EU has ambitions to develop a common foreign and security policy and thereby acquire a strong leadership role in world politics, the South Caucasus region represents the window of opportunity to render the aspiration credible. Due to all these, there is a derivate interest on the side of the EU to spread its values such as democracy, human rights and to contribute to the development of civil society and market economy in the region, consequently further reinforcing its image of “island of peace”.

The EU’s active role in the region, in its turn, has a great importance for South Caucasian countries, especially for Georgia. The ultimate aim of Georgia is the full-fledged integration in the European structures. Upcoming enlargement of the EU in 2004 further augments this ambition. By providing aid and assistance, spreading democracy, human rights, principles of sustainable development and contributing to the development of civil society, the EU can play significant role in the region’s progress, since a region can be constructed ideationally as well as materially.\(^2\) Importance of the EU is further stressed for the development of the South Caucasus in geo-economic direction, as far as an optimistic future of the region is seen in geo-economic terms. The EU, through different projects, can promote regional cooperation and consequently conflict resolution in the South Caucasus. A stable region, in turn, will attract international business. Active involvement of the EU can change the balance-of-power in the region and reduce the one-sided dependence of the South Caucasian states on Russia. If outside

\(^1\) Helly, D. EU Policies in the South Caucasus (2001)
powers become more tolerant and supportive to successful governments, the latter may become less dependent on their “former master” for their survival.\(^3\) Hence, the EU can contribute to change the hegemonic regional order into a power concert where several powers have significant and complementary interests in the region.\(^4\)

**What the EU has done in the South Caucasus?**

While evaluating the European Union policy in the South Caucasus one may encounter some controversies. On the one hand, billion Euros spent since the collapse of the Soviet Union, several regional projects launched and EU’s commitment to the democratic reform of the region seems quite promising to assume that EU was active in the region. Moreover, the European Parliament statement that “owing to their geographical position and their historical links and traditions, the South Caucasian countries constitute a strategically important region for the EU in terms of its common foreign and security policy as well as genuine gateway to central Asia”\(^5\) and the visit of ministerial Troika’s to Armenia, Georgia and Azerbaijan in February 2001 demonstrated the importance that the EU attaches to strengthening the relations with the South Caucasus, with a view to promote peace, stability, prosperity and regional cooperation. On the other hand, the South Caucasus can be the example of what Christopher Hill called the capability-expectations gap.\(^6\) The Union has not formulated its official goals in very specific terms. So far the EU has not devised a common strategy towards the South Caucasus whereas it has been present from the 90s in the region. In order to produce coherent policy, first of all, one needs to build up a number of commonly accepted goals within the same general issue area.\(^7\) The EU is still in the process of devising a common strategy towards the region. To operationlize goals, various types of resources and instruments are necessary. The resources and instruments the EU uses in the region are of just economic and diplomatic character and EU presence is characterized by variations and fluctuations in different aspects concentrating on civilian or soft power approach.\(^8\)

The EU activities in the region have had several mainstreams. The most substantial in financial terms has been the technical assistance and humanitarian aid through TACIS and ECHO. The TACIS program of the EU- having national as well as interstate dimension- has been active in the Southern Caucasus (as part of the NIS) since 1992 in the provision of technical assistance to the region’s governments. Initially the program was directed to address\(^3\) Roeder, P. (1997)
\(^4\) Ibid
\(^5\) (com(1999)272-c5-0116/1999
\(^7\) See Sjöstedt, G (1997)
\(^8\) For the definition of “civilian power” see Twitchett’s K. (1976); also see Ginsberg, R. (1999)
emergency problems in the immediate aftermath of independence. In 1999, PCAs entering into the force brought TACIS under the legal framework. Technical assistance is provided on the basis of certain shared economic and political values and practices as set out in the PCAs, in particular, respect for democratic principles, human rights and market economy. Stronger links between policy and technical assistance enabled TACIS to respond even more suitably to changing circumstances of the region. TACIS projects contributed to the macroeconomic reform processes and the sectoral reform policies in transitional states. It should be mentioned that TACIS National Indicative Programmes are structured in close consultations with national authorities. Moreover, ECHO has spent considerable funds to the humanitarian crises in all three South Caucasian republics.

TACIS interstate direction focused on several multidimensional regional projects the most important of which for the South Caucasus, in particular, are TRACECA and INOGATE. Among the projects of the EU, TRACECA is undoubtedly the most significant. TRACECA was launched in 1993 by the European Union. Its main objective is to connect the Black and Caspian Seas by means of modern transport and communication systems and to develop a coherent and integrated transport infrastructure within the region. TRACECA is a big project bearing substantial changes in the geopolitical and geo-economic situation of the Caucasus. However, TRACECA is the only one fragment of a much bigger - one could even say gigantic – project, which is frequently called the “Silk Road Revival Project”. TRACECA is a large-scale project supporting political and economic independence of the former Soviet republics by enhancing their capacity to access European and world markets through alternative transport routes, encouraging regional co-operation and investment climate and linking TRACECA route with the (TENs).

The second important project is INOGATE. This programme was launched in November 1995 in Brussels. It provides for the expansion and modernization of the energy corridor between Europe and the Caucasus and supports regional cooperation among participant states. As we can see the EU’s primary pledge of cooperation with Caucasian countries lied in developing economic ties.

Last and the most important, PCAs with all three South Caucasian states were concluded. Partnership and Cooperation Agreements between the European Union and Armenia, Georgia and Azerbaijan entered into force on July 1999. In a joint declaration by three presidents in

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9 See TACIS program official web-site http://europa.eu.int/comm/europeaid/projects/tacis/foreword_en.htm
10 1994 total food assistance was 1,414 thousand tones, in 1996-397. No substantial EU funded activities are proceeding under this program.
11 TRACECA (Transport Corridor Europe-Caucasus-Asia); INOGATE (Interstate Oil and Gas to Europe)
12 See TACIS official Web-site
13 www.inogate.org
Luxembourg, it was stated that the Partnership and Cooperation Agreements are intended to facilitate the gradual rapprochement of the South Caucasus Republics to a wider area of cooperation in Europe and the neighboring region.\textsuperscript{14} Political dialogue, consolidation of democracy and transition to free market economies, trade and investment promotion and the building of functional ties between the Union and the states represent the most important parts of PCAs. The EU also provided the South Caucasian countries with generalized system of preferences in trade. However, it’s noteworthy that the PCAs are far from so-called association agreements and they do not say a word about possible future accessions of the countries that might have been the motivating factor for them.

External and internal factors affecting the EU policy towards the South Caucasus:

The extent of the EU actorness in the region is not constant. It might change over time. Such changes are brought about by numerous factors, internal or external affecting the EU policy in either positive or negative way.

\textit{Russian factor:} Regional or non-regional states have been mapping the Caucasus in function of their own security interests defined in terms of military, political or economic terms. To the extent the EU wishes to avoid problems in its relations with other states, it must take into consideration their regional concerns. From regional powers Russia is the one that plays the most important role in the region. It is impossible to identify any external actor’s policy in the region without taking into account the implications Russian strong presence in the Caucasus imposes on them. Russia is highly sensitive towards this part of her former “realm”. First of all, Trans Caucasus, to say in Russian political parlance, represents unstable buffer zone between various rival regional powers (Turkey, Iran). The area’s immediate proximity to Russia’s North Caucasus provinces and troublesome Chechnya conflict on the very frontier of Georgian territory is another reason, albeit extremely important dimension of Russian concerns. The set of ethno political conflicts in the region is still another challenge for Russian leadership because of Caspian cluster of policy issues surrounding the newly discovered oil and gas fields in the Caspian Basin and South Caucasus transport corridor role.\textsuperscript{15} Russia has been making use of its military preponderance in the region to build a close alliance with Armenia and to extract concessions from Georgia. Russia strived to establish hegemonic role right after the disintegration of the Soviet Union. The CIS represents one of the Russian attempts in whole NIS including the South Caucasian countries. But Russia’s hegemonic role is weakening by its lack of economic resources and political instability in the Northern Caucasus. In this respect the EU

\textsuperscript{14} see Partnership and Cooperation Agreements
\textsuperscript{15} Baranovski V. (2002)
can take advantage of its economic resources and contribute to the stabilization of the region. The stabilized region is also desirable for Russia but stabilized by who is the most important question for Russian leadership. The EU can significantly contribute to problem solving by its direct involvement (diplomatically and financially) in the region. Here Russian perceptions of the EU and Russian preferences about the presence of outside powers come into consideration. Russia regards the European Union mostly as an economic power. At the same time, involvement of the EU might be perceived by Moscow as less challenging in comparison to that of NATO and the USA because of Russia’s Cold War time visions. The USA policy activation after 9/11 further aggravated Russian concerns of the USA presence in the region. Russian government prefers the presence of various international organizations in the region, like the OSCE (note that Russia is a member) and Council of Europe. Notwithstanding the new NATO – Russia Council (established in May 2002) Russia’s perceptions of NATO remained as a military bloc. Initially, participation of South Caucasian countries in PfP program\textsuperscript{16} did not correspond to Russian perspective on the region. Contrary to the US presence in the region, Russians do not generally perceive the EU economic presence as a direct threat. Russian relations are determined by the fact that the EU is its major economic partner. Russian-European cooperation is becoming important for both sides. The EU’s initiative on Common strategy for Russia and cooperation Council demonstrates so-called mutual “rapprochement” policy.\textsuperscript{17} As Mr. Brender from DG Relex (EC) mentioned, the EU concentrates on establishment of good relationships with Russia.\textsuperscript{18} Russia, on its part, actively supports the creation of internal security Russia-EU Council to deal with the new dimension of terrorism and crisis management with joint efforts.\textsuperscript{19} These are certainly good considerations to think that Russia would not mind the EU presence in the South Caucasus region to promote stability. But here another side of the coin is blinking. First of all, it is important to note that Russian reactions obviously depend on the precise nature of any European initiative in the region. Now the EU seems to have more embryonic and not so much consistent policy in the region and common foreign and security policy of the EU is still in the process of evolution. Insofar that the latter is regarded as developing certain preconditions for transforming the EU from a civilian power into one that possesses a military potential and the expansion of the EU in Eastern directions brings this potential closer to Russia, it might be a matter of additional concern for Russia if the EU undertakes active involvement in the South Caucasus.\textsuperscript{20} Russia has increasing fear and dissatisfaction, perceiving Western influence in the Caspian region as a threat to its security and economic interests. Russia aims at controlling

\textsuperscript{16} http://www.nato.int/pfp/pfp.htm
\textsuperscript{17} Medvedev S. (2001)
\textsuperscript{18} Interview With Mr.Brender from (Relex E/3) February 21, 2003
\textsuperscript{19} Baburkin S. (2003)
\textsuperscript{20} Baranovski V. (2002)
transport routes. That is why the EU’s active role in this respect will cause trouble for her. Thus, there are both constraining as well as positive impacts from Russia. The key, therefore, is whether Russia can be persuaded to shift its view of own national interest away from geopolitical hegemonic perceptions towards more geo-economic ones contributing to the development and delivery of Caspian oil to international markets and conflict solutions in the South Caucasian countries.  

The character of the EU initiatives will also, in turn, affect Russian responses, as well as domestic processes and pressures on Russian leadership. Russia’s policy choices towards the region—either pragmatic or again neo-imperialistic—will play a decisive role.

There is also a diverging opinion that the EU’s striving towards the South Caucasus will not cause Russia’s irritation. Those who subscribe to this view put forward an argument that Russia does not react against the accession of Baltic States to the European Union anyhow. However, this fact is not conditioned by Russia’s indifference. The expected integration of Baltic States in NATO raises concerns in Russian leadership and so, Russia prefers to see Baltic States in the EU that is perceived more as an economic power rather than in a military alliance brought in its immediate vicinity.

Yet another opinion that might come to mind is the probable bargain between Russia and the West with the following trade-off—Baltic States to Russia and keep away from the CIS.

Though, it seems to be rather one-sided and simplified reasoning, especially in the epoch of increasing globalization and rapid changes.

Thus, Russian factor is an important influencing force and the EU presence and further policies towards South Caucasus should be considered against the broader background of the EU-Russian relations.

The US factor: Neither the US presence, which is quite active in the South Caucasian region, marks indifference for the EU. Sometimes they are regarded to be the parts of joint ”western engagement”. This perspective is simplistic in some respect since it hides some differences between Europeans and Americans but right in the sense that they have the common objective to see the region stabilized. Iran is one of the key issues on which Washington and Brussels disagree. The US is likely to view any EU actions in this region through these lenses and won’t be happy with any initiative of the EU, which involves Iran. There also appears to be a difference

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23 See Helly, D. EU Policies in the South Caucasus (2001)
in emphasis between the EU and the US over Russia’s role in the region, with the United States pursuing more geopolitical and competitive track in its regional diplomacy. The EU efforts to engage Russia in regional stabilization and cooperation process might be viewed in Washington as inconsistent with their own policy towards Russia and the NIS. But broadly speaking, the US interested in gaining access to the oil and gas of Caspian Basin and frustrated with the lack of progress toward settlement of hindering conflicts in the region is likely to welcome any initiative of the EU in the South Caucasus. Moreover, to spread the notions of democracy, human rights and contribute to the civil society building in the region is another point of convergence between the US and EU in the region. From one side, the US active presence in the region can pave the way for the EU, based on division of labor and on "everybody does what it can best do" approach. From another side, the EU- relying on the US running on Western side- might afford itself to relax leading to its diminished presence in the region.

\textit{Impact of oil:} As we have already mentioned the necessity of the EU to diversify its energy needs makes the South Caucasian region attractive and positively affects the EU presence. But this oil dimension is not one-sided either. There can be little doubt that geo-economic issues are not necessarily win-win games. Caspian energy represents direct competitor to Russian energy exports and for international investment in the disastrous Russian energy infrastructure, diminishing economic benefit derived from Russian energy carriers and existing pipeline infrastructure that connects Russia to Western Europe. The differences in the capacities of Western and Russian players to invest in the region and to participate directly in its energy development could easily be perceived in Moscow as the West gaining influence while Russia loses it. The recent opening of new Tbilisi-Baku-Ceyhan undermining the role of Baku-Novorossiysk pipeline further raises Russian concerns about the pipeline routes and might lead to the securitization of energy developments. In this case, the EU might step aside not to escalate "the great game" played for control over Caspian oil and gas resources, centered on the competition over pipeline routes. But still there are some signs of rather different approach among some Russian business groups who see stable and secure economic environment in the Caucasus to be more beneficial and support more constructive approach. So, again the development of the region in geopolitical direction is likely to cause the decreased presence of the EU, while geo-economic vision inclined to conflict resolution and stabilization of the region can become the positive drive for the EU’s increased role.

\footnote{See MacFarlane, S.N. (1999)}\footnote{Spiegeleire S.D. (1999)}\footnote{see EWI POLICY BRIEFS, Russia’s Total Security Environment, Caspian Oil: Boom or Bust? (1999)}
Enlargement: Each enlargement alters the EU relationship with the outside world as the EU changes in size, geography, composition, scope and direction.\textsuperscript{27} Today, the EU is faced with major issues of deepening and widening which potentially impact, in significant ways, upon its presence and upon its capacity to act. The enlargement will potentially enhance the presence of the EU. However, the enlargement will also increase the heterogeneity of the EU. As the European Union grows larger and more diverse, the decision-making becomes more complicated and common positions are harder to reach. This serves to emphasize the internal divisions affecting the Union that can have negative influence on third party expectations, in our case on South Caucasian countries.\textsuperscript{28} The EU will get new assets, but if not translated into usable power they will exacerbate rather than diminish the ECG.\textsuperscript{29} On the other hand, the enlargement process will bring closer the South Caucasus region and become more important for the EU. The question of Turkey’s future membership is very relevant in this respect. If Turkey joins the EU, the South Caucasus will become a borderland of the Europe. The next round of enlargement including the Black Sea countries, Romania and Bulgaria, further raises the importance of Black Sea region. Therefore, to identify itself with broader Black Sea region can acquire great importance for Georgia possessing the highest chances of integration from three South Caucasian countries.

However, the enlargement question also creates the difficult issues of inclusion and exclusion in the part of Europe that is outside the EU and can produce new dividing lines in Europe. As Zielonka mentions, “overlap between functional and geographic borders of the EU is very unlikely given the huge degree of divergence that will result from forthcoming enlargement.” The main dividing line in Europe in terms of democratic orientation of citizens runs not between the applicant and current EU members but between these two groups and other countries further East and South.\textsuperscript{30} The internal diversity of the EU will make it even more difficult for it to provide an overlap between its various functional and territorial boundaries. Here comes the choice between soft borders and hard borders. If the EU pursues more exclusionist policy of tightening up the external borders to restrict the flow of immigrants and cross-border crime, it is more likely to undermine rather than enhance the EU presence in the South Caucasus. However, Wider Europe Initiative that envisages softening of cross-border regimes arouses more optimistic hopes.

Lack of coherent and consistent policy: The EU policy makers comprehend the South Caucasus region in various ways and their action depends a lot on the conceptual lenses they use.

\textsuperscript{27} Ginsberg, R. (1999)  
\textsuperscript{28} see Bretherton, S. and Vogler J. (2002)  
\textsuperscript{29} Hill, Christopher (1993) pp. 305-328.  
\textsuperscript{30} Zielonka, J. (2001)
to look at it. Some emphasize the defense of the EU values in the region (democracy, market economy and social welfare) and closer relationship with them. Others pay their attention to the ongoing enlargement and new energy needs the EU faces. Some EU members consider Russian influence as a threat while others regard it as a positive factor for possible stability. Some others view the EU’s role in the region as a first international donor based on technical and humanitarian assistance. The result of such a situation is the absence of collective strategy from Western European headquarters, a disorganized mix of the EU and national objectives without clear and determined instructions. Insofar as the military interests are concerned the EU member states defend very different policies. Some are actively engaged in military cooperation activities and send military observers to conflict ridden places such as Abkhazia, whereas others are entirely absent from the region.\footnote{Helly, D. EU Policies in the South Caucasus (2001)} The EU structural constraints in the field of common foreign policy make it impossible to hope now for a real collective political action.

There is a disagreement in the vision of this region in the EU institutions. Different officials have different viewpoints about the significance of the region and EU’s role in it. During meeting in Brussels one of the representatives from the EU Commission’s External Directorate-General mentioned: “The EU should not let Caucasian state, like Georgia, become a failed state because of increased terrorism concerns in the region”\footnote{Meeting with Michael A. Kölher , (DG Relex A1), February, 19, 2003.} calling for the EU’s more active policy towards region. But this rather categorical statement does not seem to be a common view in the Commission. During the interview Mr. Brender (from Relex E/3) emphasized the incomplete task of transformation in these states and continuation of the EU policy as more structural adjustment aid provider. “The assistance through TACIS, grading up relationships under PCA’s framework to help south Caucasian countries to develop good governance is the main direction of the EU. From political side to support these countries to overcome frozen conflicts is a major issue. At the moment, forthcoming enlargement represents the primary concern of the EU. South Caucasian states still have many things to do on their own. The EU’s role in these countries also depends much on their successful reforms and democratic transformation.”\footnote{Interview with Mr.Brender (Relex E/3), February 21, 2003.}

The EU has not formulated yet a coherent policy towards the region. To translate intentions into realizations, statements and declarations into actually ongoing processes the political will is important.
Final Remarks

As we can see there are various internal and external factors that affect the EU relations with South Caucasus region. The interaction among these factors will determine the future role of the EU in the region. Doubtless, successful reforms in South Caucasian countries, transformation process and their policy choices are decisive. However, internal processes going on in the EU and Russian and the US factors can have a considerable impact upon the EU policies towards the region. All in all, perhaps it is too early to talk about the accession of the South Caucasian countries in the EU.

Upcoming enlargement raises important political and budget issues for the EU. At present, the main task of the EU is the reformation of its institutions and decision-making procedures. Besides, Balkan States occupy higher position in the EU’s “pyramid of priorities” than the South Caucasian countries and consequently, they are more likely to be placed first on the EU’s future enlargement agenda.

Finally, the South Caucasus due to its geopolitical location is viewed as so-called buffer zone and its future partially depends on how successfully the South Caucasus operates as a buffer region. This presupposes securing of EU’s present and future political, economic or natural borders producing the potential buffer on its turn.

Given the hardly kept ‘frozen conflicts’ and low pace of political and economic development, it is unlikely that South Caucasian states can successfully perform the functions of the buffer zone, create a new buffer and then become the members of the EU. It is highly improbable in the foreseeable future. Hence, according to some scholars integration without accession is more plausible. But the world, which is increasingly more complex and interdependent, can offer unpredicted surprises and radical transformations that only time can show us.
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