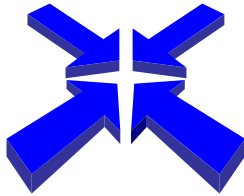


Concord



Centre for Political & Legal Studies



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Democracy and Regional Security”**

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“The European Union and the South Caucasus”

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Map Source: *ArmeniaNow.com*

Introduction

In order to conform to the title of this conference, please allow me to focus on the “new challenges” to the South Caucasus: democracy and regional security. But let me first note that there is neither democracy nor security in this region. Yet these two challenges are, in fact, interrelated: the lack of democracy has only exacerbated regional instability and many of the more serious setbacks to democratization have been linked to the broader absence of stability during the region’s initial period of independence.

Against this backdrop of a region endowed with neither democracy nor stability, the European Union (EU) faces fundamental challenges to its course of engagement. In broader terms, the EU has constructed a framework for engagement, crafted through the “Eastern Partnership” (EaP), which offers the benefits of “deep and comprehensive” free trade through association agreements with partner countries,¹ and visa liberalization or the facilitation of simplified travel, accompanied by measures to tackle illegal immigration. The program also reflects an important strategic consideration for the EU: to stabilize and secure the periphery of Europe.

For this presentation, let me focus on the European Union and the South Caucasus in three stages: in terms of *past*, *present* and *future* policy trends.

I. *Past Trends in EU Policy*

In the past, EU policy toward the three countries of the South Caucasus, Armenia, Azerbaijan and Georgia, were marked by a distinct divergence based on three specific factors: *democracy*, *energy* and *stability*.

In part reflecting the diversity and divergence of each of the three countries of the region, past EU policies toward the South Caucasus has been defined by different priorities and objectives. In general terms, the first of the three main drivers, democracy, has served as a fundamental longer term policy goal for the EU. But given the wide divergence in the implementation of democratic reforms in Armenia, Azerbaijan and Georgia, the EU has tended to pursue policies tailored to the specific realities of each country.

Democracy has long served as an underlying strategic consideration for EU policy toward the South Caucasus. In addition to its role as a long-term policy priority, democracy has also been an obvious priority for Georgia, in recognition of the more successful and more effective democratic reforms underway since the country’s 2003 “Rose Revolution.” For democracy as a factor in EU policy toward Armenia, the stress has been more on *evolutionary* change, through gradual and incremental democratization, rather than any Georgia-style hopes for a *revolutionary* breakthrough. But for Armenia, this has tended to result in an ineffective and inconsistent degree of pressure or demand for real progress in democracy.

In Azerbaijan, whose governance has evolved into a dynastic clan-based system of state patronage, literally fueled by energy wealth, democracy was downgraded as a strategic priority for EU policy, with far less emphasis than more short-term energy- and resource-driven considerations. This passive acceptance of Azerbaijan’s serious shortcomings in democracy has only tended to foster an “arrogance of power” and breed a “culture of impunity,” however.

¹ The EU’s “Eastern Partnership” (EaP) specifically identified six target partner nations: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. For more information on the Eastern Partnership, see: http://ec.europa.eu/external_relations/eastern/index_en.htm

Energy has represented a second central factor in EU policy toward the region since the abrupt emergence of the independent states of the South Caucasus. This emphasis on energy has not only been driven by the commercial interests from a sudden opening of the Azerbaijani oil and gas sectors, but was matched by a geopolitical opportunity to circumvent the Russian monopoly position over the region’s energy infrastructure. From this context, Azerbaijan was recognized as a major new energy producer, while Georgia was seen as a strategically essential energy hub or “transit state.” Small landlocked and resource-poor Armenia, however, was absent from this energy calculation and as a result of the unresolved Nagorno Karabagh conflict with Azerbaijan, was consistently excluded from all plans and projects to develop the regional energy network in the South Caucasus. The sole exception for Armenia was its unique position as the only country in the region with nuclear power and due to its emerging energy ties to Iran,² although both factors were longer term factors that did not pose significant consideration in past EU policy.

Stability, as the third driving element in EU policy in the South Caucasus, has, of course, always served as an important goal. But the context of stability differed in the policy toward each of the three countries of the region. For Georgia, the EU saw stability as a natural result of the ambitious economic and political reform program implemented by the Saakashvili government. Although much of the focus on stability in Georgia was based on external considerations, mainly as Georgian-Russian relations were marked by mounting tension and looming confrontation, there was an added element of internal stability. This recognition of the internal aspects of stability included not only a focus on the “frozen conflicts” of Abkhazia and South Ossetia, but also on potential “hot spots” within Georgia, such as Ajaria and Samtskhe-Javakheti, or Javakhk.

The stability factor in EU policy toward Armenia has been a priority, mainly defined by a continuation of evolutionary, but rather superficial, democratic reform, pursuit of market economic reforms and by an Armenian commitment to the peace talks with Azerbaijan over the Nagorno Karabagh conflict. Despite Armenia’s poor record of flawed elections and its democracy deficit, stability was also stressed in the context of Armenia’s generally stable institutions.³ In this way, the EU valued working with and strengthening Armenia’s state bodies and institutions to ensure stability, although at the expense of pressuring the government to fulfill its obligations and meet expectations for more sincere and lasting democratic reform. Similarly, the EU stress on stability in Armenia also tended to favor political continuity over demands for a more open system based on real choices and clean elections. The Armenian authorities took advantage of this by promising stability based more on carefully planned political succession than on a truly pluralistic political competition or broader consensus beyond the ruling elite.

In the case of Azerbaijan, stability has played an important, although not always primary role in past EU policy, as stability was defined on a more limited scale, based more on a short-term preference for the stable production and transport of energy. This resulted in a lack of proper attention to other considerations of political and social stability, such as the widening disparities in wealth and income and the increasingly entrenched corruption within the energy sector. Thus, stability in Azerbaijan became equivalent to the steady flow of oil and gas, along with the related flow of the profit stream, rather than a recognition of the threat of *instability* from Azerbaijan’s mounting social and economic divisions and disparities.

² Armenia’s emerging energy ties with Iran resulted in the construction of a strategic natural gas pipeline, although Russia succeeded in pressuring Armenia to limit the pipeline’s capacity by reducing the actual diameter of the pipe, making the project rather marginal in regional terms. As a result, the marginal capacity of the pipeline limited Armenia’s ability to re-export gas supplies from Iran. It also removed a possible alternative to the Russian pipeline network, and prevented the emergence of any possible rival or competition to Russia’s *Gazprom*.

³ There was a degree of merit to this view of Armenia’s institutional resiliency, especially as the country survived two serious crises: the forced resignation of the country’s first president, Levon Ter Petrosian, in February 1998; and the October 1999 armed attack on the Armenian parliament.

Past European Union Policy Trends in the South Caucasus		
<i>Country</i>	<i>Defining Factor</i>	<i>Frequency & Facilitation</i>
Armenia		
	Democracy	Sometimes The importance of democracy as a factor in past EU policy toward Armenia has been sporadic, with little consistent pressure on the Armenian authorities demanding any tangible improvements in democracy and regarding electoral irregularities.
	Energy	Rarely Unlike Azerbaijan and Georgia, which were recognized as a key energy producer and transit state respectively, energy in Armenia has rarely been important, although there were two exceptions: the country’s nuclear facility and Armenian-Iranian energy relationship.
	Stability	Always Past EU policy has prioritized stability in Armenia above all else, perceived as ensuring Armenia’s participation in the Nagorno Karabagh peace process, earlier efforts at diplomacy with Turkey, and by continued economic reform and at least a superficial implementation of democratic reform.
Azerbaijan		
	Democracy	Rarely Given the nature of governance in Azerbaijan, defined by a clan- or elite-based patronage network directed by a father-to-son political dynasty, democracy was never a policy priority, and support for the ruling elite was seen as the best way to develop Azerbaijani energy.
	Energy	Always Azerbaijan’s lucrative energy reserves was the overwhelming priority for the EU, displacing other policy goals. That “realpolitik” rationale was bolstered by the early Baku-Ceyhan pipeline project, which represented an early victory in the broader Western attempt to circumvent Russia and Iran in developing regional energy infrastructure.
	Stability	Mostly Stability has played an important, although not always primary role in past EU policy in Azerbaijan, especially as stability was defined on a more limited scale, based more on a short-term preference for stable energy production and transport, rather than more strategic longer term considerations of political and social instability.

Past European Union Policy Trends in the South Caucasus		
<i>Country</i>	<i>Defining Factor</i>	<i>Frequency & Facilitation</i>
Georgia		
	Democracy	Always Since the “Rose Revolution” in November 2003 that ushered in a new young reformist leadership under President Mikheil Saakashvili, Georgia has prided itself on its democratic credentials. Under Saakashvili, Georgia has pursued two related strategic objectives: deeper integration into the EU and membership in the NATO alliance. EU policy has encouraged and bolstered these strategic goals, at times even overlooking serious shortcomings in the implementation of democratic reforms. Nevertheless, democracy was the defining factor in shaping EU policy toward Georgia.
	Energy	Always Since the completion of the Baku-Ceyhan oil pipeline project, Georgia has enjoyed an enhanced strategic significance as an important energy hub or “transit state.” This role has also been reflected in EU policy, which recognized Georgia’s key position as an energy hub in countering the Russian dominance of the regional energy network.
	Stability	Mostly After the “Rose Revolution” brought a reformist government to power, the factor of stability in EU policy was largely confined to an external focus, with little emphasis on domestic impediments to stability. But there was an obvious recognition of the internal constraints to stability inherent in the “frozen” conflicts in Abkhaszia and South Ossetia, as well as in the potential problems of the lack of integration of other regions, such as Ajaria and Samtskhe-Javakheti, or Javakahk, in Georgia proper.

II. Present Trends in EU Policy

In general terms, present EU policy in the region remains hindered by *contradictions and conflicts*. First, there is a broad contradiction and conflict over regional policies between the EU and the United States in two main areas: over energy and relations with Russia. In both areas, the EU is generally more accommodating and much less confrontational toward the steady (re)assertion of Russian power and influence in the South Caucasus region.

Second, there is an inherent degree of contradiction and conflict within the EU itself. This is most evident in the differing policy approaches by several leading EU states, such as the diverging policies pursued by France, Germany, Italy and the United Kingdom, on the one hand, while the countries of both the Nordic and Baltic blocs have generally been much more directly engaged in willing to invest political and diplomatic capital in the region, on the other hand.

III. *Future Trends in EU Policy*

Despite the difficulty in recommending the future course of EU policy in the South Caucasus, there are two key areas for the EU to focus on in the region. First, there is an opportunity for a greater role for the EU in *conflict management*. More specifically, the EU holds a significant and tangible potential for pursuing conflict management, beyond the existing effort of conflict resolution by broadening its efforts to engage and enhance civil society as a new stakeholder in the management, as well as the mediation, of the conflict..

The EU can support the conflict resolution and mediation efforts of the OSCE by providing important and necessary supplemental support in two new aspects: for confidence-building by engaging and brokering greater civil society investment in the conflict management process, and through concrete support for OSCE monitoring of the continuing, but limited ceasefire agreement between Armenia, Azerbaijan and Nagorno Karabagh. The combined diplomatic and practical experience of the EU Monitoring Mission (EUMM) and its specific work on border security in Georgia offers an important, but as yet under-utilized, model that can be replicated in the Nagorno Karabagh case.

Second, the EU can contribute to greater regional stability by leveraging Armenian-Turkish diplomatic engagement. Although the diplomatic process between Armenia and Turkey has now stalled, mainly as a result of becoming deadlocked by Turkey’s failure to garner the political will sufficient to complete the process, there is an important degree of progress that can serve as an impetus for “*sustaining the momentum*” of dialogue and diplomacy. Thus, these future trends in EU policy only confirm that the EU will continue to be an actor of increasing significance in the South Caucasus.