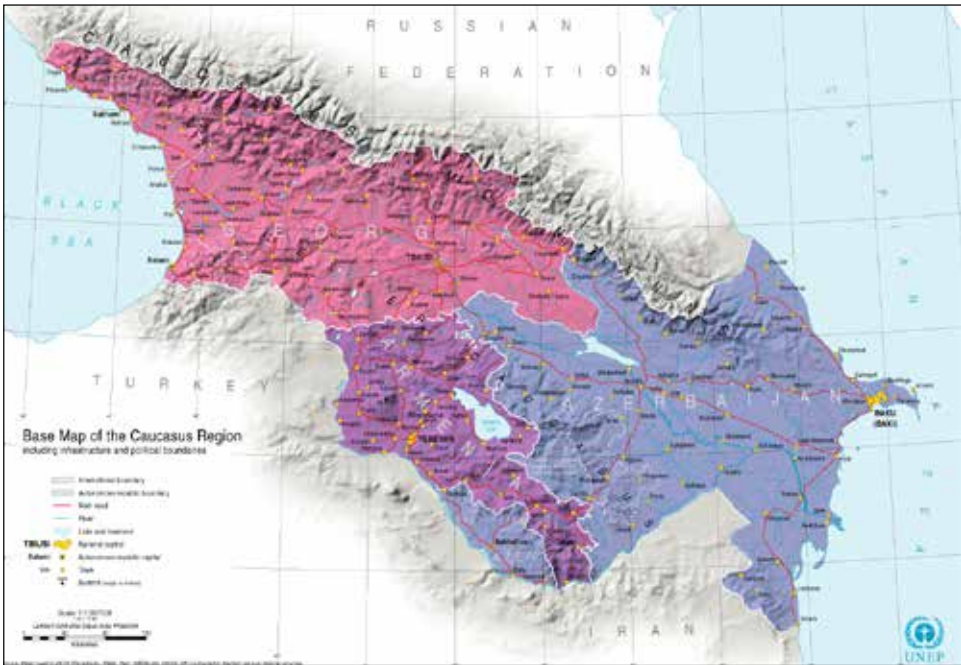


The South Caucasus

Between integration and fragmentation

May 2015



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The EU and the South Caucasus – Time for a stocktake

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The South Caucasus is one of the most security-challenged and fragmented regions in the world. More than two decades have gone by since the collapse of the Soviet Union, and yet the region has not been politically or economically integrated; instead, the three South Caucasus states – Armenia, Azerbaijan and Georgia – have chosen to integrate into a whole host of different, and in some cases opposing, alliances, organisations and programmes, among which are the EU's European Neighbourhood Policy (ENP) and Eastern Partnership (EaP).

Despite hopes that the ENP/EaP could act as transformative tools to help strengthen stability, security, democracy and regional cooperation, as other EU policies have done – for example in the Western Balkans –, this has not been the case in the South Caucasus. Today the region is more fragmented than it was a decade ago.

This paper looks at the history of the EU in the South Caucasus; its relations with the three Caucasus states, the impact of Russia's war against Ukraine and the different scenarios for the future.

The EU's history with the South Caucasus

While the EU has been active in the South Caucasus for some two decades, it can still be considered as the new kid on the bloc when compared to traditional regional powers such as Iran, Russia and Turkey, which have been active there for centuries.

During the early 1990s, following the collapse of the Soviet Union, and with the unfolding wars in the Western Balkans and the collapse of the Iron Curtain in Eastern Europe, the EU had little inclination to think about the South Caucasus, a region that was little understood and broadly considered to be rather 'exotic', and far away from Europe. However, after this somewhat lethargic start, the EU gradually began to develop ties with the region, first with Partnership and Cooperation Agreements (PCAs) at the end of the 1990s, and then later on through the European Neighbourhood Policy (ENP) and Eastern Partnership (EaP).

While this was in part a consequence of the three South Caucasus states reaching out to the West, there are also a number of other reasons why the region became more relevant to the EU: first, the EU came to be geographically closer to the region through its eastern enlargements. Second, in the aftermath of Georgia's 2003 Rose Revolution, the country's new president, Mikhail Saakashvili pushed for greater cooperation with the EU, making EU membership a goal for Georgia. Furthermore, the EU became the main security actor in Georgia following the 2008 Russia-Georgia war. This role became even more important when in June 2009, the OSCE had to end its 17 years monitoring operation, following Moscow's refusal to extend the mission's mandate. Finally, Azerbaijan's hydrocarbons – in particular natural gas – represented an opportunity to strengthen the EU's energy security by diversifying energy sources and routes away from Russia. This became increasingly important

following the 2009 Ukraine-Russia gas crisis when gas exports to 16 EU member states were drastically reduced before being completely cut off for two weeks.

The inclusion of the South Caucasus states in the ENP was a qualitatively new stage in bilateral relations and indicated the EU's willingness to engage in deeper relations, moving beyond existing PCA frameworks.¹ When EaP was launched in 2009, it represented an opportunity for much closer political and economic cooperation, putting on the table Association Agreements (AA), including the Deep and Comprehensive Free Trade Agreement (DCFTA), as well as visa facilitation/liberalisation. With EaP having both a multilateral and a bilateral dimension, there was some optimism that the multilateral track could act as "space" for representatives of Armenia, Azerbaijan and Georgia to meet and cultivate ties including via the Civil Society and Business Forums.

All three South Caucasus states embraced greater cooperation with the EU, not least because it offered an opportunity to balance their ties with the traditional regional actors, Russia in particular. Furthermore, the EU model of governance, along with the fact that the EU has no "historical baggage" in the region, made it attractive to the societies of the three states. Today, the EU is the largest donor in the region as well as the most important trade partner of all three states.

However, while all three states have, to different degrees, deepened ties with the EU, the ENP/EaP have produced only limited results, failing to replicate the transformative power witnessed in the CEE region. The EU's policies have only had a limited impact in terms of strengthening democracy, and have failed to bring about regional cooperation. The only significant regional cooperation that has taken place has been between Georgia, Azerbaijan and Turkey, including on energy, military and trade issues. Furthermore, regional stability and security have become more volatile, not least because of the increasingly consolidated protracted conflicts of Nagorno-Karabakh, South Ossetia and Abkhazia.

This limited impact can be put down to a number of reasons, including the fact that the EU presented holistic policies which it then failed to follow through, with its own commitment to the EaP being inadequate. While the EaP was seen by some member states as being crucially important, to others it was not. Indeed it is not a secret that only a handful of countries – including its initiators – Poland and Sweden – view it as a priority. This division amongst Member States, has not only affected the EU ambitions in the region, but also damaged political and economic support. Because there is no EU membership perspective or short-term tangible benefits, some countries may calculate the costs and benefits of complying with EU standards more critically than candidate countries. A further reason the lack of a genuine will of some of the partner states to really change, along with the absence of a security component.

The work of the multilateral track has also been affected by regional tensions and conflicts. The work of the EaP's parliamentary dimension (Euronest) has often been paralysed by disagreements between Armenia and Azerbaijan. Standard bilateral European Parliament Delegations with South Caucasus (or Eastern European) countries – as is already the case with Moldova, Ukraine and soon Georgia – would be more practical.

Moving in different directions

Armenia, Azerbaijan and Georgia have chosen, for different reasons, to integrate into different, and in some cases opposing integration projects, including NATO, the Eurasian Union (EUA), the Collective Security Treaty Organisation (CSTO), GUAM, the Commonwealth of Independent States (CIS) as well as the EU. This has left all three states moving in very different directions.

European integration remains a long-term strategic priority for Georgia's foreign and domestic policies. The signing of the AA/DCFTA on 27 June 2014 marked a new phase in EU-Georgia relations, which Tbilisi stated made Georgia's Europeanisation process irreversible. Furthermore Georgia believes that membership of the EU and NATO is the only way to guarantee its security and assure permanent independence from Russia. There is broad support for EU membership in Georgia, from both the government and opposition, as well as from civil society, business and society.

However, with Georgia having a fragile economy, which has been exacerbated by a massive currency devaluation, maintaining the current level of support will not be easy without quick tangible benefits. First, implementing the AA/DCFTA requires painful and expensive reforms. Georgia is being asked to swallow a significant chunk of the *acquis communautaire* without receiving the sort of economic or political support EU candidate countries get for carrying out more or less the same reforms. Second, Russia is seemingly actively engaged in undermining the process via hybrid and covert actions. For example, numerous Russian financed NGOs have sprung up across the country and are engaged in propaganda activities aimed at discrediting the EU.

Furthermore, the fact that Georgia also has no clear membership perspective means the country has to remain in what could be termed as a 'grey zone'. The EU's "the door is neither closed nor open approach" is unlikely to be sustainable in the long term. The fact that Georgia is recognised as an 'Eastern European country' in its AA is of little comfort.

While some steps have been taken to normalise relations with Russia, following the freezing of ties during the Saakashvili presidency, it seems set to be a volatile relationship as long as Georgia remains on the EU trajectory. This was demonstrated in the aftermath of Georgia's ratification of the AA/DCFTA when Russia introduced the Treaty on Alliance and Strategic Partnership with Abkhazia, which significantly integrates the region into Russia on a political, military, economic and social level², while the Treaty with South Ossetia, signed in March 2015, goes even further, with South Ossetia's military and economy to all intents and purposes integrated into Russia's. The fact that the EaP does not address Georgia's security concerns means that the EU could do nothing more than repeat its support to Georgia's territorial integrity, which is of little comfort.

Armenia became a member of the Russian-led Eurasian Union in January 2015 which also includes Belarus, Kazakhstan and Kyrgyzstan. The significant influence that Russia has in Armenia (economic; energy, security) led the country's President, Serzh Sargsyan, to make a geostrategic U-turn on 3 September 2013. He announced that Armenia would be abandoning

plans to sign an AA/DCFTA with the EU after nearly four years of negotiations, and would join the EAU instead.

According to Sergey Minasyan "many Armenians view their country's relationship with Russia to be a natural outgrowth of an inevitable historical dependence, particularly given the context of the 1915 Armenian genocide and the existential threat posed by that event. They perceive Russia to be the only guarantor of Armenia's security"³. However, the decision to join the Eurasian Union further strengthened Armenia's dependence on Russia, threatening its national security and sovereignty, and was met with anger by many in the country.

While it might have been possible for Armenia to bear the economic losses caused by aborting the AA/DCFTA with the EU, Yerevan could not risk the loss of security by rejecting their strategic partner Russia, which is their security guarantor. Armenia is the only South Caucasus state to be a member of the CSTO. The country is also included in the united air defence system of the CIS. Russian guards patrol Armenia's borders with Turkey and Iran, and the lease of Russia's military base in Gyumri was recently extended until 2044. Furthermore, for Russia, its presence in Armenia not only contributes to the preservation of Russia's presence in the South Caucasus, it is a strategic military outpost that has significance beyond the region.

Armenia's security reliance on Russia is as consequence of the ongoing conflict with Azerbaijan over Nagorno-Karabakh. This is further exacerbated by the absence of normal diplomatic relations and a closed border with Turkey. However, despite the fact that Russia claims to be Armenia's security ally, Moscow continues to sell arms to Azerbaijan while continues to rile Yerevan. In July 2014 in a rare statement criticizing Russia, Armenian President Serzh Sargsyan stated that "our nation is very concerned about the fact that our strategic partner is selling weapons to Azerbaijan".⁴

While Armenia's U-turn left many in the EU frustrated, given the amount of time that had been vested into the AA/DCFTA negotiations, after what could be called a cooling off period, relations with the EU have now entered a new phase and discussions are underway for the penning of a new agreement with Armenia although what shape this agreement will finally take remains to be seen. As stated by Richard Giragosian "the EU needs to now explore alternative measures to engage and empower embattled Armenia, but based on a more realistic recognition of the limits and liabilities of Armenia as a partner". While the challenge for Yerevan will "center on the country's capacity and its leaders' determination to withstand a possible fresh onslaught of Russian pressure and coercion".⁵

Azerbaijan is not interested in joining either the EU or the Eurasian Union. With its geopolitical position, caught between the interests of Russia, Iran, and the West, Baku tries to preserve its independence, by carrying out a tricky political dance. Azerbaijan's foreign policy is shaped around its geography as well as the security challenges the country faces.

Azerbaijan's relations with the EU are underpinned by energy cooperation, and the country is viewed as a key component in the EU's energy diversification plans. The Southern Gas Corridor (SGC) will be realised thanks Azerbaijan. Gas from Azerbaijan's Shah Deniz II field

will come to the EU market starting in 2019. It will be transited across Georgia and Turkey, via the Trans-Anatolian Pipeline (TANAP). Thereafter the Trans Adriatic Pipeline (TAP) will transport the gas through Greece, and Albania to Italy. While the initial amount of gas – some 10 bcm with a further 6 bcm going to Turkey – is not huge, it is highly symbolic as it will bring the SGC to life and hopefully pave the way for more Caspian gas from Azerbaijan and possibly also from Turkmenistan, Iran and Northern Iraq. During a visit to Baku in February 2015, European Commissioner for the Energy Union, Maros Sefcovic, stated that "Azerbaijan is a very important partner for the EU. At the centre of our strategic energy partnership is the Southern Gas Corridor. This is a project that can encourage greater economic cooperation, improve energy security and create over 30,000 jobs in all the countries along the Corridor".

At the same time Azerbaijan's relationship with the EU is not without problems. The EU remains very concerned over Azerbaijan's record in terms of democracy and human rights, most recently related to the imprisonment of numerous human rights activists and representatives of civil society on what are broadly viewed as bogus charges. This situation has resulted in a very odd relationship. One day, senior EU officials and heads of state congratulate Baku for being such a reliable and important partner, while on the following, statements and resolutions are issued that criticise the country. A second issue that has been constant thorn in relations is related to the failure of the EU to explicitly recognise Azerbaijan's territorial integrity, as it does with the other EaP countries that have territorial disputes (Moldova, Georgia and more recently Ukraine). Azerbaijan has accused the EU of having a double standard policy.

Ultimately Azerbaijan wants a strategic relationship with the EU that is based on mutual objectives and where interests are narrowly defined. Talks have been completed on a Strategic Partnership for Modernisation (SPM), although a date for signing has not yet been confirmed.

Russia has tried to exploit Azerbaijan's problems with the EU. Numerous senior Russian officials, including President Vladimir Putin, have travelled to Baku over the past twelve months. Russia would welcome Azerbaijan's membership in the Eurasian Union. However, given that since 1991, Baku has taken great risks to achieve political independence from Russia, including by securing its future as an energy supplier outside the Trans-Caspian region and former Soviet sphere, being part of a Russian-led integration project has little appeal. The majority of Azerbaijan's political elites, along with society, are not in favour of membership of the Eurasian Union, fearing it would put an end to Baku's independent foreign policy.

The EU and Conflict Resolution

While one of the commitments of the 2003 Security Strategy was for the EU to play a greater role in the "resolution" of the protracted conflicts, some twelve years later these conflicts are more consolidated than ever.

The EU is now the main security actor in Georgia following the deployment of the EUMM in the aftermath of the 2008 war. The EU is also a co-chair of the Geneva Process (GP) peace talks, which are aimed at finding a solution to the protracted conflicts. However, the Geneva Peace Process has done little more than maintain the *status quo*. The six-point peace plan

that was negotiated by the then French Presidency of the EU has only partially been implemented by Moscow. Moreover the EUMM has no access to the occupied territories. Rather, Russia has not only strengthened its hold on the two breakaway regions including through a consolidated military presence, it has taken steps which have increased tensions including by carrying out so-called "borderisation", namely erecting fences between Abkhazia, South Ossetia and territory that is still controlled by Tbilisi. The recent integration treaties signed between South Ossetia, Abkhazia have further strengthened Russia's position.

In terms of the EU's role in the Nagorno-Karabakh conflict, the EU has placed itself on the periphery of the peace process, maintaining a policy of "supporting the efforts of the OSCE Minsk Group". Furthermore, unlike in the conflicts in Georgia and Moldova (Transnistria), the EU has something of an ambiguous position, as it endeavours to maintain a "balanced position" between Armenia and Azerbaijan. As Nicu Popescu writes, "In its quest for neutrality, the EU has moved from a non-policy on Nagorno-Karabakh, to a 'personality split', where one face of the EU recognised Azerbaijan's territorial integrity while the other face of the EU recognised the region's right to self-determination, which is a central principle of the Nagorno-Karabakh's secessionist movement."⁶ The EU's main contribution has been via the European Partnership for the Peaceful Settlement of the Conflict over Nagorno-Karabakh (EPNK) and its support to confidence building measures (CBMs). It has also pledged to take up a key role in an eventual post-conflict settlement process, drawing on its experience in the Western Balkans.

How the EU underestimated Russia

While one of the key objectives of the ENP was to prevent the emergence of new dividing lines in Europe by offering neighbouring countries closer political, security, economic and cultural cooperation, as the three states have strengthened ties with the EU, Russia has pushed back. As seen from Moscow, the EaP is a direct challenge to Russia's influence in the former Soviet Union. Russia has been the dominant actor in the South Caucasus for centuries, viewing the region as its sphere of influence. The EU's attempt to provide these countries with better possibilities to modernise and democratise is seen as a geopolitical threat to Russia's leadership. For Russia, the threat induced by the EaP is also clearly not about economic factors, but deeply ideological and political. The EU integration is a threat as it promotes a different political system from what Russia is adhering to.

During a visit to Armenia on 2 December 2013, President Putin declared: "Russia will never leave this region (Trans-Caucasus). On the contrary, we will make our place here even stronger".⁷ Russia has exerted the considerable leverage it has in areas such as security, labour migration, energy and trade, along with the Russian church, Russian-financed NGOs, and ethnic Russian minorities in an effort to derail EU processes. Russia's military bases in the region are particularly important as they allow Moscow to project power, while the three protracted conflicts allow it to pursue a policy of divide and rule, being both part of the conflicts and the solutions.

Russia's annexation of Ukraine's Crimean Peninsula and war in the east of the country has further aggravated regional tensions. This act violated Ukraine's sovereignty, representing a fundamental breach of international law; the Helsinki Final Act of 1975 and the terms of the

1994 Budapest Memorandum, whereby the nuclear arsenal stationed on Ukraine's territory after the collapse of the Soviet Union was relinquished in exchange for security assurances of its sovereign territorial integrity. Russia, the US, France and the UK all signed. Furthermore, it has challenged the EU as a foreign and security policy actor in its immediate neighbourhood, including in the three South Caucasus countries. Hence Ukraine has become a test case for the EU in terms of supporting its EaP partners, including by standing up to Russia.

Looking to the future

The increasing fragmentation of the South Caucasus has proved a challenge for the EU, as it traditionally likes to operate in well-defined regions in the belief that regional cooperation leads to integration. This is unlikely to happen in the South Caucasus, where the EU is not the only game in town and Russia aggressively seeks to maintain its influence. Furthermore, while Russia – and to a certain extent other regional powers – has a clear objective in terms of what it wants to achieve in the South Caucasus, the EU does not.

Developments in the South Caucasus have shown that a one-size-fits-all approach does not work and that the EU needs to develop more tailor-made relationships, with a stronger focus on bilateral ties, and moving away from a 'one-menu-for-all' to an approach based on clear objectives and benchmarks; tangible benefits and with clear roadmaps. There also needs to be a shift from political elite-dominated negotiations towards a more inclusive approach, with civil society and other stakeholders taking a key role during the negotiation and implementation of agreements.

While certain elements of the multilateral track should be maintained, there is a need for an overhaul, as in its present form it is impossible to incorporate the growing differences between the three states, which have become even more pronounced since Armenia joined the Eurasian Union.

The war in Ukraine demonstrates the existence of a serious security deficit in the EaP. Ultimately, it is in the EU's interest to have a stable and secure region, not least because of the presence of key energy infrastructure. Security needs to become a core element of the EaP including further considering the full use of the CSDP mechanisms in increasing security and stability in the region. At the very least the EU should strengthen its role in security sector reform, including reforming partners' police forces, border guards and judicial systems, as well as taking a more proactive role in conflict resolution including revisiting the idea of "engagement without recognition". Furthermore, any revised EaP also needs to take into account that Russia is the main threat, as witnessed by its illegal annexation of Crimea and the war in Eastern Ukraine.

There is also a need to enhance the visibility of the EU by further intensifying efforts for comprehensive information and communication campaigns by/in the partner states in order to engage with the population at large, with appropriate support from the EU. Given the EU's attractiveness remains relatively high in all three South Caucasus states, it should ultimately remain more influential than Russian propaganda. Hence it is important for the EU to support people-to-people contacts, grass-root organisations, educational programmes and exchanges, along with civil society cooperation.

The EU can have a positive influence on the development of the South Caucasus if it is able to devise a more long-term strategy with clear objectives for each state while also carving out a more robust and united strategy in terms of dealing with Russia. The Riga Summit on 21-22 May represents an opportunity to send a strong message to the EaP states with the final Declaration. In particular it offers a platform for the EU to underline its political and economic commitment to Georgia, including its readiness to quickly deliver a visa free regime once the relevant criteria are met. Furthermore, the Summit should call on Russia to fulfil its commitments undertaken by the 12 August 2008 Ceasefire Agreement. The EU should not leave Georgia in a "grey zone" and a clear and comprehensive roadmap for the future that goes beyond association, transforming the process into one of integration that gives Georgia a light at the end of a very long tunnel should be put on the table. This is key to keeping the EU's transformative power alive. Georgia can be a role model for the region, representing an opportunity for the EU to demonstrate how adopting key reforms and values can improve the quality of life of the population.

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Endnotes

- 1 The PCAs were signed with all three countries of the South Caucasus in 1996 and entered into force in 1999. They formed the basis of the bilateral relation of each of the three countries with the EU, including the areas of political dialogue, trade, investment, and economic, legislative and cultural cooperation.
- 2 D Boden, *The Russian-Abkhaz Treaty: New Tensions in the South Caucasus*, Friedrich Ebert Stiftung, December 2014.
- 3 S Minasyan, *Russian-Armenian Relations: Affection or Pragmatism?*, PONARS Eurasia Policy Memo No. 269, July 2013
- 4 T. Gevorgyan, *Yerevan Angry at Russian Arms Sales to Baku*, Institute for War and Peace Reporting, 22 July 2014, <https://iwpr.net/global-voices/yerevan-angry-russian-arms-sales-baku>
- 5 R. Giragosian, *Armenia's Eurasian Choice: Is the EU Integration Still at Stake?*, Heinrich Boll Foundation, 2 April 2015
- 6 Nicu Popescu, *EU Foreign Policy and Post-Soviet Conflicts. Stealth Intervention*, London and New York, Routledge, 2011, p. 104
- 7 Putin tells Armenians that Russia will never leave the "trans-Caucasus" as he starts official visit, Commonsplace.eu, 2 December 2013.