

# 16 European Neighbourhood Policy and the South Caucasus challenge

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Launched in 2004 by the EU, the ENP was conceived as a foreign policy tool to deal with countries and regions bordering the EU after its enlargement phases. This policy represented a major shift in the EU's approach toward the region, before which cooperation was primarily technical. Overall, the ENP has reflected two main peculiarities embodied in the EU's external action: a liberal impetus, according to which the promotion of democratic principles, economic development and prosperity are likely to bring about improved stability, and a regional-oriented *modus operandi* based on the belief that both a regional approach and the promotion of regional coordination among actors are likely to better answer key objectives and potential challenges ahead. Ultimately, both features would positively impact the EU's security.

Although based on a general commitment to promote democracy and human rights, the ENP has worked primarily on economic relations and opportunities, including issues related to the labour market and visa facilitation. Moreover, the value attached to maintaining stability at its periphery has not impeded the EU in coming to terms with authoritarian regimes on its southern and eastern borders, something which contradicts the values it allegedly supports in this body of policies. Lacking the card of partnership and recognizing the relevance of the neighbourhood for its own stability and security, the EU has found it difficult to induce a major commitment to democracy and foster respect for human rights. The aim to bring neighbours' economic and legislative structures in line with those of the Union has been backed by opportunities regarding political association, deeper economic integration, increased mobility and improved people-to-people contacts. The EU has thus forged bilateral approaches with countries at its periphery in addition to regional dimensions covering its southern and eastern border, like the EaP that was launched in 2009 and based on a Swedish and Polish initiative. Although not directly bordering the EU, the Southern Caucasus has been encompassed by this effort, both at the bilateral and regional levels, something which has been encouraged by the geoeconomic and geostrategic importance of this 'sub-region'.

The aim of this chapter is to investigate how the ENP has performed in relation to the Southern Caucasus, which approaches have been followed, which goals have been delineated, which achievements have been reached, and which

shortcomings have surfaced and for which reasons. As an empirical assessment of the ENP's overall implementation and performance, the chapter attempts to highlight the apparent and increasing inefficacy of the EU's policies, whose weakening bargaining power and lack of a comprehensive regional strategy are backfiring in its attempt to promote both stability and development in the eastern neighbourhood. Besides taking into consideration the structural weaknesses of the EU's projection toward the Southern Caucasus, the chapter will focus on various sub-regional and supra-regional factors that hinders a consistent implementation of the ENP.

### **EU eastward projection: the ENP and the EaP**

The roots and the *ratio* of the neighbourhood policy are to be found in the EU resolve to avoid creating new dividing lines in Europe and to exploit the opportunities provided by the enlargement to develop a more coherent and durable basis for relations with neighbours. This resolve was defined on the eve of the 2004 'big bang enlargement' (Patten and Solana 2002, p. 1). Targeted towards countries not benefiting from the perspective of membership, the ENP was conceived as a foreign policy tool aimed at developing a zone of prosperity and a friendly neighbourhood that would foster close, peaceful and cooperative relations (European Commission 2003, p. 4). Moreover, when it set the goals of the forthcoming proximity initiative, the European Commission highlighted its relevance to the *duty* to ensure social cohesion and economic dynamism, which depended upon the EU's approach toward member states as well as toward present and future neighbours (European Commission 2003, p. 3). As such, the ENP stood as a key tool for Brussels to continue the decades-long European integration process even beyond its enlargement policy.

In the document setting the basis of the neighbourhood policy, the commission further specified that 'over the coming decade and beyond, the Union's capacity to provide security, stability and sustainable development to its citizens will no longer be distinguishable from its interest in close cooperation with the neighbours' (European Commission 2003, p. 3). This statement implied that overall European stability was largely related to development beyond its borders. Therefore, policy coordination with neighbouring countries had come to constitute a significant portion of the EU's external action. The concept of 'indivisibility of security' between the EU and its neighbourhood, hereby affirmed, was fully in line with the rationale of the simultaneously drafted European Security Strategy (ESS), 'A Secure Europe in a Better World', which was approved in December 2003. Indeed, the ESS valued the goal of 'Building Security in the Neighbourhood' as one of the three pillars upon which the EU should have based the defence of its security and promotion of its values (European Council 2003, pp. 7–8).<sup>1</sup> The link between the two processes is so strong that some scholars suggested that the ENP could indeed be regarded as the 'operationalization' of the aforementioned objective, 'translating the holistic approach to foreign policy advocated by the ESS into a concrete policy

framework for relations with the Union's periphery' (Biscop 2010, p. 73). An explicit linkage was thus put forward between good governance in neighbouring countries and EU security and between the extension of the benefits of the political-economic cooperation *beyond* EU borders and the preservation of security *within* them. Therefore, the ENP framework was conceived as a way to prevent spillover into the EU of security threats originating in the neighbourhood such as terrorism, proliferation of weapons of mass destruction, regional conflicts, state failure and organized crime. Far from being a mere proximity initiative, the ENP was a relevant component of the effort undertaken by the EU. This effort aimed to define the very essence and contours of its external projection while safeguarding the achievements of the European project itself. It was, therefore, a key tool for continuing the integration project while protecting it from external threats.<sup>2</sup>

Against this background, the EU's attitude towards bordering countries can be seen as following two main theoretical approaches. The first approach, which is of a liberal nature, emphasizes the positive contribution of the promotion of interdependence and improved contacts between countries for increased prosperity and stability. According to this first tenet, potential tensions would be solved by the provision of incentives and opportunities resulting from the harmonization of legislation from third countries and the undertaking of structural economic reforms. Moreover, these provisions would incite development and possible prosperity. Finally, more stable neighbours would benefit the Union by diluting potential sources of tension. The second approach, reflecting both liberal and constructivist traits, has insisted on 'regionalism' and the positive effects that regional approaches would bring about in coordination attempts. According to the neo-functional logic (Haas 1968), regionalism reflects a peculiar trait of the EU integration process that is liable to be replicated in other geographical contexts. In fact, the ENP document emphasizes, "The EU must act to promote the regional and sub-regional cooperation and integration that are preconditions for political stability, economic development and the reduction of poverty and social divisions in our shared environment" (European Commission 2003, p. 3). Furthermore, the efforts aimed at enticing regional coordination and at promoting patterns of regional integration seem to follow the logic of the RSC theory of Barry Buzan and Ole Wæver (2003). According to this theory, because the transnational character of most challenges ahead is likely to create security interdependencies among states in a region due to the fact that "most threats travel more easily over short distances than over long ones" (p. 4), attempts at regional coordination are better suited to more effectively address potential risks. If the RSC theory holds true, regions bordering or close to Europe are potential sources of challenges for the Union. This ultimately requires forms of inter-regional coordination:

Closer geographical proximity means the enlarged EU and the new neighbourhood will have an equal stake in furthering efforts to promote transnational flows of trade and investment as well as even more important

shared interests in working together to tackle trans-boundary threats – from terrorism to air-borne pollution.

(European Commission 2003, p. 4)

At the time of its drafting, the ENP did not include the Southern Caucasus republics in its original scope, ostensibly because of geographical realities.<sup>3</sup> However, a decision was made to appoint a special representative to the region in 2003.<sup>4</sup> Such a choice directly contradicts both the letter and the *ratio* of the ESS as well as its draft version, which was submitted by High Representative for the CFSP Javier Solana at the June 2003 Thessaloniki European Council meeting.<sup>5</sup> Indeed, addressing the need to build security beyond its borders, the ESS explicitly called on the EU to ‘take a stronger and more active interest in the problems of the Southern Caucasus’, an area that was bound to become a neighbouring region (European Council 2003, p. 8). Along with the ordinary institutional dialogue characterizing the decision-making process, this incongruity in positions seems to reflect what Dov Lynch labelled the *proximity-distance paradox* affecting the region, a paradox that still recurs from time to time in the vision of the EU and its member states. Accordingly, while the Caucasus is *close enough* to force the EU to consider its interests in promoting regional stability, it is at the same time *distant enough* that regional threats are not perceived as immediate (Lynch 2003, p. 178). The subsequent inclusion of the Caucasus in the ENP – recommend by the Commission to the Council in May 2004 – was propelled more by local developments rather than by a sound EU initiative. In fact, it mainly resulted from ‘windows of opportunities’ for regional engagement opened up by the November 2003 ‘Rose revolution’ in Georgia and from the contested presidential elections in Armenia (February–March 2003) and Azerbaijan (October 2003), which sounded as wake-up calls for the EU. Simultaneously, the inclusion of the Southern Caucasus republics into the ENP framework stood as a recognition of the growing role the region was coming to play for EU energy security policies in terms of the production and transportation of hydrocarbons (European Commission 2004, p. 11), on the backdrop of the first energy disputes between RF and its Eastern European transit states.<sup>6</sup>

Basically, the ENP represented a value-driven initiative<sup>7</sup> aimed at stimulating political transformation in the neighbourhood. It was based upon three main instruments through which international actors may ignite democratization processes: *contagion*, *convergence* and *conditionality* (Kubicek 2003, pp. 5–7). *Contagion* occurs when events in one country – or the effects of demonstrations of outside actors – spread across borders if they are seen as attractive or achievable. The reference is to a potential ‘democratic wave’ that could have been initiated both outside (i.e. Central and Eastern Europe (CEE) countries) or inside (i.e. Georgia or Ukraine) the ENP geographical scope. Sharing with contagion the nature of ‘passive leverage’ (Vachudova 2005), *convergence* refers to the gradual movement toward system conformity through the growth of transnational networks. Linking benefits to the fulfilment of certain requirements, *conditionality* works according to a cost/benefit logic and represents the key ‘active leverage’

available to the EU, employing ‘carrots and sticks’ to persuade, induce or coerce interlocutors into adopting its desired policy. However, the main ‘carrot’ – i.e. “the chance to participate in various EU activities, through greater political, security, economic and cultural co-operation” (European Commission 2004, p. 3) – proved to be flawed and not attractive enough to achieve the expected results. Moreover, although the ‘stake in the internal market’ carrot may have been attractive to partners, the inflexibility of engagement tools has been criticized on the grounds of advancing a ‘take-it-or-leave’ perspective, reflecting EU interests more than those of its partners. Acknowledging the shortcomings of a that the ENP approach ‘has not always been successful in providing incentives further reforms in the partner countries’ (European Commission 2015a, p. 4), the 2015 ENP Review, following extensive consultation with the stakeholders, stressed the need to focus relations with neighbours ‘more clearly on commonly identified shared interests’ (European Commission 2015b, p. 5). While this approach signalled a major departure from the ‘one-size-fits-all’ rationale, it did not account for a downgrade of the ENP’s value-driven nature, nor of the aforementioned linkage between the enhancement of internal security and the external promotion of universal values.<sup>8</sup>

In 2009, the aims of tackling ENP shortcomings and of emphasizing the regional dimension of the neighbourhood policy resulted in the framing of the EU EaP, which encompassed the three Caucasian republics along with Belarus, Moldova and Ukraine. The new framework for cooperation was launched in the aftermath of, and as a response to, the August 2008 Russo–Georgian War in South Ossetia, which highlighted the enduring instability of the region and the heightened risk of spillover that the conflict posed to the EU. Therefore, the EaP confirmed once again the reactive nature of EU projection toward the Southern Caucasus, already highlighted at the time of its inclusion in the ENP.

Aimed at fostering political association and economic integration between the EU and its eastern partners, the EaP stood, in Brussels’ view, as a real ‘step change’ in their relations. Indeed, the framework introduced some new features to the previous regional approach. By offering a functional and sector-based type of cooperation, the EaP appeared to be a much more pragmatic framework, advancing an interest-driven approach capable of leading to a gradual de-politicization of cooperation which, in turn, would overcome divisions created by the democracy promotion approach (Penkova 2013, p. 27). Against this backdrop, the EaP was shaped by a bilateral and a multilateral track. While the latter provides a ‘thematic platform’ to jointly address common challenges,<sup>9</sup> the bilateral track aims instead at fostering political and economic engagement through the negotiation of AA and the establishment of DCFTA that allow integration into the EU market. Moreover, the EaP promotes a greater mobility of citizens through bilateral agreements aimed at MP, visa facilitation, readmission and visa liberalization.<sup>10</sup> Finally, a key feature of EaP is an attempt to complement the traditional top-down approach to transformation with the advancement of bottom-up processes involving civil societies. Moreover, the step change in relations brought by the EaP did not merely result from

the wider scope of the framework. It resulted, simultaneously, from the leading stabilization role *de facto* undertaken by the EU following the war in South Ossetia,<sup>11</sup> on the backdrop of partial U.S. retreat from the region under the Obama administration (Dueck 2015, p. 67).

To date, the major successes of EU regional cooperation schemes have been achieved in relations with Georgia. An AA including a DCFTA was signed between the parties in June 2014 and entered into full force in June 2016. Moreover, a European Council regulation on visa liberalization to the Schengen area for Georgian citizens came into force in March 2017.

### **From principles to actions: structural weaknesses of EU's Southern Caucasus policies**

More than a decade after the launch of the first regional initiative toward the Caucasus and notwithstanding a growing economic interdependence,<sup>12</sup> the EU frameworks for cooperation did not bear the expected fruits, neither in terms of regional stabilization nor in terms of security. Moreover, it also exhibited a degree of failure as a normative power due to the lack of substantial progress in the regional democratization processes as well as in the spread of EU values and norms. Such weakness seems to have been the consequence of a series of inter-related factors. Although some of these factors descend from regional and sub-regional obstacles to the EU project, the project itself was plagued by inherent inconsistencies and contradictions that hampered the wider attempt to reach out to neighbours with a sound formula for cooperation and engagement.

The basic deficiency of EU policies descends directly from its premises. The ENP and the EaP were conceived around the logic of providing partners with 'everything but institutions' – i.e. offering neighbours alleged economic and political benefits in exchange for their reception of the democratic norms and governance standards of the EU. So conceived, the neighbourhood policy could have been a useful tool for the EU to solve the 'exclusion-inclusion dilemma', but it fell short in addressing partners' long-term expectations. The 'enlargement-lite' hereby put forward (Popescu and Wilson 2009) ended up creating both ambiguity in the EU approach and discontent among partner countries (Penkova 2013, p. 22), especially those, like Georgia, that openly pursued the goal of membership. The gap between EU offers and partners' expectations emerged, for example, in the wording of the November 2013 EaP Vilnius Summit Joint Declaration. Contrary to expectations (Radio Free Europe/Radio Liberty 2013a), the Declaration lacked a reference to Article 49 of the Lisbon Treaty, which allows any European State respecting EU fundamental values to apply for membership. While acknowledging European aspirations, the Declaration downgraded expectations by labelling EaP participants as mere 'partner countries'. Moreover, the 'watering down' of the Vilnius Declaration was basically the result of the vision of the influential member states – like Germany or France – objecting future enlargements, in opposition to the vision of others – like Poland or Sweden – that instead favoured a sounder EU regional

engagement. This could only affect the overall coherence and credibility of the EU, along with the efficacy of its cooperation schemes. In fact, the gap in geographic priorities among member states resulted in an inadequate political and economic support to the ENP and EaP, deprived from sufficient financial commitment (Paul 2016, p. 3).

In reaching out to its eastern neighbours, the EU has mainly followed the same logic that has been applied to the CEE countries in the framework of the enlargement policy. However, since it offers these neighbors no options for membership and inadequate economic support, commitment to reforms and to European values has been at best lukewarm and has at times been perceived as an unwanted interference in internal affairs. Essentially, because the ENP was an alternative to membership and not a preparatory tool to that goal, the main source of EU external leverage – i.e. conditionality – proved to be scarcely credible and largely ineffective in promoting normative alignment with the South Caucasian countries.

Lacking a clear membership offer as well as a sound incentive scheme, the ENP, particularly after the 2015 Revision, has been based mainly on the logic of *differentiation*, relating participation in the framework and depth of cooperation to single partners' adherence to its values. This logic of differentiation and the resolve to strengthen positive conditionality led to the introduction of the so-called more-for-more principle. Institutionalized by the 2011 ENP Review (European Commission 2011, p. 10), the principle is based on a 'joint ownership' *ratio*, which emphasizes the bilateral vector of relations between the EU and partner countries as embodied in the Action Plans negotiation process.<sup>13</sup> The other side of the coin shall apply a 'less for less' principle intended as a sanction for those neighbours 'making insufficient efforts to build a deep and sustainable democracy and to undertake the agreed upon reforms' (European Parliament 2013). However, by introducing a degree of bilateral bargaining between the parties, the joint ownership *ratio* represented an additional factor that undermined the strength of the conditionality due to the weakening of the asymmetrical bargaining power once enjoyed by the EU vis-à-vis prospective members. This consideration, potentially resulting in a 'more for less' practice, is particularly true where interest in bilateral cooperation exceeds the value-driven agenda. This squeezes the EU between the attempt to effectively implement its higher aims of democratization and the promotion of good governance on the one hand and the search for more pragmatic gains on the other. The relevance of the Southern Caucasus area – and particularly Azerbaijan – for advancing EU drive toward diversification of energy supply channels is a good example of the weakening of regional bargaining power. The growing relevance of Azerbaijan to Brussels' energy supply strategy allowed Baku to pursue a cooperation *à la carte*, based upon the promotion of sectorial interdependence with the EU and its member states along the SGC and, simultaneously, upon the refusal of unwelcome interferences in domestic affairs, especially in the absence of a sounder regional political commitment on EU side. Therefore, the joint ownership principle may contrast with the 'meritocracy', which,

along with ‘asymmetric interdependence’ and ‘enforcement capability’, represented one of the key characteristics ensuring the effectiveness of conditionality in the pre-accession process (Vachudova 2005, p. 4).

The joint ownership principle, besides weakening the EU’s leverage vis-à-vis Eastern partners, highlights the lack of a consistent regional strategy, which affects the overall coherence, and hence credibility, of the EU’s projection toward the Southern Caucasus. The need to take into account the sometimes contradictory visions and needs of its partners drove the EU to embrace some visible paradox. For example, the EU simultaneously endorsed the principle of “self-determination of peoples” and the principle of “territorial integrity and inviolability of internationally recognised borders” in the ENP Action Plans signed in 2006 with Armenia and Azerbaijan, respectively.<sup>14</sup>

Yet, besides the progressive loss of the asymmetrical bargaining power caused by ‘conditionality-lite’ or ‘negotiated conditionality’ (Sasse 2008; Nikolov 2007), another key distinction marks the different power of attraction currently exerted on eastern partners when compared to the one enjoyed vis-à-vis CEE countries. Indeed, the strong identity appeal which accompanied successive EU enlargement rounds to CEE countries and strengthened its normative power could not work in the same way in the Southern Caucasus (or eastern neighbourhood). The ‘return to Europe’ course, which represented a key stimulus for reform in the CEE countries (Dunay 2004, p. 35), was at best flawed in the Caucasus. With the partial exception of Georgia (see Müller 2011, pp. 64–92), the self-perception of the Caucasian actors is much more nuanced. In addition to historical and cultural factors that influence and differentiate the views of both CEE and Caucasus countries,<sup>15</sup> the lack of self-identification with Europe among the latter seems to have also pragmatic motivations. Indeed, against the backdrop of the overlap between *nation* and *state building* processes, the progressive entrapment of regional actors – in the Caucasus as well as in the wider post-Soviet space – in a dichotomous east-west logic made self-representation a highly politicized issue.<sup>16</sup> Such a trend has been reinforced by the growing strategic polarization and fragmentation of the area, which, as a matter of fact, stands as the key external factor hampering EU regional projection and efficacy.

### **Tackling the Caucasus puzzle: the flawed EU geopolitical approach**

The Southern Caucasus could be portrayed as a ‘broken region’, as the EU special representative for the South Caucasus, Peter Semneby, did in referring to its multiple identity (Radio Free Europe/Radio Liberty 2007). Southern Caucasus republics’ relations with the EU clearly reflect and testify the different priorities and strategic orientations of the three countries. While Georgia, eager to walk the path of Euro-Atlantic integration, has been the most active in catching the opportunities provided by EU regional projection, Armenia, on the contrary, has progressively downgraded the level of commitment to and cooperation with European initiatives, subordinating it to the cooperation e



with Russia and to the integration into the Moscow-led regional initiatives. Somewhere in the middle, Azerbaijan has instead pursued flexible alignments and non-binding cooperation with all the international players active in the area, consistently with a multi-vectorial and balanced course of foreign policy.

The main feature of the region is a deep and creeping infighting that exploded in the aftermath of the dissolution of the USSR in a series of ethno-territorial conflicts and was protracted over time due to the failure of the belligerents to sign peace agreements. Besides representing an open challenge to the post-bipolar international order, the persistence of *de facto* statehoods in South Ossetia, Abkhazia and Nagorno-Karabakh affects regional reality on three interconnected levels. First and foremost, the unfulfilled state building processes in Georgia and Azerbaijan and the ongoing Armenian occupation of the Nagorno-Karabakh and adjacent districts stand as an apparently insurmountable obstacle to the full integration of the Caucasian republics into Euro-Atlantic cooperation mechanisms. Secondly, the situation on the ground fosters the strategic polarization of the area, thereby preventing the development of institutional cooperation. It is no coincidence that – with the exception of the poorly institutionalized BSEC organization – the Southern Caucasus lacks any inclusive regional cooperation mechanism capable of overcoming the divisions generated and crystallized by the so-called protracted conflicts. Thirdly, the ‘permanent conflict status’ prevailing in the Caucasus maintains and strengthens over time Russian regional hegemony. Since the signing of the ceasefire agreements, Moscow has been both a fundamental guarantor of the survival of the breakaway self-proclaimed republics as well as a key mediator in respective peace processes. Against this backdrop, EU regional policies have been severely weakened by the lack of a sound security dimension capable of tackling the protracted conflicts and balancing Russian regional leverage.

Even before the eruption of the Ukrainian crisis, the pivotal role played by Russia in the Caucasus in both strategic and economic terms emerged as the key challenge to EU regional projection. The lack of cooperation and policy coordination in the ‘shared neighbourhood’ resulted in an inevitable and increasing competition for influence between an increasingly ambitious European policy and the assertive ‘near abroad’ policy that emerged in post-Yeltsin Russia.<sup>17</sup> Although apparently unintentionally (see Cornell 2014, p. 180–183), the EU, in the aftermath of the Russo-Georgian War and the launch of the EaP, ended up being entangled in a geopolitical confrontation with Moscow. Indeed, the latter came to perceive EU regional projection through the lenses of its ‘perpetual geopolitics’ (Kotkin 2016), namely through the need of protecting its own sphere of influence against a subtractive strategy capable of disrupting the regional balance of power at its own detriment. The resulting drive to reaffirm and protect its vital interests in the near abroad clashed directly with EU own interests and policies, fostering a typical ‘insecurity spiral’ between Russia and its neighbors.

EU-Russian competition in the shared neighbourhood backfired both on the overall coherence and credibility of EU policies and on the attempt to promote regional stability and economic development. First and foremost, the

'Russian factor' worked both at the intra-European and intra-Atlantic level in affecting EU coherence and their potential for action. On the one hand, the farther the competition went, the more diverging views and attitudes vis-à-vis Russia surfaced among EU members, which generated a dangerous discrepancy between stated goals and concrete actions. The emergence of a 'Russia first' attitude among some of the most influential EU member states undermined the overall credibility of Brussels' policies. Ukrainian crisis had only a marginal impact on this trend. Indeed, while showing an unprecedented degree of unity in adopting and renewing economic sanctions against Russia, EU member states still manifest diverging views regarding relations with Moscow as well as regarding the interests at stake in the eastern neighborhood. Secondly, the highest peak of regional competition reached before the Ukrainian crisis – namely the 2008 Russo-Georgian War – had a disruptive effect on the 'Transatlantic ticket'. It affected the EU-NATO regional convergence of aims and policies, which since the mid-'90s had driven enlargements while consequently ensuring a consistent and comprehensive Euro-Atlantic approach toward the re-framing of European borders. Though NATO was still committed to engaging in and supporting the stability of its EU Southern neighbourhood, the same no longer holds true for the eastern one. Declaratory stances apart, it seems clear that the August 2008 war crystallized the attempt to extend the Atlantic security umbrella to the Southern Caucasus, providing regional actors with security guarantees upon which a 'softer' European approach may find fertile ground.

The detrimental effects of competition with Russia over EU leverage on the 'shared neighbourhood' did not manifest only at the security level. The EU's effort to pursue closer cooperation with its eastern partners through increased political association and economic integration has been accompanied by a similar attempt carried out by the RF. Building explicitly upon the EU's experience (Putin 2011), Moscow reached out to the shared neighbourhood with a fresh and alternative proposal for economic integration. The reference goes to the EEU, which represented a real innovation in comparison with previous regional cooperation initiatives, which were traditionally affected by lack of focus, institutionalization and commitment. Thus, besides counting on traditional tools for exerting influence in the shared neighborhood – i.e. the energy leverage and the economic and military strength – the Kremlin began to compete with the EU also on integration terms, introducing an unprecedented regional 'normative rivalry' (Dragneva and Wolczuk 2012, p. 9). Additionally, above and beyond EU-Russian normative rivalry, a much more meaningful competition seems to have taken shape between their respective institutional models. The EU power of attraction is being increasingly challenged by the appeal of 'Putinism' which, shaped by a mixture of managed democracy and corporate capitalism (Appelbaum 2013), contradicts the core values embodied by the EU. It may be argued that Putinism is short-sighted in comparison to the long-term vision and prospective developmental gains in the policies of the EU. Nevertheless, the appeal of Putinism and its power system in a region shaped by weak institutionalization, creeping instability and still unfulfilled state building processes is self-explanatory.

Following a ‘more-for-more’ approach, conditionality remains the cornerstone of the ENP and EaP frameworks with long-term economic liberalization as the main incentive for enhancing cooperation. However, the EU’s *strategic* approach to cooperation has increasingly been challenged by the Kremlin’s *tactical* approach, which emphasizes the short-term benefits of cooperation as well as the negative repercussions of dis-alignment. The strength of Moscow’s tactical approach and the ‘zero-sum game’ logic affecting EU and Russian regional projections emerged clearly with respect to Armenia’s decision not to sign the AA with the EU at the 2013 EaP Vilnius Summit (notwithstanding the successful completion of negotiations) but to join instead the Russian-backed Customs Union and therefore, since January 2015, the EEU. Yerevan’s stance was the result of a set of intertwined factors and considerations.<sup>18</sup> However, the main argument put forward by Armenian President Serzh Sarkisian to justify the ‘U-turn’ – the impossibility and inefficacy of decoupling economic integration from military cooperation (Radio Free Europe/Radio Liberty 2013b) – shows both the key role played in the Caucasus by the ‘security dilemma’ as well as the linked Russian backlash power.

Last but not least, the weakness of the EU regional approach to the Southern Caucasus results from the increasing lack of coordination with Turkey, a regional ‘middle power’ that in the ‘90s represented a fundamental anchor for Euro-Atlantic projection. Paradoxically, such a trend seems to collide with the spirit of the EU-Turkey ‘enhanced political dialogue’ and ‘positive agenda’ processes as well as with the overall coincidence of regional interests. Indeed, notwithstanding the high degree of compatibility of respective foreign policy vectors and aims, while Turkey’s “positive role of regional stabilisation” in the Caucasus was recognized and praised by the 2008 Progress Report (European Commission 2008, p. 83), little has been done to date to coordinate regional policies. The progressive de-securitization of Ankara’s foreign policy and the relevance attached to the promotion of economic interdependence in a typical ‘trading state’ posture provide Brussels with relevant yet unexploited<sup>19</sup> regional tools for action. However, Ankara’s partial ‘defection’ from Atlantic alignment and simultaneous proposition of ‘regional ownership’ approach to regional cooperation resulted, on the one hand, in an unprecedented though contradictory *entente* with Russia and, on the other hand, in a counterproductive detachment between Caucasus policies of Turkey and the EU. Moreover, on the backdrop of the EU-Ankara tensions which followed the July 2016 failed coup attempt, the growing authoritarian posture and rhetoric of the Turkish leadership seem to add a new dimension to the regional normative competition in the neighbourhood already initiated by Russia.

## Conclusions

Despite a growing engagement in the eastern neighbourhood in both economic and security terms, the EU’s leverage and influence on the Southern Caucasus seems to be vanishing, along with its power of attraction. Not only has the EU failed in providing stability, security and well-being to the area, but,

at the same time, it has lost much of its credibility as an external anchor for regional growth and development.

While the EU's passive leverage proved to be unsuited to influence partners' behaviour due to the poor homogeneity of national perspectives and interests, the conditionality-lite was not sound enough to ensure Brussels an efficient active leverage. Therefore, EU regional ambitions were thwarted at both multilateral and bilateral level by the extreme complexity and fragmentation of the region, on the one hand, and by its weakened bargaining power, on the other.

Above all, the regional promotion of EU interests in terms of both a continuation and preservation of the European integration project was affected by the lack of a consistent and comprehensive approach, i.e. by the lack of a strategic vision capable of untangling the complex and intertwined Caucasian knots. Contrary to the goals of the project, EU policy toward the Southern Caucasus was, to a great extent, 'reactive'. Both in the case of ENP and EaP, regional dynamics and events acted as the main trigger for EU action. This was the case with the 2004 Georgian 'Rose revolution' as well as with the 2008 war in South Ossetia. At the same time, EU neighbourhood policy proved to be elusive by avoiding involvement in the regional security issues that impinged upon the domestic and foreign policies of partner countries. In particular, by avoiding tackling the issue of protracted conflicts, the EU marginalizes itself as an influential regional political actor and indirectly contributes to the protraction of a *status quo* that hampers regional stabilization and consistent development while simultaneously strengthening Russian hegemony.

As a reaction to regional events deeply intertwined with regional power struggle, EU Caucasus policy ultimately stirred up a geopolitical confrontation with Russia. EU-Russian regional projections have grown increasingly confrontational, not only in normative terms, but also in terms of competition between values and institutional models, significantly raising the interest at stake. As the dramatic events taking place in Ukraine show, turning the eastern neighbourhood into a 'normative battleground' may ultimately affect the EU's overall aim of promoting stability and development beyond its borders. Although it appears incorrect to blame the EU for the current tensions with Russia over the shared neighbourhood, the 'security dilemma' once characterizing NATO-Russian relations seems now to affect Brussels-Moscow ones. Therefore, EU policies risk becoming a trigger for further strategic polarization in the Southern Caucasus, hampering their own aims and imperilling the national interests of its partners.

Neighbourhood policy seems ill equipped to ensure a relevant and influential role for the EU in the region. Looking at the three Caucasian republics, there is an inverse relationship between the countries' degree of engagement with the EU and their relative strength. Georgia, which proved to be the most committed to domestic reform and integration with the EU, is simultaneously the most vulnerable actor to the regional power-game and to Russian 'pressure points' (Kapanadze 2014). On the other hand, Azerbaijan, which may be considered as the most powerful sub-regional state thanks to economic growth and

increasing interdependence with European partners, appears to be the least keen to cooperation and engagement in following a logic of non-alignment. Finally, Armenia seems to be in the middle, walking a delicate tightrope between the willingness to enhance its cooperation with the EU and the commitment to the alliance with Russia, which remains a strategic priority. Against this backdrop, the signing of AA with Georgia, though marking a relevant success for Brussels' regional policy, cannot be seen as a decisive step either toward the stabilization of the area or toward the coherent and sustainable engagement of Georgia. Simultaneously, negotiations currently undergoing with Armenia and Azerbaijan with a view to conclude new comprehensive agreements seem to demonstrate EU regional difficulties rather than its potential for improving Caucasus' stability and development. Indeed, while the EU-Armenia agreement is naturally limited in scope by virtue of Yerevan's participation in the EEU, the EU-Azerbaijan one is unlikely to reach far beyond the provisions of the PCAs in force since 1999. Although the limited scope of these agreements results from the more tailored approach to bilateral cooperation endorsed by the 2015 ENP Revision, nonetheless it seems to reflect the enduring EU difficulty in balancing its own values and interests, as well as in identifying 'shared interests' capable of enhancing regional stability, growth and democratization.

The Southern Caucasus poses a key challenge to EU policymakers. It calls on them to provide sound perspectives for stability and development in an uncertain and conflictual scenario while re-inventing a 'carrot and stick' scheme capable of compensating for the progressive vanishing of asymmetry in bilateral relations. Without a fresh compensation component of its conditionality, the attempts to trigger reform and to influence partners' behaviour may prove fruitless. In turn, this could affect the continuation and preservation of the European integration project.

## Notes

- 1 The linkage between external and internal dimensions of security as well as between good-governance in the neighbourhood and EU security has been reiterated, since then, by all documents following up the 2003 ESS. See, for instance, Council of the European Union, *Report on the implementation of the European Security Strategy – providing security in a changing world*, S407/08, Brussels, December 11, 2008; European Commission (2010), *The EU Internal Security Strategy in Action: Five Steps towards a More Secure Europe*, COM(2010) 673 final, Brussels, November 22.
- 2 For a critical view on the double security narrative – normative/duty versus threat/risk – inscribed in EU projection toward the Eastern neighbourhood, see Christou, G. (2010) 'European Union Security Logics to the East: the European Neighbourhood Policy and the Eastern Partnership', *European Security*, 19, 3.
- 3 In a footnote of the 2003 Communication on 'Wider Europe', the Commission specified that: 'Given their location, the Southern Caucasus [...] fall outside the geographical scope of this initiative for the time being' (European Commission 2003, p. 4).
- 4 In contrast to the exclusion from the ENP, the decision to appoint a Special Representative for the Caucasus testified to the growing relevance of the region to the EU and, as Lynch put it, 'the recognition by the member states that their individual policies to the region have had limited impact, and that an EU umbrella would bring value-added'.

- Lynch, D. (2004) 'Security Sector Governance in the Southern Caucasus-Towards an EU Strategy', in Ebnother A. and Gustenau G. (eds.) (2004), *Security Sector Governance in Southern Caucasus – Challenges and Visions* (Vienna, National Defence Academy), p. 45.
- 5 Highlighting the lack of consensus among European institutions regarding the policy toward the Southern Caucasus, in February 2004 it was the European Parliament's turn to recommend providing the region with a defined status in the new neighbourhood policy in accordance with the principle of avoiding the creation of new dividing lines in Europe and to stimulate the countries in the region to advance in political and economic reforms. See, European Parliament (2004) *European Parliament resolution with a European Parliament recommendation to the Council on EU policy towards the South Caucasus*, P5\_TA (2004)0122, Brussels, February 26.
  - 6 The need to engage Caspian region producing states was highlighted in May 2003 by the Commission, listing the area among those with which the EU was called upon to cooperate in order to: (a) face the challenges of growing external energy dependence, (b) address infrastructure issues, (c) diversify sources of energy geographically and technologically and (d) broaden the basis for energy trade. Commission of the European Communities (2003), *Communication from the Commission to the Council and the European Parliament on the development of energy policy for the enlarged European Union, neighbours and partner countries*, COM (2003)262 final, Brussels, May 26, pp. 4–5.
  - 7 According to the 2004 ENP Strategy Paper, "The privileged relationship with neighbours will build on mutual commitment to common values principally within the fields of 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". (European Commission 2004, p. 3).
  - 8 The 2015 ENP Review explicitly reaffirmed the linkage stating that 'the EU's own stability is built on democracy, human rights and the rule of law and economic openness' (European Commission 2015b, p. 2).
  - 9 Multilateral platforms envisioned for 2014–2017 are democracy, good governance and stability; economic integration and convergence with EU policies; energy security; and contacts between people.
  - 10 To date, the EU signed a MP with all Caucasian Republics – Georgia in 2009, Armenia in 2011 and Azerbaijan in 2013. Visa facilitation and readmission agreements entered into force in the three Republics between 2011 and 2014. Finally, since 2012 negotiations are undergoing between EU and Georgia for the conclusion of a visa liberalization agreement.
  - 11 After brokering the ceasefire between Russia and Georgia, the EU undertook a leading role in both peace negotiations and post-conflict rehabilitation. In September 2008, the EU established a Special Representative for the crisis in Georgia – a position combined in 2011 with the Special Representative for Southern Caucasus. Since 2008, the latter co-chairs the Geneva International Discussions on the Conflict in Georgia along with the UN and OSCE. In the wake of the war, it also deployed a civilian mission (the EU Monitoring Mission, EUMM) with a mandate to monitor parties' compliance with the ceasefire agreement. Following the termination of the security arrangements launched in Georgia under the aegis of the UN and OSCE, EUMM became the main external security provider in the country.
  - 12 In 2014, EU share of total imports in Armenia, Azerbaijan and Georgia was, respectively, 24.2%, 33.8% and 27.6%, while the share of total exports was, respectively, 29.3%, 53.2% and 21.8%. European Commission, Eurostat Database, available from: <http://ec.europa.eu/eurostat/data/database> (Accessed: 15 May 2017).
  - 13 In order to strengthen the incentive based approach, the Eastern Partnership Integration and Cooperation (EAPIC) programme was launched in 2012 to fast-track funds and provide additional financial assistance as a reward for progress in democratization and respect for human rights. Under the programme, in 2012 and 2013, a total of € 49 million were mobilised as extra resources for Georgia and another € 40 million for

- Armenia. European Commission (2014) *Implementation of the European Neighbourhood Policy – Statistical Annex*, SWD (2014)98 final, Brussels, March 27, p. 46–54.
- 14 Interestingly, according to Leila Alieva the ‘double endorsement’ was apparently the result of the EU failure in putting forward a formula for compromise able to accommodate both partners’ perspectives and *desiderata*. Alieva, L. (2006) *EU and South Caucasus*, CAP Discussion Paper (Munich: Center for Applied Policy Research), p. 12.
  - 15 The ‘return to Europe’ vision in CEE countries was supported by a sense of historical payback, based on the assumption that the West bore the responsibility for their inclusion in the Soviet block in the post-War period. Dunay, P. (2004) ‘Strategy with fast-moving targets: East–Central Europe’, in Dannreuther R. (ed.), pp. 35–36.
  - 16 Azerbaijan seems to be a good case in point. Indeed, the development of a ‘balanced foreign policy’ proceeded together with the self-representation of a country ‘at the cross-roads of the West and East’ embracing ‘elements of various civilizations’ – from the ‘European values’ to the ‘heritage and spiritual values of the Islamic civilization’. See National Security Concept of the Republic of Azerbaijan, May 23, 2007, p. 3. Available at: [www.azembassy.org.au/uploads/docs/Azerbaijan.pdf](http://www.azembassy.org.au/uploads/docs/Azerbaijan.pdf) (Accessed: 10 December 2014).
  - 17 The geopolitical dimension of the competition and its increasingly confrontational tone are best epitomized by the harsh rhetoric employed by Russian leadership towards the EaP since its inception. See e.g. Russian foreign minister Sergei Lavrov’s reference to the EU attempt to expand its ‘sphere of influence’ in *EuObserver*, March 21, 2009.
  - 18 For the domestic and regional factors leading to Armenian refusal to sign the AA with the EU, see Khachatryan, H. (2013) ‘Armenia Faces Tough Decision over Association Agreement’, *CACI Analyst*, August 22; Giragosian, R. (2014) Armenia’s Strategic U-Turn, *ECFR policy memo*, April 22 (Brussels, European Council on Foreign Relations).
  - 19 The EU, for instance, took a back seat position in the 2008–2009 process aimed at the normalization of Turkish–Armenian relations that strictly intertwined with the main Caucasus security knot and could have brought a real step change to regional cooperation. However, it watched from a distance the failure of an ill-conceived initiative that, instead of breaking the vicious circle of Caucasus polarization, contributed to its strengthening.

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