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Daviti Mtchedlishvili

**THE EU AND THE SOUTH CAUCASUS**  
European Neighborhood Policies between Eclecticism and  
Pragmatism, 1991-2021

With a foreword by Nicholas Ross Smith

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“The fate of the Caucasian states, such as that of Finland and the Baltic states, will depend on the international situation; however — and this will be their feature — they will be victims of their differences and divisions.”

(Carrere d’Encausse 2005, 238).



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## Abstract

This book studies complex and contradictory relations between the South Caucasus and the European Union (EU). The book covers three main periods, which are: the early relations in the 1990s, the European Neighbourhood Policy (ENP) and the Eastern Partnership Programme (EaP). The book employs Europeanisation theory and uses rationalist-constructivist framework as a complementary framework. The conducted research shows that the complex relationship between the EU and the South Caucasus states cannot be explained through a purely constructivist or purely rationalist theoretical framework. Thus, material and social motives are discernible, and rationalism and constructivism are complementary in explaining the relations between the EU and the South Caucasus countries. Therefore, when approaching the dissemination of values and normative connotation of the EU's relations with partner countries from a theoretical point of view that this book offers, a rationalist perspective explains actors' preferences towards maximising material utility and the calculation by EU policymakers as to which strategy is most likely to advance the material interests of the EU in a given situation. This argument needs to be supplemented with insights from constructivism, which emphasises the universal nature of the values of the EU, which are inherently linked to the internal dynamics of the EU itself, and manifests in the relations with neighbouring countries. However, the book illustrates that rational considerations primarily justify the stances of the South Caucasus countries towards the EU, which are related to Russia's political and economic influence in the region.



## List of acronyms and abbreviations

|          |   |
|----------|---|
| AA       | Association Agreement   |
| AAP      | Annual Action Program   |
| BP       | British Petroleum   |
| CARDS    | Programme of Community Assistance for Reconstruction, Development and Stabilisation |
| CEEC     | Central and Eastern European countries  |
| CEPA     | Comprehensive and Enhanced Partnership Agreement                                    |
| CFSP     | Common Foreign and Security Policy  |
| DCFTA    | Deep and Comprehensive Free Trade Agreement   |
| EAEU     | Eurasian Economic Union   |
| EaP      | Eastern Partnership   |
| EC       | European commission   |
| ECHR     | European Convention on Human Rights   |
| EEAS     | European External Action Service  |
| EIB      | European Investment Bank  |
| EIDHR    | European Instrument for Democracy and Human Rights                                  |
| ENP      | European Neighbourhood Policy   |
| ENPARD   | European Neighbourhood Programme for Agriculture and Rural Development              |
| EU       | European Union  |
| EUMM     | European Union Monitoring Mission in Georgia  |
| EURONEST | European Parliamentary Assembly   |
| GDP      | Gross Domestic Product  |
| GRECO    | Group of States Against Corruption  |
| GSP      | Generalised Scheme of Preferences   |
| INOGATE  | Interstate Oil and Gas Transport to Europe  |
| INTERREG | European Regional Development Fund  |
| MNPP     | Medzamor Nuclear Power Plant  |
| NATO     | The North Atlantic Treaty Organization  |
| NCDC     | National Centre for Disease Control   |
| NDI      | National Democratic Institute   |
| NGO      | Non-Governmental Organisation   |

|         |  |
|---------|--|
| NHC     | Netherlands Helsinki Committee                                   |
| NINP    | The New Instrument for Neighbourhood and Partnership             |
| NIT     | Nations in Transition  |
| OCCRP   | Organized Crime and Corruption Reporting Project                 |
| ODIHR   | Office for Democratic Institutions and Human Rights              |
| OECD    | Organisation for Economic Co-operation and Development           |
| OPEC    | The Organization of the Petroleum Exporting Countries            |
| OSCE    | Organization for Security and Co-operation in Europe             |
| PACE    | Parliamentary Assembly of the Council of Europe                  |
| PCA     | The Partnership and Cooperation Agreements                       |
| PHARE   | Poland and Hungary: Assistance for Restructuring their Economies |
| SOCAR   | State Oil Company of the Azerbaijan Republic                     |
| TACIS   | Technical Assistance to the Commonwealth of Independent States   |
| TAIEX   | Technical Assistance and Information Exchange instrument         |
| TAP     | Trans Adriatic Pipeline  |
| TICPI   | Transparency International's Corruption Perception Index         |
| TRACECA | Transport Corridor Europe-Caucasus-Asia                          |
| USSR    | Union of Soviet Socialist Republics                              |
| WTO     | World Trade Organization   |

# Foreword

*Nicholas Ross Smith*

It is an honour to have the privilege of writing the foreword for this fantastic book by Daviti Mtchedlishvili. Daviti is undoubtedly one of the strongest PhD graduates the University of Canterbury's National Centre for Research for Europe has ever produced and this book is a testament to his hard work and talent. It was a pleasure to see this project mature from an initial research proposal into a fantastic scholarly contribution (in the form of this book) to the literature on the EU's interaction with the countries of the South Caucasus.

This book could not be timelier. Russia's unprovoked invasion of Ukraine has forced Brussels to seriously reconsider its interaction with the countries of its 'Eastern Neighbourhood'. Whereas accession to the EU was typically seen as an unrealistic pipedream for these countries, recent events in Ukraine have forced Brussels to re-evaluate its accession process. To this end, in 2022 Georgia formally applied to begin the EU accession process, making it the first country from the South Caucasus to do so. And while Armenia and Azerbaijan are unlikely to follow suit at this stage, there is the potential for a new era of EU interaction in the South Caucasus to emerge.

The EU has an opportunity to 'seize the moment' and reinvigorate the idea of pan-European regionalism as an antidote to the growing pressures of great power competition. Professor Gary Marks once remarked that what the EU did better than previous European integration projects (such as the rapid expansions of Napoleonic France and Nazi Germany) was that it combined the benefits of scale while respecting the importance of communities (through subsidiarity), of which there are many diverse ones within the EU. However, in recent years, the EU has seemingly lost a sense of purpose and has particularly proved woefully inept at times

when engaging with its Eastern Neighbours, with the South Caucasus often forgotten.

This book offers much food for thought about the strengths and weaknesses of the EU's engagement with the South Caucasus region. Daviti's great contribution here is that this book is both theoretically and empirically rich.

Theoretically, the synthesis of rationalist and constructivist views on the EU's international actorness into a single framework is adeptly undertaken and should offer interesting insights for EU foreign policy researchers in general, not just those that research the region. But, also, it is refreshing that the agency of the South Caucasus countries is not minimized and that they are treated as actors in their own right, not just passive recipients of the EU's policies.

Empirically, it provides a detailed examination of the EU's relationships with Armenia, Azerbaijan, and Georgia from the onset of independence in the early 1990s with careful examination of the complexity of the region brought about by conflicts in Abkhazia, South Ossetia, and Nagorno-Karabakh as well as the presence of Russia. It is process tracing done well, giving the reader a clear understanding of the evolution of the EU's relationships with these countries.

Ultimately, it is a sobering but important book as it helps identify why and how the EU has failed to make the most out of its engagement in the region. But, more importantly, it offers important insights and recommendations as to how the EU can combine its self-interest with its normative agenda into a coherent strategy. If the EU is serious about seizing the moment, taking on the lessons and feedback offered in this book would be a smart initial step.



# 1. Introduction

The security and stability of the European Union (EU) is considered to be strengthened by the creation of an arc of countries with good governance in its neighbourhood (European Council, 2003b, p. 10). For this reason, it is crucial for the EU to support state-building in contested states on its borders, and to induce domestic reforms in these states in order to promote democracy, good governance and prosperity. The relations between the EU and the three South Caucasus states—Georgia, Azerbaijan and Armenia—is an example of a complex and multidimensional neighbourhood relationship, which started in the 1990s after the collapse of the Soviet Union. In that early stage of relations, the EU perceived the South Caucasus as on the edge of the European continent with little economic or political significance. Since then, the South Caucasus region has experienced a significant economic and political transformation. Georgia, Azerbaijan and Armenia have moved beyond planned economies and rigid communist dictatorships but have not yet become fully fledged democracies and free market economies (Popescu, 2015). While the three countries share a common Soviet legacy, weak institutions, problems with corruption and oligarchic structures, the development paths of these countries have become increasingly diverse.

The common history, culture and domestic traditions do unite these countries, but differences in domestic and foreign policy have grown as independence has gained momentum. Relations of the three South Caucasus states with the EU have moved in different directions. If Georgia is aiming for closer integration and accession to the EU, Armenia is highly dependent on Russia (economy, security, energy). Moreover, Armenia is a member of the Russian-led Eurasian Economic Union (EAEU) but has also signed the Comprehensive and Enhanced Partnership Agreement (CEPA) with the EU. Azerbaijan has no interest in integration with either the EU or Russia and pursues a balanced stance between the two. Azerbaijan is interested in increasing energy and economic relations with the

EU, but accepts neither EU standards nor norms, and is not interested in the prospect of membership. The South Caucasus countries have different approaches to their relationship with the EU even though they all commenced relations with the EU at the same time. Furthermore, all three countries have a security challenge: Georgia with its two territories (Abkhazia and South Ossetia), which are occupied by Russia, while Armenia and Azerbaijan have been involved in conflict over the Nagorno-Karabakh region.

The relations between the EU and the South Caucasus require further investigations considering their complexity as such and also due to fast-changing developments and transformations in the region. Furthermore, while some scholars see Europeanisation as the only one legitimate process for modernisation and democratisation of the post-Soviet states, the South Caucasus countries make different choices (Baev et al., 2003; Boonstra, 2015; Kakachia, Meister, et al., 2018). Even though the EU has had the ambition of being the most influential external player in the South Caucasus, it has left a rather small imprint on this region's development (Korosteleva, Naturski, and Simão 2013a). Moreover, the EU has been failing to manage the development of the South Caucasus in a systematic and decisive manner (Simão, 2013). The EU's technical and financial assistance in the 1990s, the European Neighbourhood Policy (ENP) in 2003 and more recently the Eastern Partnership (EaP) in 2009 (which includes accession to the EU's vast internal market under favourable conditions) have been used as mechanisms to encourage the partners' domestic reforms or close political cooperation. However, Russia's EAEU was a more attractive option for Armenia whereas Azerbaijan is not interested in taking any such option.

Prior studies on relations between the EU and its neighbouring countries show that the main reason for lack of success of the EU's foreign policy in the neighbourhood is insufficient reward in exchange for adoption of EU rules, norms and standards (Kelley, 2006; Lavenexa & Schimmelfennig, 2011). In addition, scholars quantify geopolitical pressures, especially in the eastern neighbourhood of the EU, including the South Caucasus, where Russia plays a role of integration "game changer" (Popescu and Wilson 2009). Having been caught between Russia and the EU, the neighbouring

countries often use the bidding and manoeuvring method to pursue their own interests, associated with the high political costs of compliance (Schimmelfennig & Scholtz, 2008a). Some authors argue that the EU has helped to stabilise rather than change existing regimes in the neighbourhood (Boonstra, 2015; Börzel, 2011; Mkrtchyan et al., 2009).

The increased interest in the South Caucasus region has resulted in a growing body of literature on EU-South Caucasus relations. The majority of works, however, focus on just one country case study: either the EU and its policies towards Azerbaijan, Armenia or Georgia, with an emphasis on domestic developments and the country's history, including the Nagorno-Karabakh conflict (Gils, 2019; Hewitt, 2013b; Hoch, 2020; Sierra, 2010). Several studies conclude that the EU has limited influence in the South Caucasus and has little effect in facilitating democratisation (Sierra 2012; Smith 2011; Chitaladze and Grigoryan 2015).

Scholars have blamed the EU for the lack of rigor and selective application of conditionality instruments that resulted in failed democratisation efforts in its neighbouring countries (Olazábal, 2019; Schumacher, 2016). The ENP and its Action Plans were hampered by an arbitrary and largely ineffective selection of democratisation benchmarks. The terms “democracy,” “the rule of law,” and “good governance” were used interchangeably and inconsistently without any definitions or clear criteria (Silander and Nilsson 2013; Smith 2011). Even though, a few anti-corruption measures were included in the Action Plans, they were more generic in nature and lacked specific benchmarks for measuring progress (Dandashly & Kourtelis, 2020).

Other scholars have lambasted the EU for a lack of alternative policy ideas (Heidbreder, 2013), a lack of consistency in the ENP instruments (Börzel & van Hüllen, 2014) and insufficient policy changes (Wolczuk, 2009). Despite the conceptual diversity surrounding the ENP/EaP, some literature has largely ignored the impact of domestic circumstances on the Europeanisation process in the South Caucasus and employed EU-centric foreign policy approaches (Ademmer et al., 2016; E. J. Stewart, 2011). Few studies

have linked the EU's democratisation failures to domestic structures in the partner countries, such as limited administrative capacity for rule absorption and reform implementation, or incumbent elites' domestic agendas driven by political and material gains (Börzel & Pamuk, 2012; Buzogány, 2019; Dimitrova & Dragneva, 2009). Others linked Europeanisation failures in the neighbourhood to interests and legacies of the actors involved (Alieva, 2006; Schimmelfennig, 2008), foreign policy behaviours resulting from these contexts (Ayoob & Ismayilov, 2015), and bargaining power of the partner countries as explanations for varying degrees of success in enhancing actors' own interests in relationships with the EU (Gils, 2019). Tolstrup (2013, 2014) argued that domestic elites—ruling elites, opposition elites, and economic elites—are important actors in shaping domestic and foreign policies. Domestic elites act as gatekeepers, actively facilitating or restricting links to external actors and their efforts at democratisation (Tolstrup, 2013).

The premise of this book is that all of the factors (domestic and external) are relevant and, in fact, necessary for understanding EU-South Caucasus relations. The aim of the book is to overcome EU-centric tendencies and view relations between the EU and the South Caucasus as an interactive process. This will help to avoid the pitfalls of simplification and knowledge fragmentation.

The book aims to present a critical appraisal of the Europeanisation process beyond the EU borders and provide an important overview of the historical and current state of relations between the EU and the South Caucasus. From the perspective of prior and current developments in the South Caucasus, it is necessary to formulate alternative explanations of the reasons why the relations between the three South Caucasus countries and the EU have developed in different directions by applying theory to a new empirical domain and pose socially and politically relevant research questions (as explained in chapter 2).

The book objectives are:

1. To look at the development of the relations between the EU and the South Caucasus since the collapse of the Soviet Union.

2. To provide a qualitative and quantitative assessment of the current ties between the South Caucasus countries and the EU.
3. To explain the reasons for the political choices, domestic institutions settings, and economic preferences of the South Caucasus countries.
4. To shed light on areas of common interest between the EU and the South Caucasus countries that determine the dynamics of current and future bilateral relations.
5. To identify the factors that determine the different degree of relations and attitudes between the three South Caucasus countries and the EU.

The book seeks to address a number of theory-driven and empirical problems by answering the following research questions:

- What factors have determined the relations between the South Caucasus and the EU since the early 1990s?
- How did the ENP affect relations between the EU and the South Caucasus?
- Why and under what conditions Georgia, Azerbaijan and Armenia have established different relations with the EU through the EaP?
- What types of attitude/action have the EU and the South Caucasus countries been employing in relations to each other?

This book is of an interdisciplinary nature, linking theoretical insights from EU studies, international relations and philosophy. The analysis relies on theories of Europeanisation, as well as constructivism and rationalism. The research incorporates both a methodological and an analytical toolkit which are based on the insights of Kratochvil and Tulmets' (2010) four combinations of rationalism and constructivism. The analytical toolkit is developed in chapter 2, whereas methodologically the book utilises a system of logic. "A system of logic ratiocinated and inductive" is a method of scientific investigation which was developed by English philosopher John Stuart Mill in 1843. In this work, he formulated the five principles of inductive reasoning known as Mill's methods (Mill, 1882). One

of the principles of experimental inquiry from inductive reasoning is the method of difference. In a situation where a phenomenon being investigated has everything in common with another instance where it does not occur, according to Mill's theory, is the "effect, or the cause, or a necessary part of the cause, of the phenomenon" (Mill, 1882, p. 483).

Furthermore, this is a method of artificial experiment that helps the researcher, at least by direct experience, arrive with certainty of causes. Various scholars have developed this method since its invention by Mill between 1843 and 1872. The method developed by John Gerring, a professor of Political Science at Boston University, and his so called most similar cases method from the Case Study Research (Gerring, 2009) is one such example. This method requires the selection of a case with two essential elements—the causal variables of interest and outcome. The most-similar cases method examines cases that are as similar as possible, except on the outcome of interest (the dependent variable) (Gerring, 2006). Based on Gerring's method, this book employs a case study that challenges a scholarly community to think differently about the relevant dimensions of a chosen theory. The book aims not to generalise but to problematise. The method of difference provides opportunity to select cases that are similar in various relevant characteristics except for two: the outcome the researcher is trying to explain ( $y$ —dependent variable) and what the researcher thinks explains this outcome ( $x$ —independent variable). Thus, the rationale for selecting the countries of the South Caucasus lies in their confounding similarities and disparities. Despite obvious similarities in geography and history, these countries have different attitudes towards the EU and a degree of Europeanisation. Furthermore, Georgia, Azerbaijan and Armenia are quite similar cases in many ways, including their historical legacies, independence experience, communist and post-communist experience, and territorial conflicts.

The study of the South Caucasus and developments in the countries of this region has been an object of research on a theoretical and empirical level since the beginning of the 1990s. While the wider Caucasus region, both in its historical and contemporary di-

mensions, has been extensively examined in the international bibliography, the Europeanisation process in this region has received little attention in mainstream scholarship. Therefore, the innovative nature of this book is based on two premises. Firstly, from a theoretical perspective, the book presents a critical appraisal of Europeanisation theories and provides an important added value to the existing body of literature on Europeanisation, its concepts, terms and practices. Furthermore, whereas constructivism and rationalism are used and extended at the theoretical and analytical level to study the relations between the EU and its neighbours, such an approach has not yet been used in the case of the South Caucasus. Thus, the book provides some alternative explanations at the theoretical level and gives a wider picture of the reality.

Secondly, at the methodological and empirical level, the book employs the most similar cases method, which includes three neighbouring countries from the South Caucasus region. The reasoning behind exploring these particular case studies is to illuminate the areas of shared interest between the EU and the countries concerned and help clarify why and under what conditions these three countries have different attitudes towards the EU. Considering the peculiarities of the region, the results obtained in the course of research may be of interest to foreign affairs analysts and practitioners involved in the development and implementation of EU foreign policy in the South Caucasus. This book' findings can also be of use to political scientists, historians and scholars and students of other related disciplines who study the South Caucasus countries or the foreign policy of the EU.

### **Structure of the book**

The book consists of six chapters. Chapter 1 comprises the introduction, the background of the research and justifies the choice of the South Caucasus case study. The chapter also provides an overview of the methods involved, the research questions, objectives and limitations.

Chapter 2 is devoted to the theoretical framework. The first part of the chapter analyses the conceptualisation of Europeanisation and European integration theories. It includes a broad analysis of the literature of Europeanisation, its concepts, terms, and practices. Since the Europeanisation concept is broad and “conceptually stretchy”, the chapter offers to draw limitations regarding the examination of the Europeanisation process in the South Caucasus. The second part of the chapter examines rationalist and constructivist theories of international relations. Despite the epistemological and ontological differences and conflicting logics of action, the chapter suggests using the rationalism-constructivism dilemma as a complementary framework through pragmatism and analytical eclecticism. This framework helps to address the interest versus values dichotomy in relations between the EU and the South Caucasus.

The rationale for chapter 3 is to assess the beginning of the EU-South Caucasus relations after the collapse of the Soviet Union. The first part of the chapter offers a brief historical overview of the South Caucasus region, its geography and characteristics. The second section describes the general political and economic conditions and developments in the region, including the separatist conflicts of Abkhazia and South Ossetia in Georgia and the Nagorno-Karabakh conflict between Azerbaijan and Armenia. The last part of the chapter addresses the early stages of relations between the EU and the South Caucasus in the 1990s/early 2000s as well as the EU's key policies and interests in this region.

Chapter 4 examines the relations between the EU and the South Caucasus countries in the context of the ENP. Furthermore, the chapter critically discusses key concepts and approaches to analyse the ENP – its principles, prospects and instruments – and relies on Europeanisation concepts. The second part of the chapter analyses the objectives, content and principles of the Action Plans which were introduced within the ENP for the three South Caucasus states as well as the implementation and results of the ENP in the three countries.

Chapter 5 is devoted to the EaP. The first part of the chapter examines the background of the creation of the EaP, its concepts,



aims and objectives. The second part of the chapter analyses the different ways of cooperation with the EU which the three South Caucasus countries have established under the EaP. Each country is presented in a separate section to follow the concept of differentiation and outline factors that determine the different degrees of relations.

Finally, chapter 6 presents the conclusions, and the main findings of the book. The chapter summarises the answers to the research questions posed in chapter 1, assesses the explanatory value of the applied theoretical framework and concludes with final remarks and recommendations.