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Georgia in the Wider Europe context: Bridging divergent interpretations



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ABSTRACT

One of the major implications of the Rose Revolution in Georgia has been its inclusion, together with Armenia and Azerbaijan, into the European Neighborhood Policy (ENP). Raised expectations about the success of democracy in Georgia and its possible spillover effect on the neighbourhood in the wider region have largely determined this decision on the part of the European policy community. This, in turn, has galvanised Georgian policy community and public opinion with hopes about the increased prospects for Georgia's integration in the EU. In addition, it is expected that in the shorter run the ENP will provide a basis for the EU's active involvement in the process of conflict resolution in Abkhazia and South Ossetia. On the other hand, Brussels views the ENP as a powerful resource for Georgia to modernise through genuine democratisation and effective market-based reforms.

This paper attempts to provide an analysis of Georgia's Europeanization prospects within the context of the ENP. The purpose of this analysis is to help formulate a coherent vision of Georgia's future role and place in enlarging Europe. Primary research questions investigated relate to: (a) the compliance of the ENP's objectives and instruments with Georgia's developmental needs; (b) conditionalities of the EU's more active participation in solving Georgia's outstanding security problems; the main hypothesis that is being tested is as follows: Georgia's participation in the ENP is viewed differently in Brussels and Tbilisi and the divergence of interpretations of this process challenges the ENP's objectives vis-à-vis Georgia. The paper puts forth the argument that both the Georgian Government and the Commission lack adequate capacities to effectively handle the ENP process. There are certain constraints on both sides driven by internal and external factors that may complicate the process of negotiations on the ENP Action Plan. The partners may also need to learn more about the availability of each other's resources so as to apply adequate strategies to reconcile their divergent perceptions. The paper analyses and assesses various policy options and concludes by offering a number of policy recommendations aimed at assisting policymakers both in Brussels and Tbilisi as they work out strategies for maximizing the benefits from Georgia's rapprochement with Europe.

1. INTRODUCTION

Georgia's inclusion in the ENP has put the country in a new 'Wider Europe' context which still needs to be shaped. This context, however, is already given different readings in Brussels and Tbilisi. On the one hand, the EU policy planners view the future Georgia in the Wider Europe as a modernized country and effective *partner*, having both a developed democracy and a market economy. In the long run, however—in case Georgia's participation in the ENP is successful—Brussels, at least for the time being, does not guarantee Georgia's accession to the EU. On the other hand, EU accession is a national project for Georgia. Institutional integration into the EU has long become a major long-term foreign policy priority and a matter of societal consensus. For this reason Georgia's inclusion in the ENP is falsely viewed in Tbilisi as an indirect signal of its eligibility for eventual EU membership. Further, what is also expected is the EU's increased role as a foreign and security policy actor through the ENP. Because of the application of the ENP, Georgians expect a far more active role of the EU in conflict resolution and post-conflict reconstruction in Abkhazia and South Ossetia. Additionally, Tbilisi supposes that the negotiations on the Action Plan will be 'a process on equal footing' whereby Georgia succeeds in promoting most of its views and carrying its point.

These divergent interpretations and excessive expectations are fraught with consequences for both Brussels and Tbilisi. *First*, a consistently negative message on EU membership for Georgia will diminish any leverage the EU has on promoting democratic reform. This is particularly important at this moment as the new Georgian government has set itself the goal to push through reforms that do not necessarily imply popular decisions. At some juncture, as the possibility of the EU accession remains unclear, the government will lose public support leading to stalling the reforms. *Second*, in case the EU fails to engage in the process of resolving Georgia's outstanding security problems, the ENP's credibility will suffer significantly. This disillusionment may diffuse elsewhere in the region as well. *Third*, Georgia's misinterpretation of the ENP's substance and objectives may be misleading in identifying and/or negotiating priorities and activities for the Action Plan. A defective Action Plan will negatively affect the second phase of the ENP, which starts in 2007 and will be implemented through the major assistance programmes within the European Neighborhood and Partnership Instrument (ENPI).

The ambiguities of Georgia's role and prospects in the Wider Europe, therefore, need to be eliminated from the outset. This paper intends to help bridge the existing gap between the different interpretations in Brussels and Tbilisi through formulating policy recommendations based on the study of the following issues:

- General EU-awareness and administrative capacity of Georgian government to effectively handle the ENP process.
- ENP as an avenue to the EU's increased engagement in Georgia.
- Geopolitical context of EU's evolution as a full-fledged foreign and security policy actor in Georgia.

Each of the above is a factor of Georgia's approximation to the EU. These factors are different by nature but their interplay weaves a fabric of the EU-Georgia relations.

2. GEORGIA'S EUROPEAN CHOICE

Georgia's European vocation is a complex phenomenon. It is rooted both in the history and the spirituality of Georgians. For the purposes of this study, however, a retrospective analysis is avoided and consideration is given to the factors that determine modern Georgia's drive towards Europe. As this chapter seeks to evaluate the sustainability of Georgia's European orientation, special emphasis will be put on foreign policy, government's institutional capacity and the effectiveness of policy tools, such as PCA and ENP.

2.1 Foreign policy orientation

With the breakup of the Soviet Union, Georgia was able to formulate its own foreign policy with a pro-Western orientation. This approach included:

- Seeking Western mediation of the conflicts in the Georgian regions of Abkhazia and South Ossetia;
- Courting Western investment;
- Seeking Georgia's participation in European and Euro-Atlantic security structures;
- Promoting Georgia as a transit country for commerce between the West and the states of Central Asia and the South Caucasus;
- Seeking direct political, economic, and security ties with the United States.

Georgia's strategic choice is primarily based on the '**fear of Russia**' paradigm.¹ This is a security-driven motivation. Over the past two centuries, the Russian Empire and the Soviet Union have contributed much to laying the foundation of current ethnic tensions in Georgia through the deportations and resettlement of different ethnic groups, as well as artificially drawing and redrawing administrative boundaries.

Since the breakup of the USSR, Moscow has shown little willingness to witness the emergence of Georgia as a sovereign state capable of making free choices on the ways and means of ensuring its political stability and security. Indeed, Russia has actively, if covertly, manipulated Georgia's domestic vulnerabilities in an effort to retain the republic within its sphere of influence. Russia has acted in most cases as an initiator of, a participant in, and simultaneously as official mediator in these conflicts, openly favouring the secessionist side. In sum, Russia has become the problem, not the solution, in most of these cases.²

Further, continued crisis in Chechnya has made Georgia a target for international terrorists, who had networked with some Chechen militants in the Pankisi Gorge, where several thousands of refugees from Chechnya had found shelter³. Moscow described the area as a training ground and arms smuggling route for the Chechen rebels. Georgia, although incapable of dealing with the problem on its own, has been

¹ Rondeli, A., 'The choice of Independent Georgia', in: *The Security of the Caspian Sea Region*, ed. Gennady Chufrin, Oxford University Press, 2001, p. 14

² Socor, V., 'Europe must not lose sight of the frozen conflicts', Eurasia Daily Monitor, Jamestown Foundation, June 3-5, 2005

³ 'U.S. diplomat says some Afghan terrorists linked with al-Qaida hide in Georgia', Associated Press Newswires, February 11, 2002

persistently rejecting Russia's demand to jointly conduct cleanup operations⁴. This has served as a cause for repeated violation of Georgia's air space, including instances of bombing.

Additionally, Russia has used various forms of economic blockade to reinforce coercion. Russia's aggressive attitude towards Georgia, therefore, has played a decisive role in determining Georgia's strategic choice—namely, seeking security guarantees in the West. The notion of security guarantees here is two-fold. First, the comprehensive political, economic and security aspects have to be mentioned. Given the circumstances, Georgia lacks enough resources to withstand Russia's increasingly unfriendly policies. In such an insecure environment, promotion of any development agenda is impossible. NATO membership, therefore, has become a top priority goal for the coming years. Further down the road, institutional integration into the European Union is considered to be the security 'crown', which would also provide a framework for sustainable economic development and prosperity. Second, a deepened internationalization of the conflict resolution, resulting in a decrease in Russia's destructive role in the mediation and peacekeeping, has become an indispensable measure.⁵ The desired inclusion of the EU in the existing formats of negotiations, as well as engaging the US and the EU in pragmatic dialogue with Russia, will add to Georgia's pro-Western orientation.

Another determinant factor has been a **choice of building a market-based democracy**. This value-driven choice was based on Georgia's historical gravitation towards Europe and receptivity to its values.⁶ Recently, however, the zest for democratization was fueled by a number of factors of different, yet interacting, nature:

- (a) As Georgians resisted for many years Russian totalitarianism (Tsarist Russia, Soviet Union, Russian Federation), Western culture has been considered by national elites as a potential and favorable counterbalance to the *russification* policy.⁷ Except for few alarmist voices aimed at alerting public opinion about the

⁴ Instead, Georgia asked the U.S. to help uproot armed rebels and criminals. Unsurprisingly, Russia was infuriated by the prompt U.S. decision to send 200 instructors to Georgia to train some 1200 Georgian special forces and provide light arms and communication systems.

⁵ Georgia has taken a major step toward correcting or ending Moscow's "peacekeeping" and "mediating" activities in the Abkhaz and South Ossetian conflicts on Georgia's territory. Georgian parliamentary leaders in close consultation with the Presidency have initiated a resolution whereby the parliament sets deadlines for corrective measures or, alternatively, termination of those activities in Abkhazia and South Ossetia.

⁶ This is an under-researched topic. Some scholars argue that a sense of susceptibility of Georgians to the democratic values is of emotional genesis and/or is a matter of perception, rather than rooted in the national mentality. By contrast, others regard democratic values as an immanent feature of Georgian identity. One of the arguments that the proponents of the latter opinion often cite is that despite 70 years of centralized economy and totalitarianism under the Soviet rule, during which personal initiative was suppressed and a collective consciousness developed, Georgians fortunately did not lose either their centuries-old individuality or entrepreneurship. This was perhaps the primary reason for Georgia's above-average standard of living in the Soviet Union. Some of the few writings on this topic include: Nana Sumbadze and George Tarkhan-Mouravi, 'Democratic Value Orientations & Political Culture in Georgia', in: *Occasional Papers in Public Administration & Public Policy of the NISPAcee (The Network of Institutes and Schools of Public Administration in Central and Eastern Europe)*, Bratislava, v. II, No 3, Summer 2001; Jones, S. 'The role of cultural paradigms in Georgian foreign policy' (manuscript), Mount Holyoke College, Mass., 1999

⁷ Sumbadze, N., Tarkhan-Mouravi, G., 'Democratic Value Orientations & Political Culture in Georgia', in: *Occasional Papers in Public Administration & Public Policy of the NISPAcee (The Network of Institutes and Schools of Public Administration in Central and Eastern Europe)*, Bratislava, v. II, No 3, Summer 2001, p.3

threats of cultural westernization, democratization is regarded as positive phenomenon;

- (b) After the World War II, Western-style liberal democracy established itself as the best political system, capable of delivering security, stability and prosperity. As a result, strong Georgian consensus developed in favor of liberal democracy;⁸
- (c) The reputational quality and attractiveness of the EU and US, as the centers of democratic gravity, created the tendency for transition countries, including Georgia, to converge on the democratic model of development. Also, geographic and cultural-historical proximity played a role in this.⁹
- (d) Due to steady retreat from democracy, Russia's normative political appeal for its neighbors has completely vanished. Despite its powerful geo-political position (especially energy and military aspects), Russia's further bogging down in authoritarianism has reinforced pro-Europeanization drive in the 'near abroad'.¹⁰

The third motivation for choosing a pro-Western trajectory of development is closely related to utilization of Georgia's **transit capacity**. Georgia provides a unique transit corridor for Caspian energy to Europe, as well as an irreplaceable access corridor for American-led and NATO forces to bases and operation theatres in Central Asia and the Greater Middle East.¹¹ Georgia – a regional transport hub aligned solidly with the West – has become a regional ally for the West. Georgia's capacity as a transit country attracts considerable interest from the international community. Georgia's geographic location has acquired regional meaning, particularly with respect to the country's potential role as a link between Europe and Asia.

In early 90s, as the first talks on building East-West transport corridor started, few people would have believed in the prospects of the idea. It has required Herculean efforts and political courage of the leaders of Azerbaijan, Georgia and Turkey and the US Administration to promote the building of an East-West energy corridor. Russia's objection to the project posed a major obstacle. Additionally, innumerable rounds of negotiations had been held between the stakeholders, including predominantly Western construction companies and investors, to finalize the agreements. On May 25, 2005 the presidents of Turkey, Azerbaijan, Georgia, and Kazakhstan, as well as BP President Lord John Browne, U.S. Energy Secretary Samuel Bodman, State Department South Caucasus Envoy Steven Mann, European Union Energy Commissioner Andris Piebalgs (of Latvia), and other high-level officials cut the ribbon of the Baku-Tbilisi-Ceyhan (BTC) oil pipeline, manifesting the culmination of unprecedented undertaking. The South Caucasus Gas Pipeline (SCGP), another transregional project, bringing Azeri gas to Turkey and onwards to Europe, is due in 2006.

Georgia's transit role also implies the transportation of passengers and cargo. To this end, more than a decade ago, the EU launched a regional program, TRACECA (Transport Corridor Europe-Caucasus-Central Asia, a set of projects for overland commodity transport and communications along the historic Silk Road). In the long run, as the transit corridor develops, it will attract further foreign investments, which will lead

⁸ Nodia, G., 'The dynamics and sustainability of the Rose Revolution', in: *Democratization in the European neighborhood*, ed. M. Emerson, CEPS, Brussels, 2005, p.34

⁹ Emerson, M., 'European Neighborhood Policy: strategy or placebo?', CEPS Working Document, No. 215, November 2004, p. 5

¹⁰ Emerson, M., Noutcheva, G., 'Europeanization as a gravity model of democratization', CEPS Working Document, No. 214, November, 2004, p. 17

¹¹ Socor, V., 'The frozen conflicts: a challenge to Euro-Atlantic interests', in: *Report for the 2004 NATO summit*, German Marshall Fund of the United States, Washington, 2004

to the promotion of contemporary business ethics and, more specifically, the establishment of Western values. The institutionalization of market economic principles in the region should be conducive to the processes of democratization and reform in the South Caucasus and Central Asia. Accordingly, the transit corridor could become the “corridor of values”, promoting the establishment of stability guarantees between the states of Eurasia in the future.

Georgia is a Western-friendly country. Western orientation is resting on a broadly-based political and societal consensus.¹² This makes the choice non-susceptible to the influence of other policy variables. At the same time, Western orientation is hardly specified as either European or American. Nonetheless, the European idea and the EU itself continue to exert their magnetic force here. Mikheil Saakashvili, Georgia’s new President, has adopted strong pro-EU rhetoric from the very beginning. He rarely misses a chance to highlight his European aspirations. On the day of his inauguration, along with the new Georgian flag, he raised the EU’s standard in front of the Parliament building. He even went farther by saying in one of his interviews in Brussels that Georgia will become a member of the EU during the tenure of the next Georgian President to be elected in 2009.¹³ The very recent manifestation of Saakashvili’s *pro-Europeanization* stance has been the establishment, together with the Ukrainian President, of the Community of Democratic Choice. Georgia’s European aspirations are also clearly stated in a recently adopted National Security Concept saying that institutional integration into NATO and EU is a top foreign policy priority.¹⁴ However, as we will see later in the chapter, a variety of factors, such as political feasibility and a weak institutional capacity of the government, etc. sometimes hurts the ‘European’ component of the Western orientation.

2.2 Government’s ENP-readiness

28 November 2005 has marked the beginning of the negotiations between EC and Georgia on the ENP Action Plan (ENAP). The primary objective of the Georgian government is to effectively handle the whole ENP process, including both the negotiations on the ENAP and its implementation. This subchapter examines the extent to which the Georgian government is prepared for this process. The following subsections will discuss its various aspects.

2.2.1 ENP-awareness

European integration logic is understood in different ways by different actors. The way it is understood in Georgia still differs from the perception by EU official structures, governments of Member States or the European population. To the extent to which these differences persist, the negotiations on the ENP Action Plan (ENAP) as well as the process of its implementation may prove either productive or complicated.

Evidently, there has been an evolution in the meaning of Georgia’s inclusion in the ENP. Initially, the post-revolutionary euphoria in Georgia contributed to galvanizing emotive judgment at all levels. As mentioned earlier, Georgia’s President had provided a timeline for Georgia’s accession to EU. This was preceded by the appearance of

¹² Socor, V., ‘Building stability and security in the South Caucasus: multilateral security and the role of NATO’, in: *Report for the 2004 NATO summit*, The Central Asia Caucasus Institute, School of Advanced International Studies, Johns Hopkins University, Washington, 2004

¹³ Kapanadze, S., ‘The paths to Europe’, *24 Hours*, No. 26, April 9, 2004

¹⁴ National Security Concept of Georgia, Tbilisi, 2005, p. 38

European Union's flags outside all state-owned buildings. One of the squares in the historical district was renamed Europe's Square. This has contributed to the creation of unprecedented expectations both among the general public and among government officials. Ministers and their deputies would decorate new offices with stationery and other office supplies marked by the EU logo. At the time most of the officials would have considered the ENP as a springboard for subsequent EU accession, while just a few of them would have properly read the ENP documentation.

The emotional character and impatience of Georgians, however, were not the only reasons for this naiveté. The concept of ENP itself has certain shortcomings. Particularly, it is ambiguous. The ENP ultimate goals remain hybrid and the policy can be interpreted both as a potential long-term pre-accession strategy and as an enhanced partnership framework.¹⁵ As former EC President Romano Prodi initially argued, this quest for striking a balance between partnership and membership should not 'exclude the latter.' The Commission has later played down – and even explicitly excluded – such an option. But this formulation is in fact emblematic of the very dangerous oxymoron contained in the ENP.¹⁶

In the meantime, emotive judgments gave place to more sober rhetoric. General awareness has been noticeably raised across the government. Staffing with relatively skilled personnel, as well as implementation of some EU-funded capacity building projects were among contributing factors. The highest level of understanding of the ENP process resides, however, in the Parliamentary Committee on EU Integration, the State minister's Office on European and Euro-Atlantic Integration, and the Ministry of Foreign Affairs. Public speeches and interviews, as well as the quality of official documentation justify this view. The Prime Minister, visiting EU headquarters in December 2005, said that Georgia's goal is to join the European Union but is concentrating for the time being on the negotiations for an action plan that would be designed to strengthen ties under the ENP. "We do not want to talk at this stage of Georgia's target of EU membership, especially taking into account the current circumstances in the EU..."¹⁷ Nonetheless, the ENP is perceived to be a temporary substitute for something which the EU will be unable to deny in the long run.

It appears that focusing on the ENP in the wake of Brussels' constitutional and budgetary wrangles is about to become a policy. But certain issues still remain seemingly problematic:

- (a) *Expectations in Tbilisi that Brussels will provide additional incentives initially unforeseen by the ENP.* The Georgian government has been assertive prior to and during the first round of the ENAP negotiations.¹⁸ The Georgian side sought agreement on the priority issue areas, such as trade liberalization and simplification of a visa regime. More importantly, though, Georgia tried to convince the EU negotiators of the need for more active role in solving conflicts in South Ossetia and Abkhazia. Indeed, Giorgy Baramidze, State Minister on EU and Euro-Atlantic Integration, speaking at a high profile forum in Tbilisi, slammed the EU for not speaking 'bluntly' with Russia concerning conflicts in Georgia. He called EU's position cynical and added that Georgia expects more from the EU.¹⁹ In unison

¹⁵ Subchapter 2.4 discusses in more detail the strengths and weaknesses of the ENP.

¹⁶ Tassinari, F., 'On the perils of Europe's 'difference': security, integration and the case for regionalism in the EU neighborhood strategy' (manuscript), CEPS, Brussels, 2005, p. 9

¹⁷ European Report, 30 November, 2005

¹⁸ The round took place on 28-29 November, 2005

¹⁹ Civil Georgia, 22 November, 2005

with this statement Georgian Parliamentary Chairperson Nino Burjanadze said that the EU “should not turn a blind eye” to Russia’s double-standard policy in the region.²⁰ Additionally, Georgia has sought incentives that would in a certain sense informally grant Georgia the ‘between-partnership and-membership’ status. Sub-chapter 2.3.3 will discuss Georgia’s expectations in more detail.

- (b) *Differing attitudes in Brussels and Tbilisi towards the very process of the ENAP negotiations.* The point here is that Brussels is accustomed to certain rules regarding agenda setting and process leading. Brussels sets the terms and determines the conditions of relations with European neighbors. Neighbors may receive rather substantial and attractive offers of cooperation but are hardly in a position to negotiate them. They may be consulted, but planning and decision-making, as well the conditions for cooperation, are rarely a shared process.²¹ This is something that is not necessarily expected in Tbilisi. The new elite will likely be presumptuous and less subservient towards EU. Giorgy Baramidze, State Minister on EU and Euro-Atlantic Integration, told a high-level gathering on the anniversary of Rose Revolution: “This government knows better than anyone sitting in Brussels how to make this country peaceful, secure and prosperous.... [We] think that Georgia is now strong enough, mature enough... to ask the EU [to consider] ... our principles, our priorities.”²² Although views and attitudes on both sides change rather quickly, this example still reveals the need for a flexible pattern of negotiations so that the process will be mutually beneficial.

2.2.2 Institutional capacity

President Saakashvili’s government inherited very weak institutions from the previous regime. The public sector reform produced by the Rose Revolution has almost skipped to another, slightly better model reducing the state regulatory functions. A Civil Service Council and Civil Service Bureau have been set up by Presidential decree to promote the creation of modern public service. The number of ministries has been reduced from 18 to 14, and numerous state departments and agencies have been abolished or brought under the responsibility of Ministries. The Law on Public Service has been amended and the Law on the Structure, Competencies and Rules of Activity of the Government has been adopted. At the same time institutions remained weak and to some extent lowered their capacity, resulting in widespread reduction and staff changes in all ministries. This affected the so-called *institutional memory* of Governmental structures. In new circumstances, it became difficult for the majority of agencies to explain obvious issues such as their obligations under the PCA.

Several Capacity Building exercises have been promoted by EU projects.²³ One of them – TACIS funded Support to PCA Implementation in Georgia (SIPCA) – was designed to upgrade the overall knowledge of PCA and ENP related issues. This task was partially useful for the creation demand on services. The 5th phase of Georgian-European Policy and Legal Advice Center (GEPLAC) is supposed to deliver this demand. Special emphasis will be put on strengthening the EU Integration units, formally created in almost all governmental structures (in accordance with Enactment 22, 2004). Their functions include active coordination of the work on PCA (and soon

²⁰ Civil Georgia, 23 November, 2005

²¹ Tassinari, op.cit., p. 6

²² Owen, E., ‘Georgia: moving from revolution to democratic institutions,’ Eurasia Insight, 28 November 2005

²³ Since 2004 the ‘rule of law’ mission EUJUST-THEMIS has been conducted in Georgia. This is the first mission of its kind carried out within the framework of the European Security and Defense Policy (ESDP).

ENP) related matters through their ministries. These structures have to establish strong horizontal bridges with the State Minister's office for European and Euro-Atlantic Integration. Also, the EU Integration units should contribute to the Governmental Commission for Georgia's Integration in the EU, which is the highest body and is chaired by the Prime Minister.

For the purposes of this study, 25 representatives of all EU Integration units were interviewed. The specific expected output of the interviews was the stock-taking of views, requests and concerns of the participants. The following summary of the interviews provides a from-within-vision of the government's EU-capacity:

- Several respondents expressed their worries caused by either a lack of awareness and/or disinterest in EU-related matters in their ministries. It was pointed out that the source of the problem is usually top management. As a result, the work on EU-related issues is deranged and the coordination is poor (MoEn, MoEnv, MoA). In contrast, a representative of the Parliamentary Committee on EU Integration has stressed that in general the legislature is supportive of Georgia's *Europeanization* and has made EU integration a policy priority.
- Another problem, closely related to the previous one, is a precarious status of the EU integration units in some of the ministries. Frequent changes of structure of the ministries affect EU integration units' functional capacity (MoEdu, MoLHSA). In the worst cases, these changes have caused the disintegration of this function, having led to the loss of institutional memory (MoA). Even more discouraging, in some ministries the EU-driven activities have never acquired the institutional form at all (MoEnv).
- Various respondents have stressed the fact that there is no community of interests in and similarity of attitudes toward Georgia's European vocation across the government. Until and unless this ideological hurdle is cleared the mentioned problems in some line ministries will remain (MoEnv, MoA).
- One interviewee has mentioned an extant clan mentality in personnel recruitment and bureaucratic appointments as a problem as serious as corruption (MoA).
- Incompetence of public servants to effectively negotiate the donor assistance, including an absence of training in crafting terms of reference, has been pointed out as a disappointing fact (Parliamentary Commission on EU Integration).

Arguably, there is certain subjectivity in these judgments, but, evidently, the problem of lacking ENP-awareness and institutional capacity in varying degree persists across the government structures.

2.2.3 *Europeanization*: an uncompromising choice?

Europeanization is understood as a 'process of convergence on modern European norms and values.'²⁴ This section seeks to evaluate the extent to which the conditions are favorable in Georgia for this process to start. In fact, the process has already

²⁴ Emerson, M., Aydin, S., Noutcheva, G., Tocci, N., Vahl, M., Youngs, R., 'The reluctant debutante: European Union as promoter of democracy in its neighborhood' (conference paper), *CEPS/Stanford democracy conference*, Brussels, 20-21 June 2005 [draft 7.6.5];

started, as the PCA has been already implemented over the years. Obviously, the case in point is a process of different quality with different objectives.

The previous section discussed general awareness and institutional capacity of Georgian government to handle the ENP process. This section focuses on whether *Europeanization* as a process of development, perceived through current understanding of the ENP, fits well Georgia's short- and long-term political and security agenda as well as general objectives of economic modernization.

The Rose Revolution inspired a higher level of confidence and expectations, which in turn have created a strong motivation for achievements. The government keeps raising expectations, which are indeed huge for coming 4-5 year time span:

- Peaceful restoration of territorial integrity;
- Accession to NATO;
- Sustainability of economic growth;
- Rehabilitated and developed infrastructure.

Georgian elites have been filled with a sense that it is quite possible to 'make the Earth spin around its axis quicker' and are eager to embark on fast modernization of the country. Impatience and hastiness have become major features of the government's result-oriented activities.

Given the circumstances, an objective need for a new vision and a comprehensive strategy has been created. Georgians have always been bad at conceptualizing the solutions. Until recently, political elites have been unable to formulate sound political strategies or explicit and clear concept of development, except for, perhaps, foreign policy orientation. However, in the new environment the government becomes increasingly aware of the necessity of well-informed decisions derived from preliminarily devised strategy plans. This has stimulated the recent adoption of a long-awaited National Security Concept. Also, a Medium Term Expenditure Framework (MTEF), a new document that prioritizes expenditures for the next five years, has taken effect this year. At the same time, there are few other strategy documents that either remain formally in force but lack due attention, or are condemned and are collecting dust on shelves. These documents are National Plan for Law Harmonization (NPLH) and Economic Development and Poverty Reduction Program (EDPRP), respectively. The main reason for disregarding the latter is political, as it was adopted earlier by the previous government. Furthermore, the new government tries to avoid emphasizing poverty as a policy issue. Nonetheless, it is acknowledged that EDPRP needs to be re-activated after necessary adjustments.

Against this background the ENAP, another strategy document, comes to the agenda. Here, the problem of ensuring the coherence of ENAP, NPLH, EDPRP and MTEF by reconciling their priorities and provisions emerges as a serious challenge. It is indeed a challenge because there is no uniform attitude across the government towards the ways and means of fulfilling these expectations. One thing is obvious – territorial reunification, NATO accession and fast economic modernization as policy priorities will not change under any circumstances. As the incumbent President plans to seek re-election in 2009, his government's primary objective is to deliver promises. More importantly, this agenda is widely shared by the electorate, though some of its better informed parts may not consider it realistic. Here the legitimate question arises: Are the existing and/or pending strategy documents, such as ENAP, either individually or collectively ensuring the

achievement of the mentioned goals? The immediate answer that the government today might have is 'No.' In order to make existing strategies work for the mentioned agenda, the State Minister's office on Coordination of Reforms is currently drafting a comprehensive framework document – Georgian Government's Mid-Term Action Strategy (2006-2009) – aimed at adapting existing strategies to this agenda.

The first round of ENAP negotiations has proved that the compatibility of the current Georgian deregulatory policy and the EU focus on regulatory minimum and key institutions remains an important issue. Partly due to this the Georgian side seemed unprepared for the sector-specific dialogue. Instead, it has tried to focus on those priority areas, which to a greater extent corresponded to the above mentioned mid-term goals. Two types of constraining contexts deserve attention:

- (a) By the time ENAP negotiations launched, the mood in the Georgian government had become resolute and somewhat aggressive. In fact, the attitudes have tended to change as the Georgian side demonstrates signs of flexibility. Still, it has been firmly stuck in the heads of policy making elite that over the past decade the EU could but did not engage in solving Georgia's outstanding security problems. The EU's reputation has been significantly undermined especially during last five years, as the EU-Russia *rapprochement* prevented it from opposing Russia's aggressive policy towards Georgia. The recent example is EU's refusal to pick up the Russian-dipped OSCE Border Monitoring Mission. Later, disappointment continued to grow when the EU decided to deploy a border monitoring mission in Transnistria, Moldova. Now the attitude is as follows: "We have an agenda, you have resources, so come and make up for lost time." Chapter 3 examines whether current EU-Russia relations can make room for the EU to start pressing Russia to play a constructive role in conflict resolution;
- (b) Some elements of fast economic modernization have already been introduced, while others stand in line: E.g. already 85 per cent of the licensing laws have been abolished, including the ones for car safety, food, and industrial standards, all of which, allegedly, invited corruption. The whole philosophy of this agenda is to reduce to a minimum State's intervention through total liberalization and deregulation of Georgia's economy. Expected results are: curbed corruption, attracted investments, sustained economic growth. However, the jury is still out on whether this policy is a viable long-term development strategy. Some commentators argue that a zeal for abolition of licenses often leads to unnecessary abolition of the institutions. The philosophy of fast reforms, emanating from the Office of the State Minister for Economic Reforms, is increasingly shared across the government. However, it is too early to argue that the idea is endorsed by the entire decision making elite. Apparently, there are also genuine pro-European forces supporting a gradual process of approximation. Anyway, the logic behind the idea of fast economic modernization is as follows: "Since the prospect of EU accession is not looming at all, we can't wait with fast economic reforms. When the people are fed, we will take care of the environment and consumer protection issues. Compliance with the EU *acquis* is not a priority now."

One of the areas already affected by the modernization agenda is competition policy. The current state of affairs in this area has already caused intensive discussions, ever since the enforcement of the Law on Free Trade and Competition on 12 July 2005. "Taken against the logic of economic transformation to a functioning market economy, the law fails to duly regulate such principal issues in

the system of competition protection as mergers and acquisitions, abuse of dominant position and state monopolies of commercial character. As a result, the quality of goods and services available on the market have deteriorated, with corresponding risks for consumers from insufficient product safety, and even, in the longer run, to economic instability through uncontrolled price rises. Needless to say that this situation is inconsistent with EU *acquis* and needs to be changed according to the agreed ENAP provisions.”²⁵

Other spheres affected by policies contradictory to EU *acquis* include State Aid, banking and licensing. Although GEPLAC will be focusing on this issue in its advisory activities, the EU may need greater flexibility and conditionality to ensure the successful start of Georgia’s *Europeanization*. As is evidenced from practice, however—depending on the relative balance of the different domestic forces and the interaction between them—the overall effect of EU conditionality will be positive, negative or nil.²⁶

Apparently, there is a need for making a point with the Georgian government that fast modernization and *Europeanization* are not mutually exclusive processes. Instead, *Europeanization* with a reasonably built-in modernization agenda will ensure accomplishment of both medium and long-term goals, such as institutional upgrade to the EU standards. Also, *Europeanization* upon concurrence of circumstances may become a contributing factor in the peaceful resolution of conflicts. Otherwise, as Ghia Nodia argues, the agenda of fast modernization with its built-in tasks of cultural revolution, in combination with a weak civil society (including the political opposition) and the absence of any social players who are strong enough to counterbalance the activist government, look like a recipe for authoritarianism.²⁷ Frequent citation by proponents of unilateral fast modernization of successful autocratic modernizers, such as Asian tigers, etc., may prove misleading, as the Georgian context is absolutely different.

2.3 From PCA to ENP

2.3.1 PCA: a failed policy or a stepping stone?

The Partnership and Cooperation Agreement (PCA) is so far the only legal basis for cooperation between Georgia and EU. The aim of the PCA is to encourage political, commercial, economic and cultural cooperation between Georgia and the EU. It is the embodiment of the joint commitment of the EU and Georgia to promote partnership and understanding for mutual benefit. Signed in 1996, the PCA entered into force in 1999 and opened a new chapter in EU-Georgia relations. At the same time that the PCA was enacted, Georgia entered the WTO and the Council of Europe. Although there has been an overlap of the PCA’s provisions related to trade and human rights with those of the WTO and the Council of Europe respectively, there are other areas in which the PCA

²⁵ GEPLAC Inception Report, December 2005

²⁶ Coppieters, B., Emerson, M., Huysseune, M., Kovziridze, T., Noutcheva, G., Tocci, N., Vahl, M., ‘Europeanization and conflict resolution - Case studies from the European periphery,’ Academia press, 2004, p. 40

²⁷ Nodia, G., ‘The dynamics and sustainability of the Rose Revolution’, in: *Democratization in the European neighborhood*, ed. M. Emerson, CEPS, Brussels, 2005, p. 23

provides an indispensable base, such as political dialogue, law approximation and community assistance.²⁸

The PCA represents a visionary commitment from both sides. It is ambitious in scope, covering almost all aspects of European Community-Georgia trade, commercial and economic relations, and instituting political communication up to the highest levels. It places a respect for human rights and democratic processes at the very core of the relationship.

Despite initial high hopes and expectations, however, the PCA, on balance, has proved to be a rather vague instrument, unable to stimulate full-scale political and strategic partnership. On the one hand, the framework has created a constructive political and institutional infrastructure for EU-Georgia relationship. According to the PCA's provisions several co-operation bodies have been established at different institutional levels, with the Cooperation Council being the highest. A significant part of Georgian primary legislation has been harmonized with *acquis*. On the other hand, The PCA implementation was not supported by mutually planned and agreed actions with proper conditionality and timeframe components.²⁹ The economic performance of the country has remained poor and its political reform has also been too modest. Stagnation and disillusionment have become the most appropriate attributes of the country's state of affairs. For its part, the EU maintained its presence in Georgia without holding any clear vision for future relations.³⁰ As with some other countries, the EU has abstained from Georgia's active political conditionality that might have been a driving force for reforms. European economic instruments of aid and trade policy were never strongly integrated with Georgian economic policy conditions.³¹ Further, although an appointment of the EU Special Representative for the South Caucasus in 2001 has signaled an increasing EU interest in the region, a policy of neglect has been maintained, as the new office was denied necessary resources and authority to involve itself effectively in the resolution of the most crucial problems facing Georgia.³² As a result, the EU has failed to take up an active role as a foreign and security policy actor in the country. Therefore, the EU, by and large, has remained merely a donor organization, rather than a drive for a major transformation. Meanwhile, as Georgia was increasingly regarded as a failed state, no one in Brussels would place it on the shaping political map of the Wider Europe. Consequently, the PCA was marginalized and ceased being topical. It was not until the Rose Revolution when the new prospects of cooperation surfaced again, rejuvenating a PCA with a new *raison d'être*.

2.3.2 ENP: a tool for regional cooperation?

While strengthening the prospects of achieving the ENP's overall goals, the Commission intends to contribute to regional cooperation in the neighbourhood. Regarding the South Caucasus, there had already been a plethora of proposals, including those initiated or supported by powerful governments and international organizations. Aimed at encouraging trilateral cooperation in the region, these initiatives

²⁸ Gogolashvili, K., 'From PCA to ENP', in: *Building a Regional Platform in the South Caucasus for Involvement of Civil Society in Formulation and Implementation of the European Neighbourhood Policy Process*, The Regional Meeting of Environmental NGOs of the South Caucasus, Tbilisi, 2005, pp. 19-20

²⁹ Ibid.

³⁰ Vashakhmadze, M., 'The EU and Russian Hegemony in Georgia', in: *An Enlarged Europe and its Neighbourhood Policy: the Eastern Dimension*, Latvian Institute of International Affairs, 2004, p. 96

³¹ European Neighbourhood Policy: enhancing prospects for reform in Mashreq countries. Final Report – Volume 1: Overview, CEPS, April 2005, p. 4

³² Vashakhmadze, op.cit., p. 97

have all failed due to a dispute between Armenia and Azerbaijan over Nagorno-Karabakh. The Conflict has necessitated fundamental foreign policy divisions in the South Caucasus. Countries in the region tend to build strategic and security ties with different global and regional powers whose policy agendas in the South Caucasus are based on conflicting objectives. As a result, one country seeks security guarantees with Russia, while others aspire to NATO membership for the same reason. This divergence of foreign policy and security priorities are among impediments to genuine strategic partnership and integration in the South Caucasus. The answer to the chicken-and-egg question as to what comes first, - conflict settlement or economic cooperation? – has long been prevalent in the region. Therefore, until and unless the solution to the Nagorno-Karabakh dispute is found, any effort to put in motion the full-fledged regional cooperation will be doomed to failure. The glaring example of how the existing controversies in the region can reverberate in the ENP process is an issue of the proposed project of building railway line between Kars (Turkey) and Akhalkalaki (Georgia). The point is that Armenia views future trans-regional railway project as a rival to the existing Kars-Gyumri (Armenia) railway, decommissioned in 1993 due to conflict over Nagorno-Karabakh. Armenia has tried to use diplomatic pressure through strong lobbies in the U.S. and Europe and the Armenian community in Georgia to prevent potential construction of the project.³³ Armenia views the ENP as an additional tool to promote its interest. As expected, Azerbaijan and Georgia will also seek support for the KATB project³⁴ through negotiated ENAPs.

Against this background, Georgia views the ENP's regional role in fostering cooperation within the Black Sea area. Particular importance is attached to strengthening bilateral ties with Europe-oriented Black Sea littoral states and multilateral initiatives, such as the development of transportation and communication links, as well as energy transit, etc. The Georgian government holds that giving ENP dimension to the BSEC and GUAM initiatives will both bring additional political as well as economic benefits to the EU and allow the concerned countries to exploit the potential benefits of cooperation, particularly in the field of infrastructure development, trade and investments.³⁵

2.3.3 ENP's outcome: two sets of expected results

Despite ever shrinking discrepancy between Georgia's and EU's readings of the ENP process, the two sides still differ in highlighting the key objectives of the action plan. While the EU employs rather general phraseology in identifying its objectives, Georgia's language is more specific and the menu more diverse. Interestingly, the EU's objectives are predominantly process-oriented and are aiming at long term perspective. The nature of these objectives is mainly related to strengthening democracy and building functional market economy. Georgia's priorities are mostly short term and are focused on national security issues requiring immediate action. Certainly, there are also common goals that the each side would like to see as outcomes of the action plan. What follows is a very general description of these objectives:

³³ Eurasia Daily Monitor, Jamestown Foundation, 14 December, 2005

³⁴ On May 25, 2005 during the ceremonial opening of the Baku-Tbilisi-Ceyhan (BTC) oil pipeline, the presidents of Azerbaijan, Georgia and Turkey revealed their plans to connect their railroads with Trans-European Networks. The Kars-Akhalkalaki-Tbilisi-Baku (KATB) railway system is seen to become another strategically important project in the South Caucasus. All three states view this project as a central component of the EU-proposed TRACECA program that envisages an East-West transport corridor linking Europe with the Black Sea and the Caspian Sea states.

³⁵ Beruchashvili, T., Speech at Fifth EU-Georgia Cooperation Committee, June 21-22, 2005, Tbilisi. Available online at: <http://www.eu-integration.gov.ge/pdfs/FIFTHCOMMITTEESPEECH.pdf>

(a) The ultimate goal of the ENP process from the EU's perspective would be to upgrade Georgia to a modern democracy with viable state institutions so that it is able to serve as an effective partner for the EU in averting common threats such as international terrorism, proliferation of WMD, drug trafficking, illegal migration, etc. In the meantime, the upgrade implies a routine process of approximation, which takes a while, with the EU norms and standards according to the *acquis*. Areas of primary focus will be standardization, food safety, competition policy and sustainable development.

(b) Georgia's expectations are manifold. The top priority is to engage the EU in the peaceful resolution of the conflicts in Abkhazia and South Ossetia. To this end Georgia intends to seek: the EU's participation in the existing or new formats of negotiations; enhanced role of the EU Special Representative (EUSR); the EU's support of the Peace Plan for settlement of conflict in South Ossetia; inclusion of Georgia's security issues in the ongoing EU-Russia dialogue. The other objectives include but are not limited to:

- Establishment of independent judiciary, based on the implementation of the reform strategy for the criminal justice system developed by an EU-funded EUJUST Themis project ("rule of law mission");
- Strengthening border monitoring capacity and intensifying co-operation with the EU on border protection issues, including increasing administrative and technical capacity, equipping and training of border guards;³⁶
- EU to encourage Armenia, Azerbaijan and Russia to negotiate agreements with Georgia on border delimitation;
- Simplification of visa procedures for Georgian citizens traveling to the EU member states;³⁷
- Simplification of the regulations for workers to migrate to the EU member states;
- Establishment of preconditions for realization of the Four Freedoms;³⁸
- Enhancing EU-Georgia cooperation on CFSP starting with inviting Georgia, on a case by case basis, to align with EU positions on regional and international issues;
- Start consultations on Free Trade Agreement;
- Increase the share of investment component in the future aid;
- Unlike Tacis arrangements, allow Georgia to dispose financial assistance at its own discretion (similar to the US Millennium Challenge Account);
- Extension of the EIB mandate to Georgia

(c) Among the goals that are equally important for both sides is integrating Georgia in transport and energy networks of the EU in order to fully utilize the country's transit potential and ensure effective partnership in the areas of energy and transport between the EU and the states in the Black Sea and Caspian regions. This will become particularly important as Europe becomes increasingly aware of the importance of including Caspian hydrocarbons in the renewed schemes of diversification of energy supplies.

³⁶ Ibid.

³⁷ "We have abolished the entry visas for the EU nations and hope for the similar actions by them", said Deputy Foreign Minister Valeri Chechelashvili at the briefing in the MFA in the wake of the first round of ENAP negotiations. Prime-News, 30 November 2005

³⁸ Free movement of people is a priority in relations with the EU – "we are not yet ready for the other three freedoms (goods, services and capital)", said former Foreign Minister Salome Zurbashvili. She further admitted that the government has been slow at working on a readmission agreement, which would oblige Georgia to take back people who have entered the EU illegally from its territory.

A brief review of the menu of Georgia's ENP-related objectives/expectations clearly suggests that Georgia aspires to catch up with Ukraine and Moldova in the *Europeanization* process. In other words, Georgia would like to have its ENAP equally stuffed with incentives to better match its post-Rose Revolution ambitions. Additionally, Georgia, as a *post-revolutionary* country, expects to receive a special, if preferential, treatment in the ENP process. Sure of its capacity to advance reforms quicker than the neighbours in the region, Georgia insists on fair application of the ENP principle of differentiation. This might look somewhat confusing for Brussels since, unlike Moldova, the ENP in Georgia still has to acquire the policy anchor status vis-a-vis other competing strategies (see sub-chapter 2.2.3).

3. EU IN THE WAKE OF ENLARGEMENT

After five rounds of enlargement, the EU has expanded from a six-member entity into the world's largest trading bloc with 25 Member States and population of 500 million. Today the EU is a powerful integrating force but its power is not sufficiently reflected in its voice and external actions. The primary reason of this is that the EU's priority is usually finding a compromise between a wide range of parties – producers and consumers, big and small states, regional and national governments.³⁹ The host of factors contributes to its huge potential as a strong international actor. At the same time it faces challenges that reduce its ability to exert its transformative power over its new neighbours.

This chapter argues that the single most important factor affecting the EU's capacity to commit to Georgia's *Europeanization* is relations with Russia. EU-Russian relations are unique in terms of the multiplicity of their dimensions. These range from technical trade cooperation, large-scale regional cooperation frameworks such as the Northern Dimension and space cooperation to joint action in combating organized crime and the nuclear safety programme.

3.1 Why Russia matters?

It is a widely shared view that Russia's meaning for Europe is mainly of geopolitical nature. EU-Russian partnership in strategic issues would ensure the creation of a global multipolar order, something that some of the large European powers would seek. At the same time, EU's growing reliance on Russian hydrocarbons has made a case for the geo-economic argument in favour of close partnership.

The fact that the EU, the world's second biggest gas consumer, is located next door to Russia, the world's biggest gas producer, makes it eminently sensible for the two parties to determine how they can best serve each other's requirements. The common strand in their relations points to an important but increasing reliance on Russian energy.

Russia matters for Europe for other reasons too. In the areas of non-proliferation and combating organized crime, Russian cooperation brings significant added value to European security.⁴⁰ Also, as noted in the Country Strategy Paper 2000-2006, drafted by the Commission, "soft security threats from Russia are a serious concern for the EU and require continued engagement – nuclear safety, the fight against crime, including

³⁹ Grabbe, H., 'The governance of the EU: Facing the challenge of enlargement', New Economy, June 2002, No.19, Issue 2, p.117

⁴⁰ Lynch, D., 'Russia faces Europe', Chaillot Papers, No. 60, May 2003, p. 19

drug trafficking and illegal immigration, the spread of disease and environmental pollution.”⁴¹

The experts pay attention also to the aspect of transport in Russian-EU cooperation. Owing to its unique geographical position, the Russian Federation can offer the most convenient and safest route between Europe and Asia and reap essential economic benefits. At present the EU seeks to increase its presence on Russian transit routes; this would include, primarily, flight routes. Russia's integration into Europe and the global economy could also be promoted through railroad traffic between Europe and Asia.

3.2 EU-Russia relationship: from critique to joint strategic projects

Russia's relations with the EU have remained rather complex and somewhat ambiguous throughout the recent decade. At the same time, Europe's attitude towards modern Russia, by and large, has always been mild. Although there have been cases of telling criticism, however, the bilateral relationship has always been kept within the bounds of pliant diplomacy. Nevertheless, as the EU has expressed certain criticism over the violation of human rights, especially in Chechnya, and raised objections to the restrictions of free media and business in Russia, a more conservative and nationalist segment of the Russian political elite increasingly perceives Europe as a potential political rival rather than a partner. The main factors preventing the EU and Russia from overcoming their many bilateral obstacles are the growing differences in values between their societies. Nonetheless, there have been cases of ignoring these differences. The most notorious case of pampering Russia was during December 2003 EU-Russia summit when Berlusconi, then the President of the European Council, made remarks at press conference about volunteering to be Putin's advocate over Chechnya.

Somewhat strong language was used during the Parliamentary Assembly of the Council of Europe (PACE) in January 2006 while criticizing Russia for continued human rights abuses in Chechnya and recent legislation curbing Russian NGOs. Particularly, Resolution 1479 (2006) stated that “violations still occur on a massive scale in the Chechen Republic and, in some cases, neighbouring regions in a climate of impunity.”⁴² In the debates preceding the adoption of the Resolution, however, the MPs had used a language of varying degrees austerity. The MPs from the new EU entrants were the most critical, whereas the ‘old Europeans’ have been more selective in their expressions. The parliamentarians have mentioned energy dependence as the main reason for softening the tone.⁴³

The first visit of the German Chancellor Angela Merkel to Moscow in January 2006, just weeks after Russia's nasty gas dispute with Ukraine, was perceived to be a demonstration of cooling down the bilateral relations. By openly questioning the Russian restriction on NGOs and Chechnya, Germany's new Chancellor has struck a different chord in the relations between Moscow and Berlin. Nonetheless, both sides spoke glowingly about their close economic ties and how they could be strengthened. One of the biggest joint projects under way is the North European Gas Pipeline (NEGP) a route that will bypass Ukraine, Poland and the Baltic states, transporting Russian gas direct to Germany. Being the largest consumer of Russian gas in Europe, Germany

⁴¹ Country Strategy Paper 2000-2006, National Indicative Programme, 2002-2003, Russian Federation, Brussels, European Commission, 27 December, 2001

⁴² IWPR's Caucasus Reporting Service, No. 325, 2 February, 2006

⁴³ ‘Европейцы озабочены Кавказом’, Независимая газета, 20 января, 2006г.

opts for crawfishing. While calling the NEGP “an investment in the energy security of Europe” Mrs Merkel, in fact, legitimizes Russia’s policy of *divide et impera* in Europe, since the project clearly undermines the energy security of the new member states from Eastern Europe (already noted).⁴⁴

Meanwhile, the economic interaction between Russia and EU increases. But, notwithstanding the intensifying trade relations and institutional networks contributing to the mutual interdependence, the underlying world-views on various issues have remained divergent, and sources for competition and tension are present. In this context, the intention of the enlarged EU to launch a more active external policy towards the countries of the former Soviet Union receives an ambivalent response from the Russian leadership. Mostly, this policy, although not as immediate a threat as NATO’s possible expansion, is perceived as an encroachment on Russian national interests in the area, where maintaining its influence would be seen essential in order to remain a global political player.⁴⁵

3.3 Dependence or interdependence?

As for the EU, Russia is today the single most important external supplier of natural gas and oil, some commentators say there is a risk of the EU becoming so dependent on energy supplies from Russia that it constrains EU head of states from criticizing any failings in the development of Russian democracy, human rights and freedom of press.

European energy dependence will increase over the foreseeable future as North Sea production declines. According to the Commission Green Paper on security of energy supply (November 2000) the EU’s dependence on energy imports will increase from 50% to 70% by 2030. The particular situation for gas is described as follows:

- 40% of EU gas imports originate from Russia (30% Algeria, 25% Norway);
- By 2030, over 60% of EU gas imports are expected to come from Russia with overall dependency expected to reach 80%.

Europe’s dependency on gas from Russia and oil from the unstable Middle East might lead to serious economic risks but could also stir up animosities between EU member states themselves. Countries such as Poland are very worried that Russia has too much leverage over the EU because of this gas dependency.

The state-run Gazprom supplies about a quarter of gas consumed in Europe, with Poland importing 62 per cent, Germany 30 percent, France about 25 percent and Italy 20 percent of their gas consumption from Russia.

The Commission has warned that Europe’s dependency on gas imports is set to rise further, with Russia expected to provide the EU with around half of its imports by 2020.

At the moment the EU imports some 4 million barrels a day from Russia, which is equivalent to over 90 per cent of the country’s output. It is possible that Europe’s Russian imports could go down by a proportionate amount, as Greece, Italy, France and Spain, as well as Turkey will provide the most obvious initial markets for the new

⁴⁴ CEE countries get almost all their gas from Russia, with Austria on 74 percent, Poland on 62 percent and Slovakia and Finland on 100 percent.

⁴⁵ Sprüds, A., ‘Russia’s policy towards Europe’s “new neighbours”: in pursuit of partnership or domination?’, in: *An Enlarged Europe and its Neighbourhood Policy: the Eastern Dimension*, Latvian Institute of International Affairs, 2004, p. 31

Baku-Tbilisi-Ceyhan (BTC) pipeline output.⁴⁶ Experts anticipate that the European oil demand picture could change drastically by 2008.⁴⁷

On the other hand, EU is Russia's main economic partner. Bilateral trade amounted to about €100 billion in 2005. Over 60% of Russia's export revenue comes from energy, and most of it is in the form of exports to the EU. Sales of its raw materials to the EU provide foreign currency and over 40% of the federal budget. So Russia is as dependent on the EU as the EU is on Russia.

3.4 Regional rivals?

Since Russia remains a neighbour, the EU will have to pursue two neighbourhood policies and attune them to one another. The EU's relationship with Russia influences its neighbourhood policy. While Russia is seeking to re-assert its influence over its 'backyard', the EU is also aspiring to engage with many of the same countries. Neither side is yet sure how much their two agendas will conflict. But already potential tensions are emerging. For example, if the EU tries to get involved in resolving frozen conflicts in the Black Sea region, such as those in Transnistria in Moldova or South Ossetia in Georgia, tensions could arise. Russia has troops in both these areas, as well as in Abkhazia, and Moscow will strongly resist EU attempts to reduce its influence there. Many Russian policy-makers see their country as a strategic competitor of the EU and the US in what they regard as Russia's natural sphere of influence.⁴⁸

In Georgia, as elsewhere in the "near abroad", Russian President Vladimir Putin seeks to implement the doctrine of a "liberal empire".⁴⁹ Authored by Anatoly Chubais, the Chairman of the United Energy Systems (UES), the concept encourages the construction of an alternative empire to NATO and EU. Russia can do this using its rich public-private monopolies to take over the key industries and economic institutions of former Soviet republics, thereby laying the groundwork for political domination.

Given the deficiencies of Russia's political and economic institutions, there is a strong case for Europe to reach out more boldly to Ukraine, Moldova and Georgia, just as it did to the Western Balkans and Turkey. But it is important to recognize the resistance to further enlargement that has grown within the Union countries and the reasons for it.

3.5 EU-Georgia: prospects for engagement

The EU should get serious about Georgia for several important reasons. These reasons are well articulated in the Mark Leonard's and Charles Grant's piece.⁵⁰

(a) The situation in Georgia has implications beyond the Caucasus region. The conflict zones in Abkhazia and South Ossetia have become international centers of smuggling, drug trafficking, illegal arms deals, and potentially even terrorism. If ethnic cleansing

⁴⁶ Russian oil accounted for 15 per cent of French oil imports last year, while levels stood at 20 per cent in Italy, 12 per cent in Spain and 27 per cent in Greece.

⁴⁷ EUobserver, 26 May, 2005

⁴⁸ Grabbe, H., 'How the EU should help its neighbours', Policy brief, Centre for European Reform, June 2004, p. 3

⁴⁹ Papava, V., Starr, F., 'In the Caucasus, a 'neo-imperial' Russian revival', The Daily Star, 20 January, 2006

⁵⁰ Leonard, M., Grant, Ch., 'Georgia and the EU: Can Europe's neighbourhood policy deliver?', Policy Brief, Centre for European Reform, October 2005

and aggressive nationalism returned to the region, the implications could stretch far beyond Georgia's borders;

(b) Political instability in Georgia would have economic implications for the EU. Georgia has become an important transit route for oil and gas from the Caspian area. Although Central Asia's oil and gas reserves are not as big as those in Russia or the Middle East, they could help to decrease Europe's dependence on those potentially unstable regions;

(c) The EU could have a profound effect at very little cost. Georgia represents an important test of the EU's ability to take responsibility for the security of the European neighbourhood, and to develop a meaningful policy for a country that cannot yet be considered a candidate for accession. More specifically, Georgia is a test-case for the ENP.

On the other hand, the Georgian government still has to prove it is willing to do the hard work to approach the EU. In this regard crucial importance should be placed on realizing genuine economic reforms, creating a law-abiding culture, promoting media pluralism, and abandoning plans for military solution to any of its conflicts.

But if Georgia delivers, the EU must be ready to engage more fully. Until recently, EU-Georgia relationship mostly has been the one between a donor and recipient. As a matter of fact, the EU has become one of the biggest donors in Georgia—unfortunately, though, it lacks a strategic vision in the Caucasus. A wide range of projects have been funded by the EU, and some of them have been tremendously beneficial to Georgia.⁵¹ Still, the approach is not strategic. The best example of this would be the TRACECA program, which is largely under-funded and ignored in terms of political support. The EU needs to define its objectives in a more focused way, and then figure out which projects would fulfill them.

The EU needs to develop a more coherent, consistent and ambitious policy for Georgia. Even if membership is not possible in the foreseeable future, the EU needs to develop a more substantive process to engage Georgia and integrate it into its policies. If the EU fails to build a more credible and substantive policy, it will constantly have to manage crises in its backyard, and Georgia in particular. That would be much more expensive and difficult than devising an effective strategy now. Also, this strategy would discourage the Georgian government to link its domestic reforms to the requirements of the EU.

In all fairness, the Commission's latest country strategy paper sets forth priorities for EU aid. More importantly, though, the EU Presidency on behalf of the European Union in its February 21st Declaration expressed strong support to Georgia's attempt to unfreeze the conflict in South Ossetia. The Declaration (see Appendix E) came after Georgian Parliament adopted a resolution on withdrawal of the Russian peacekeeping troops from the conflict zone (see Appendix F). Notably, the Declaration promises that the EU is ready to "contribute actively and in every relevant forum" to demilitarization and conflict resolution in South Ossetia. While the Declaration supports the Georgian drive to encourage increased international participation and to revise the current format of

⁵¹ Despite undisputed benefits that these projects have brought to Georgia, the government is critical of the way the EU has spent some of its money, for example on advice by western consultants rather than investment in concrete projects.

talks, the commentators disagree on whether the EU's active engagement in resolving Georgia's outstanding security problems is already predetermined.⁵²

Can the EU become a counterweight to Russia? By launching the ENP the EU's weight and motivation have significantly increased. Yet it's true that its very own neighbourhood is precisely where the EU's ability to exert influence is weakest and Europe's power structuration becomes most fuzzy. Still, additional stimulus could raise awareness about the necessity of looking into possibilities of tapping oil and gas from the Caspian for the sake of its own security.

"Europe should get an alternative energy corridor linking it to Central Asia, through the Caucasus, via the Black Sea as well as via Turkey," said President Saakashvili.⁵³ The cut-off in gas supplies in January 2005 underscores for all consumer countries the urgency of breaking their overdependence on Russian supplies. These are proving politically unreliable, commercially onerous, and insufficiently available, even in the short term for all internal and external customers of Russian energy supplies.

Enhancing regional security through intensified cooperation between the EU and Georgia, however, would be impossible without keeping in mind competing economic and strategic interests of Russia in the Region. Some representatives of the Russian political elite regard Georgia's *Europeanization* as a most serious long-term threat because it will result in Russia's "administrative expulsion" from the region. Convergence on EU norms and standards both in terms of legislation and institutional building, they hold, would eventually lead to the establishment of totally different rules of the game—rules which make Russia a weak player. That is why Moscow has no vital interest in the success of the ENP process in Georgia and is seeking to enhance its 'liberal empire' in the South Caucasus through a new economic policy.⁵⁴ Profiting by the EU's slowness to formulate a clear policy towards the region, Russia uses its political and economic instruments to influence developments in Georgia. Yet the most important advantage of Russia is that the Georgian government itself lacks clear vision on the development course; in particular, its fast economic modernization agenda is not fully consistent either with the EDPRP or the norms and standards that are to be negotiated within the ENAP (see sub-chapter 2.2.3). Some Georgian politicians and government officials keep trying to present Russian economic expansion as a new and harmless form of mutually useful cooperation. Past experience shows, however, that Russia has exerted economic pressure on Georgia in order to influence political decision-making.

But it is essential to convince Russia that the EU is not coming to the Black Sea with zero-sum intentions. In the meantime, however, the democratic deficit within the country, the unresolved conflicts and the weaknesses of the state institutions debilitate Georgia's internal decision-making process and make it difficult for the EU to commit itself to Georgia. But the stakes are high in Georgia and it will take more courage and enthusiasm from both sides to set *Europeanization* in motion. Whether or not the EU will succeed in contributing to stability and economic development of Georgia will largely determine the overall success and credibility of the ENP process in the wider region.

⁵² 'Georgia: Tbilisi seeks EU support as tensions rise in South Ossetia', Radio Free Europe, 21 February, 2006

⁵³ Transcript of the Georgian government session, BBC Monitoring, 20 January, 2006

⁵⁴ Vashakhmadze, M., 'The EU and Russian Hegemony in Georgia', in: *An Enlarged Europe and its Neighbourhood Policy: the Eastern Dimension*, Latvian Institute of International Affairs, 2004, p. 100

4. TOWARDS RECONCILING AGENDAS

The ENP's history is too brief to provide assortment of well-established precedents of true success stories worthy of emulation. Existing literature extensively argues that without a membership carrot, the ENP may not be able to assume the role of a 'driver' of democratic transformation. It is perceived that the promotion of the double objective of economic and political liberalism throughout the European neighbourhood in the absence of a mega-incentive, such as the EU membership, is a major challenge that the ENP idea faces. This is particularly true for Georgia, Ukraine and Moldova where the sense of European identity and the susceptibility to liberal-democratic values are stronger than elsewhere in the neighbourhood. At the same time, the specific situation in Georgia keeps the window of opportunity open, thus making a distinct case. The challenge in Georgia is not so much an absence of this incentive, but rather a harmonization of the ENP and Georgia's mid-term development agenda.⁵⁵ Increased EU-awareness will convince Georgian politicians that rather than busting heads with the EU for not offering the membership, it is wiser to engage the Union in a mutually agreed process leading to accomplishment of the priority objectives for the coming years⁵⁶ (see sub-chapter 2.2.3). For its part, the EU would also welcome convergence of existing agendas, which means that the two sides will have to agree about the following:

1. How far will Georgia go in advancing reforms towards meeting the Copenhagen criteria?
2. To what extent will the EU be committed to resolving Georgia's outstanding security problems?

These are the major questions at stake. At the same time, fulfilling mutually agreed obligations is a requirement of the deal. Although one might argue that proper utilization of the ENPI resources for other priority areas of the ENP Action Plan is of no less importance for Georgia, the restoration of territorial integrity overshadows other priorities of this government. Here, however, a fundamental question arises: What is the formula of this deal? What is the best strategy to achieve the mutually acceptable model of cooperation? Although coming to a compromise mode of cooperation is a two-way process, it is still expected of the EU, as the stronger partner, to decide among the options. To be sure, there are three options: (a) low level commitment from both sides;⁵⁷ (b) medium level commitment; (c) high level commitment. What follows is an overview and the evaluation of each of these policy options.

4.1 Low intensity engagement

The EU and Georgia agree on the ENP Action Plan, which lacks serious responsibilities and incentives from either side and, thus, is almost non-committal. Particularly, the EU retains a low profile in addressing conflicts in Georgia and keeps putting emphasis on post-conflict rehabilitation. The EUSR mandate remains limited and, hence, the mission

⁵⁵ The problem of receptivity of the Georgian government to European norms and regulatory systems derives mostly from the existence of the mid-term development agenda with fast economic modernization as one of its priorities. Other root causes of the problem could be inadequate awareness about the mentioned norms and standards across various levels of the government.

⁵⁶ An additional argument convincing Georgian government to favor the ENP is that international financial institutions (IFIs) are beginning to regard the ENP Action Plans as the basis of the strategic agenda for their operations with partner countries and to 'screen' proposals for their fit with partners' ENP priorities. The Commission services are coordinating closely with the IFIs on this.

⁵⁷ It is highly unlikely that in case one of the sides is not committed the other will be willing to unilaterally take responsibilities.

proves futile. The EU tries to compensate passive political engagement by applying conditionality but the incentives, including relatively increased levels of aid, prove insufficient for convincing the government to foster reforms in the direction sought by the EU. As a result, Georgian government keeps advancing its own reform agenda, which does not necessarily prove effective. This agenda requires the implementation of the liberal option of a minimal State. The rationale behind this policy is to cut State regulatory activity as much as possible, as it is perceived to be the niche for corruption and excessive bureaucracy.

The political situation vis-à-vis conflict zones deteriorates. Other international actors try to engage at the expense of EU's decreased popularity. The ENP, like PCA, gradually marginalizes and eventually fails to deliver.

The described scenario is unfeasible for a number of political reasons and, therefore, cannot serve as a basis for policy. First, it is politically unacceptable for both Georgia and the EU. Although institutional integration into the EU is not among the country's mid-term goals, in the long run, for Georgia the Union remains the most desirable destination. The EU's attractiveness determines its strong gravity power and Georgia cannot afford the 'luxury' of indefinitely postponing, if totally abandoning, the prospect of membership.

Second, failure of the ENP in Georgia undermines the EU's objective to upgrade the state-building process in the country. The EU would like to see Georgia as an effective partner in addressing threats related with international crime, illegal migration, proliferation of WMD, etc.

Third, the ENP's failure in Georgia decreases its credibility across the neighbourhood. As one of the most motivated countries, Georgia has always been viewed as a test-case for the ENP. Its failure in Georgia would contribute to the spreading of disillusionment elsewhere in the region.

4.2 Moderate level commitment

The ENP Action Plan envisages a qualitatively higher level of partnership than that of the preceding period. In particular, the EU agrees to join the process of conflict resolution (as opposed to post-conflict rehabilitation in the previous option) by participating in the existing formats of negotiations, and upgrading the EUSR's mandate to the level of Moldova (see Appendix). The Union supports the Peace Plan for settlement of conflict in South Ossetia and strongly backs the OSCE efforts.

In areas such as visa facilitation, border monitoring, extending the EIB mandate to Georgia, etc. there is complete mutual understanding. In fact, the status of Georgia's ENP Action Plan is equal to that of Moldova.

For its part, the Georgian government's economic policy increasingly complies with the ENP requirements. Georgia abandons the unilateral course of fast economic modernization. On the other hand, instead of wholesale adoption of the Copenhagen political criteria, as for EU accession candidates, Georgia's action plan is intended to identify those elements in the existing reform agenda that have at least a partial fit with the Copenhagen criteria. As a result, adoption of the EU norms and standards in various sectors of economy has stimulated economic growth and improved the investment climate. The process of PCA implementation proceeds gradually and leads

to a higher level of approximation.

This scenario is quite acceptable both politically and in terms of the administrative capacity of each side. The EU becomes a foreign and security policy actor in Georgia, a role it has never assumed before. This shift causes a major reconfiguration of stakeholders, adding dynamism to the conflict resolution in South Ossetia. Due to EU assistance, Georgia's border protection and monitoring capacity is significantly upgraded.

Gradual convergence on EU norms and standards allows Georgian government to best utilize its administrative capacity. The EU funded assistance programs, such as GEPLAC, helps fulfill the ENP Action Plan obligations.

For its part, the EU too finds itself capable of properly administering the ENPI instrument and thus adequately responding to the needs of progressing reforms in Georgia.

4.3 Accelerated partnership

The ENP Action Plan reflects a desire of the sides to elevate the relationship status to the next-to-membership level. Politically, the EU becomes Georgia's main political patron and security guarantor. Resolution of the conflicts in Georgia is considered a primary criterion of ENP's success. EU expresses readiness to take the lead in the process. At the same time, the EU, risking the deterioration of a key relationship, includes this issue in the bilateral dialogue with Russia. With this move the EU communicates to Russia the importance it attaches to the success of Georgian democracy.

In addition, the EU agrees to meet the whole menu of Georgia's expectations from the ENP process (see sub-chapter 2.4.5), including simplification of movement of labour, consultations on Free Trade Agreement, granting Georgia a status of Market Economy, etc. In fact, the content of the ENP Action Plan resembles that of Ukraine.

For its part, Georgia adopts almost the whole *acquis* norms in the course of advancing reforms. As a matter of fact, the ENP is made a development policy anchor.

The given scenario is unlikely because of the following: adoption of the EU's *acquis communautaire* – its rule-book of laws and regulations, requires Herculean efforts. This body of laws and policies was designed for advanced, industrial economies. It was never intended as an instrument to guide economic, political or social development in much poorer countries. The Single Market *acquis* is essentially concerned with market-making, not reforming economies. The *acquis* is patchy, reflecting the EU's own uneven development: it is highly detailed on market regulation, competition policy and the CAP, but very sketchy on governance issues. Proper implementation of EU rules requires complex and sophisticated institutional frameworks that are little developed in Georgia.

Georgian economy and businesses are unprepared for closer relations with the EU. The Georgian business community and even the government lack enough knowledge about EU mechanisms, while the state does not defend domestic businesses from the pressure of rival companies and bureaucracy of the EU. As a result, Georgian

corporations incur direct losses and can lose major markets for their goods and services.

For Georgia, it is also important to recognize the opportunity costs of EU accession preparations. For countries like Georgia, which are unlikely to join the EU within the next ten to twenty years, it is far from optimal to expend enormous efforts in meeting EU standards and harmonizing with EU policies designed for established market economies—especially at the cost of more immediate policies designed to establish sustainable economic growth. EU policies are often cumbersome to administer and implement.⁵⁸

Politically, the EU is not in a position now to strain relations with Russia. Despite ever increasing divergence of values and attitudes towards different issues, such as human rights in Chechnya, the EU has to maintain balanced relations with Russia as energy security will remain a highest priority for decades to come.

Additionally, an over-ambitious partnership like this is very costly to achieve and further maintain. The constantly deepening and—at the same time—high-speed reforms require ever-increasing aid funds that the EU may not necessarily be able to allocate for Georgia's needs.

Quite apparently, all sympathies go to the *moderate level commitment* scenario because it is: (a) politically feasible for both parties; (b) financially affordable for the EU, and (c) doable in terms of availability of administrative capacity of both the Georgian government and the Commission. To make this scenario one hundred percent realistic, the two sides need to expend some political will and agree on the formula.

5. CONCLUSIONS AND RECOMMENDATIONS

Georgia's drive towards Europe is determined by a set of factors, including history, religion, geography and politics. This is a primary reason why Georgians are a nation among the most motivated and receptive to European values in the wider region. Based on sustained popular support, Georgia's European integration has become a top foreign policy priority.

Several factors make Georgia an increasingly important country for the European Union. Primary interests include: making Georgia an effective partner in dealing with common unconventional threats (such as international terrorism, illegal migration, drug trafficking, proliferation of WMD, etc.), ensuring stable utilization of Georgia's transit capacity for transporting Caspian hydrocarbons to Europe, and helping Georgia's continuing democratic transformation become a successful role model.

Effective participation in the ENP process is a shared interest between Georgia and the European Union. However, the absence of a common vision and diverging expectations are hindering a more effective partnership. For example, Georgia views the ENP as an avenue to the EU's increased engagement in addressing outstanding security problems, whereas the EU expects that the ENP will upgrade Georgia to meet the Copenhagen criteria.

⁵⁸ Grabbe, H., 'The implications of EU enlargement', p. 6. Available online at: http://www.cer.org.uk/articles/format_print.htm?article=grabbe_publications&title=Publications%20by%20Heather%20Grabbe

The EU's reluctance to offer a 'membership perspective' significantly weakens its leverage over Georgia's development. It also undermines the position of pro-reform forces that advocate the 'European' model of development for Georgia. Also, the EU's heavy reliance on Russia limits its options as a foreign policy and security actor to actively engage in Georgia.

There are also several factors from the Georgian side that hinder the harmonization of the views and expectations mentioned above. One reason is a misperception of the fact that the ENP Action Plan acts as a symmetrical document. Another factor is Georgia's inadequate institutional capabilities and lack of human resources that are necessary to fully adopt the EU *acquis*. But the main factor is the fact that Georgia has already set the priorities for the mid-term period (2005-2009), including peaceful settlement of the conflict in South Ossetia, and wishes to place the ENP process under this agenda. It is highly unlikely that under any circumstances Georgia will change its priorities.

Last but not least, Georgia's keen interest to deliver in the mid-term period provides a unique opportunity for the EU compensate for the lack of a 'membership perspective' and contribute to the harmonization of agendas for the ENP. As a stronger partner, the EU has more maneuverability and power to adjust.

5.1 Policy recommendations

What the European Union can do

- *EU should devise a mid-term policy vis-à-vis Georgia and use the ENP resources to pursue it.* The primary goal of this policy must be helping accommodate *Europeanization* and fast economic modernization agendas. Basic pillars of this policy should focus on: (a) reinforcing the political reform process in Georgia; (b) conducting ENAP negotiations and ensuring its implementation, and (c) launching EU-Georgia dialogue aimed at raising EU awareness in Georgia.
- *The EU should clearly state that neither the Commission nor any other Community institution has excluded the eventual accession of any European country, nor would it be possible in view of current Treaty.* Obviously the countries may never achieve full integration but to exclude them completely would contribute to destroying many of the positive reforms, which was advocated by a strong show of popular support in the streets in favour of democracy and justice.⁵⁹
- *The EU has to spell out the criteria for achieving (or measuring) political conditions such as the stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities.* The malleability of the political conditions may tempt political leaders to pretend that they are close to meet them. More detailed guidance would assist advocates of greater democracy and protection of human rights in highlighting what is wrong in the country.
- *Acknowledge Georgia's European identity.* Georgia's European choice is largely determined by a Georgian proclivity for liberal-democratic values. In the absence of a 'membership perspective', this would serve as moral compensation.

⁵⁹ This view is supported by Danuta Hübner, Member of the European Commission. See the speech delivered at the conference 'European Strategies for Promoting Democracy in Postcommunist Countries', Vienna, 21 January 2006, at: http://europa.eu.int/comm/commission_barroso/hubner/speeches/pdf/210106vienna.pdf

- *Ensure coherence of policy.* The Commission often sends mixed messages. For example, the DG for External Relations tries to encourage the EU's neighbours by proposing trade concessions, but is often blocked by the directorates for agriculture and trade. The gap between a technocratic approach by the Commission and a political approach by the Council will also lead to incoherent policies.⁶⁰
- *Assist Georgia in transferring knowledge from CEE countries.* The EU should make full use of the expertise of state-building in the new member states through extending the 'twinning' programme to send experts to help Georgia. This is a capacity that was lacking prior to the 2004 enlargement.
- *Actively engage in conflict resolution process.* For Georgia resolution of conflicts in Abkhazia and South Ossetia constitutes an existential problem. Therefore, increased support on the part of the EU in restoring territorial integrity would necessarily become a strong bargaining chip with the Georgian government in the absence of the membership card. In the case that the EU helps Georgia achieve one of its top priority mid-term objectives, such as peaceful restoration of territorial integrity (see sub-chapter 2.2.3), the chances for full-scale *Europeanization* will substantially increase. The EU could be of greater help by taking initiative to resolve the South Ossetian and Abkhazian conflicts. So long as they persist, Georgia will spend too much on its army, its relations with Russia will be tense and a resumption of fighting will be likely. The EU could best help by working with the Russians to broker settlements for both regions. Conflicts may constitute a serious discontinuity in the application of the ENP and hinder its achievement.
- *Include Georgia's political and security problems in the on-going dialogue with Russia.* The instruments for good relations and cooperation that the EU and Russia have developed outside of the ENP framework creates a good basis for developing an agenda regarding political and security problems in Georgia.
- *Broaden EUSR's mandate.* The current mandate does not allow the EUSR to actively participate in the process of conflict settlement. The mandate is particularly focused on the post-conflict rehabilitation phase, rather than on conflict resolution.⁶¹
- *Dismiss the 'Kosovo scarecrow'.* The EU must distance itself from the position that the determination of the status of Kosovo, in case it secedes from Serbia and Montenegro, may be replicated elsewhere. Even more so, the EU must develop a well reasoned position on this. To say we don't recognise a linkage is not good enough. Otherwise, separatists will "scream about double standards" if the EU endorses independence in Kosovo but pushes reunification in Georgia.⁶²
- *Coordinate policies with the U.S. in addressing conflicts.* The success in achieving a peace settlement could provide the impetus for a concerted regional move towards democratization and better governance. For that to happen, the EU and the US

⁶⁰ Grabbe, H., 'How the EU should help its neighbours', Policy Brief, Centre for European Reform, June 2004

⁶¹ In early 2006 the mandate was slightly reinforced as the new EUSR was appointed. It is still uncertain whether the renewed mandate will allow the EUSR for achieving tangible results. Appendix D provides for the comparison of the EUSR mandates in the South Caucasus and Moldova..

⁶² 'Kosovo issue inflaming separatism in EU neighbours', Euobnsrver, 25 February, 2006

should work together and use their combined leverage to get the conflicting parties, including Russia, to agree on a solution.⁶³

- *Ensure coherence of the EU and the US policies in democratic transformation of Georgia.* In order to secure the mass of perceived incentives sufficient to achieve 'transformative' leverage, especially in the absence of the membership prospects, this coherence is absolutely necessary for the Union. It would add efficacy to conditionality with respect to political reforms and human rights.
- *Support Georgia's bid for NATO membership.* Given that EU membership is not on the cards in the near future for Georgia, NATO could play a crucial role in anchoring Georgia in the West, protecting it from any tendencies Russia may have to interfere. Therefore, the EU should support Georgia's quest for NATO membership by encouraging the government to stick to peaceful ways of resolving the frozen conflicts.
- *Timely adopt the ENPI regulation and its implementation rules, providing inter alia for the smooth transition between the existing neighbourhood programmes (2005-2006) and the new cross-border cooperation programmes (2007-2013).* Ensure that the financing is adequate to support the ENAP.
- *Apply positive conditionality by offering the maximum possible level of incentives similar to the cases of Moldova and Ukraine.* The EU should ease some of its own restrictions on movements of goods and people, without delay. Greater flexibility on visas or an early offer of asymmetrical free trade access might offer a much greater chance of achieving many of the EU's objectives. These include economic growth, higher incomes and more investment in Georgia. Only then can the EU begin to expect the sort of transformation hoped for under the ENP.⁶⁴
- *When applying a conditionality mechanism, make conditions clear, consistent and credible.* Otherwise, the Georgian government may wish to retain degrees of freedom for its own bilateral actions, hoping that EU policy can be generally supportive.
- *Apply differentiation to the maximum* to make the Georgian government feel deservedly rewarded if reforms progress.
- *Apply competitive peer pressure method* whereby the additional aid could be made available to countries getting the best evaluation marks on reforms (similar to the US Millennium Challenge Account). If the EU manages to 'buy the critical mass of reform',⁶⁵ this would serve as an additional stimulus for the Georgian government to make the ENAP the centerpiece of the reform strategy.
- *Welcome and increase people-to-people contacts,* including in the key areas of youth and education, through measures such as priority access to the Erasmus Mundus programme, reinforced participation in the Tempus programme, support to

⁶³ The US has proved to have a realistic, clear-cut, and consistent policy toward Russia and the EU. It is primary Western power that Moscow purportedly respects. Close alliance with the US will help the EU protect Georgia and other new democracies against present and future Russian pressure.

⁶⁴ See sub-chapter 2.3.3

⁶⁵ See more on this in: European Neighbourhood Policy: enhancing prospects for reform in Mashreq countries. Final Report – Volume 2: Case studies and supplementary report, CEPS, April 2005, p. 18

Georgia's efforts to work towards convergence in higher education by participating in the Bologna process, considering the possibility of offering internships for young professionals, and continued support to independent media.⁶⁶

What Georgia can do

- *Adjust existing and future mid-term development policies to the ENAP.* Ensure coherence of policy formulation and do not admit serious reform set-backs in the short- and medium-term.
- *Adopt realistic ENP Action Plan.* During the ENAP negotiations focus attention on the key issues related to the institutional capacity-building. Dissociate the sector-specific topics from priority political issues such as EU's engagement in conflict resolution or border monitoring. The latter issues are beyond the EC's mandate to negotiate. Therefore, a parallel process of consultations with the political bodies of the EU (Council of European Union and Europarlament) and individual member states is to be established. At the same time, unlike accession countries, Georgia is unable to copy everything from the EU. Although this does not mean to slow down the legal approximation process. Instead, this process should be conditioned by its impact on economic development, especially on the business climate.
- *Develop a comprehensive Communication strategy.* Eventual success of the ENP process depends on the public's level of awareness about political, legal, economic and other aspects of the EU integration. This is important also because while some of the necessary reforms may not be overly popular, the government always should ensure that it can obtain as much public support as possible.
- *Start preparation for implementation of the ENAP as soon as possible.* It is highly desirable that the Implementation Plan is signed before the end of 2006 so that the ENPI resources are immediately available for the agreed reforms. Preparation of the Implementation Plan should include monitoring arrangements. Make sure that the plan is realistic and specifies actions, sets deadlines and lists responsible institutions. Ensure improved accountability and transparency of the whole ENAP implementation process.
- *Focus on building the coordination capacities.* Special attention is to be paid to the Office of the State Minister for European and Euro-Atlantic Integration as well as EU integration units within the line ministries.
- *Ensure creation of pre-requisites of effective utilization of the ENP resources.* The pre-requisites to take advantage of what the EU offers are a well-functioning state, a strongly motivated political class that wants to meet EU standards, and inflows of foreign direct investment. For a start, increase the efficiency of public administration. Skilled and motivated public service is crucial for effective utilization of the ENP resources. In this regard, timely adoption of a modern civil service code is critical.
- *Continue re-branding itself as a Black Sea state and therefore more European and less Caucasian.*⁶⁷ One of the purposes of this process, apart from developing

⁶⁶ This recommendation is copied from the General Affairs and External Relations Council's conclusions on Ukraine, 28 February 2005, at: <http://www.delukr.cec.eu.int/site/page34190.html>

⁶⁷ Most of the new member CEE countries have successfully redefined themselves prior to accession. E.g. the Baltic states were successfully redefined from post-Soviet into Central European states, Slovenia

dialogue in civil society, would be to design a tourism strategy aimed at attracting mainly European tourists. This would help to raise awareness among EU citizens about Georgia's history and culture.

- *Make an argument about deploying EU's border monitoring mission in Georgia.* Refer to the recent EU decision to deploy monitors at the Rafah border between Gaza and Egypt and in Aceh in Indonesia. This spotlights the bloc's growing global role and the increasing reach of European security and defense policy.⁶⁸
- *Know your friends in the member states, the EU Parliament and the Commission.* Increased lobbying capacity would ease advancement of Georgia's agenda. Particularly, winning the favor of friends would allow Georgia to secure more resources as the ENPI comes into effect

What is to be done jointly

- *Support the emergence of a core national executive.* The ENP process should encourage the emergence of a strong, central team to manage and coordinate the rapprochement process, because the conditionality is based on implementing a vast array of legislation and procedural rules in order to comply with EU standards.
- *Provide more opportunities for the populations in Abkhazia and South Ossetia by sharing the ownership of the ENAP.* This would help the local populace broaden its perceptions of the EU as a welcoming and accessible place, which will possibly lead to a reconceptualization of their identities and prioritize *Europeanization* as a path for development.
- *Enhance civil society dialogue between the EU member states and Georgia* in order to discuss concerns and perceptions in a frank and open manner. Public opinion in Georgia is strongly supportive of EU integration, but information on the history, the functioning, rules and policies of the European Union remains poor. This dialogue would also help to enhance public debate in Georgia on the ENP, which would lead to a deeper understanding and acceptance of EU values and standards. In addition to more general political issues, this dialogue is particularly important in certain areas of the EU *acquis*, such as the environment, food safety and consumer protection. An additional outcome of the dialogue will be further encouragement of pro-European forces both in politics and society. In the longer run, civil society dialogue will help advance *socialization*, a learning process that is directly related to extensive interaction between actors in partner states and the EU.

has dropped its Balkan identity to acquire Central European label, and Moldova has managed to join the South East Europe Stability Pact.

⁶⁸ 'EU ends year on upbeat note – but many challenges ahead', Khaleej Times Online, 27 December, 2005

APPENDIX A

MAP OF ENLARGING EUROPE



Source: The Economist, June 23, 2005

APPENDIX B

Glossary of Acronyms

BSEC	Black Sea Economic Cooperation
BTC	Baku-Tbilisi-Ceyhan (pipeline)
CEE	Central and Eastern Europe
CFSP	Common Foreign and Security Policy
DG	Directorate General
EDPRP	Economic Development and Poverty Reduction Program
EIB	European Investment Bank
ENAP	ENP Action Plan
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood Policy Instrument
EUSR	EU Special representative
GEPLAC	Georgian-European Policy and Legal Advice Center
GUAM	Georgia-Ukraine-Azerbaijan-Moldovs
IFI	International Financial Institution
KATB	Kars-Akhalkalaki-Tbilisi-Baku (railway)
MoA	Ministry of Agriculture
MoEdu	Ministry of Education
MoEn	Ministry of Energy
MoEnv	Ministry of Environment
MoLHSA	Ministry of Labor, Health and Social Affairs
MTEF	Medium Term Expenditure Framework
NEGP	North European Gas Pipeline
NPLH	National Plan for Law Harmonization
PACE	Parliamentary Assembly of Council of Europe
PCA	Partnership and Cooperation Agreement
SCGP	South Caucasus Gas Pipeline
SIPCA	Support to Implementation of the Partnership and Cooperation Agreement
TACIS	Technical Aid to the Commonwealth of Independent States
TRACECA	Transport Corridor Europe-Caucasus-Central Asia
UES	United Energy Systems
WMD	Weapons of Mass Destruction
WTO	World Trade Organization

APPENDIX C⁶⁹

Georgia, a developing country

	Georgia	China	Estonia	EMU	India	Romania
GDPcurrent bln \$ 2004	5,1	1649	10,8	9370	692	73,2
GNI per capita current 2004	1040	1290	7010	27630	620	2920
Population 2004	4521000	1296000000	1345000	307445536	1079721216	21857702
Agric%VA 2003	20	15	4	2	22	12
Inflation 2003	4	2	2		3	19
Electricpower cons 2002 (kwh per cap)	1158	987	3882	5912	380	1632
Internet users/1000 (2003)	31	63	444	378	17	184
Life expectancy at birth 2003	73	71	71	79	63	70
Mortality rate infant/1000 2003	41	30	8	4	63	18
School enrolment secondary (%) 2002	61		88	91		81

Georgia and its neighbours

	Georgia	Armenia	Azerbaijan	Russia	Turkey
GDPcurrent bln \$ 2004	5,1	3,55	8,52	582,4	302
GNI per capita current 2004	1040	1120	950	3410	3750
Population 2004	4521000	3049658	8279540	142814208	71727048
Agric%VA 2003	20	24	14	5	13
Inflation 2003	4	5	4	14	23
Electricpower cons 2002 (kwh percap)	1158	1113	1878	4291	1458
Internet users/1000 (2003)	31	37	37(2002)		85
Life expectancy at birth 2003	73	75	65(2000)	66	69
Mortality rate infant/1000 2003	41	30	75	16	33
School enrolment secondary (%) 2002	61	83	76		

Georgia and examples of transition income-driven economies

	Georgia	Albania	Croatia	Kyrgyz Rep	Moldova
GDPcurrent bln \$ 2004	5,1	7,59	34,2	2,2	2,6
GNI per capita current 2004	1040	2080	6590	400	710
Population 2004	4521000	3187976	4507720	5099400	4217700
Agric%VA 2003	20	25	8	39	23
Trade balance 2004 (mln \$ EBRD)	- 720	- 1 675	- 8 227	- 182	- 788
Inflation 2004 (%)	5.7	2.9	2.1	4.1	12.5
Cum. FDI inflows per capita 1989-04 (EBRD)	371	450	2106	110	217
External debt 2004 (mln \$, EBRD)	2 039	1537	30 200	2044	10973
External debt 2004 (% GDP)	40%	20%	88%	94%	76%
Debt service 2004 (as % of export)	13.7	4.6	24.2	12.5	11
Electricpower cons 2002 (kwh per cap)	1158	1390	2855	1269	909
Internet users/1000 (2003)	31	10	232	38	80
Life expectancy at birth 2003	73	74	74	65	67
Mortality rate infant/1000 2003	41	18	6	59	26
School enrolment secondary (%) 2002	61	77	87		69
Remittances mln \$ (2004)	300ml	699 (2001,IMF)	727 (2001, IMF)	420	460
Remittances as % GDP	6% (WB)	10%*	2%	20%	19% (WB)
Remittances as % State Expenditures	≈ 37%	≈ 27%	≈ 5%	≈100%	≈ 72%

⁶⁹ Charts are taken from the manuscript of the article – Samson, I., Zagainova, N., 'The search of a development path: Challenges for Georgia' to be published in: *Georgian Economic Trends, Quarterly review, March 2006, No. 4, GEPLAC*

APPENDIX D

The comparative analysis of the EUSR mandates for Moldova and Georgia⁷⁰

EUSR Mandate for Moldova	EUSR Mandate for Georgia
(1) On June 14 2004 the Council states the willingness of the European Union to play more active role in Moldova	(1) The Council has stated its willingness to play a more active political role in the South Caucasus (Armenia, Azerbaijan, Georgia)
Objectives:	Objectives:
The very first objective (art. 2,1, (a)) reads: “...to contribute to a peaceful settlement of the Transnistria conflict and to the implementation of such a settlement on the basis of a viable solution, respecting the sovereignty and territorial integrity of the Republic of moldova within its internationally recognised borders”.	The very first objective (art. 2,1, (a)) reads: “...to assist Armenia, Azerbaijan and Georgia in carrying out political and economic reforms...”
Emphasis on conflict <i>resolution</i>	Emphasis on conflict <i>prevention</i>
<ul style="list-style-type: none">• Art. 2,1, (a), - (contribute to a peaceful settlement of Transnistria conflict);• Art. 3,1 (a), - (strengthen the EU contribution to the resolution of the Transnistria conflict);• Art.3 (b) (“assist in the preparation, as appropriate, of EU contributions to the implementation of an eventual conflict settlement”);• Art.3, (d) (“assist in the further development of the EU’s policy towards the Republic of Moldova and the region, inparticular regarding conflict prevention and conflict resolution”);• Art.3 (d))“follow political developments in Transnistrian region”)	<ul style="list-style-type: none">• Art. 2 (b) (“prevent conflicts in the region);• Art. 3 (c) (“contribute to the prevention of conflicts”);• Art. 3 (d) (“assist on conflict resolution, in particular to enable the EU better to support UN, Group of Friends, OSCE, etc.”)
	<i>Comment:</i> <ul style="list-style-type: none">- No mention of the respect for sovereignty and territorial integrity of Georgia- EUSR mandate focuses on assisting other organization’s activities rather than guiding the EU initiated process

⁷⁰ The document is prepared by the Georgian Ministry of Foreign Affairs

APPENDIX E

COUNCIL OF
THE EUROPEAN UNION

Brussels, 21 February 2006

Declaration by the Presidency on behalf of the European Union on recent developments in Georgia -South Ossetia

The European Union refers to the Resolution of the Georgian Parliament of 15 February 2006 on South Ossetia, the peace process and the performance of the peacekeeping force under Russian command.

The European Union reiterates its support for a peaceful resolution of the territorial conflicts in Georgia, based on respect for the sovereignty and territorial integrity of Georgia within its internationally recognised borders.

The European Union urges all parties concerned to refrain from unilateral action and to find a constructive approach in order to increase the effectiveness of peacekeeping in South Ossetia.

The European Union stresses the need for a constructive exchange of views between interested international actors in the region, including EU and OSCE Member States, on possible additional efforts contributing to peaceful settlement mechanisms in South Ossetia.

The European Union points to the need to increase the effectiveness of the negotiating mechanisms. The work of the Joint Control Commission (JCC) should be measured by the rapid implementation of all outstanding agreements previously reached and in particular by the start of demilitarisation.

The European Union deeply regrets the cancellation of the high-level JCC meeting as scheduled to take place in Vienna (20-21 February), and urges the parties to resume dialogue as soon as possible.

The European Union recalls its support for the initiatives taken towards peaceful resolution of the conflict and, following decisions made at the OSCE Ministerial Council in Ljubljana in December 2005, its belief that the Peace Plan built upon the initiatives of the President of Georgia presented at the 59th UNGA will serve as a basis for the peaceful settlement of the conflict.

The European Union reiterates that it stands ready to contribute actively, and in every relevant forum, to accelerating the process of demilitarisation and of conflict resolution overall, which has been stalled for too long.

The European Union underlines the value of the Georgian leadership's commitment to political and economic reforms, based on respect for democratic values, rule of law and human rights, including rights of ethnic minorities.

The Acceding Countries Bulgaria and Romania, the Candidate Countries, Croatia* and the former Yugoslav Republic of Macedonia*, the Countries of the Stabilisation and Association Process and potential candidates Albania, Bosnia and Herzegovina, Serbia and Montenegro, and the EFTA countries Iceland, Liechtenstein and Norway, members of the European Economic Area, as well as Ukraine and the Republic of Moldova align themselves with this declaration.

* Croatia and the former Yugoslav Republic of Macedonia continue to be part of the Stabilisation and Association Process.

APPENDIX F

Tbilisi, February 15

Resolution of the Parliament of Georgia on the Current Situation in the Former South Ossetian Autonomous District and the Ongoing of the Peacekeeping Process

In accordance with paragraph 2 of the resolution No 1927-II of the Parliament of Georgia on the "Current Situation in the Conflict Regions on the Territory of Georgia and Ongoing Peace Operations", adopted on 11 October 2005, the Parliament of Georgia heard the report of the Government of Georgia on the current situation in the former Autonomous District of South Ossetia and fulfillment of commitments undertaken by the Peace-keeping forces dislocated there.

Proceeding from the aforementioned report, the Parliament of Georgia resolves:

1. To assess the activity and fulfillment of the obligations within the current mandate of the peace-keeping forces dislocated in the former Autonomous District of South Ossetia as extremely negative, and actions of the Russian Federation as permanent efforts aimed at annexation of this region of Georgia.
2. To entrust the government of Georgia with the task of enforcing the provisions laid down in paragraphs 4 and 6 of the resolution # 1927-IIs of the Parliament of Georgia on the "Current Situation in the Conflict Regions on the Territory of Georgia and Ongoing Peace Operations" adopted on 11 October 2005, including the Sochi Agreement of 24 June 1992, and also to take steps aimed at replacing the peace-keeping forces of the Russian Federation dislocated in the Former Autonomous District of South Ossetia with an effective international peace-keeping operation.
3. In order to avoid further inspired destabilization of the situation on the territory of former Autonomous District of South Ossetia, to put an end to the massive violations of human rights and fundamental freedoms and to start a genuine peace process, to entrust the government of Georgia with the task of intensifying the work with international organizations and partner States aimed at working out a new format for peace process.
4. In order to secure a comprehensive, peaceful and political settlement of the conflict on the territory of former Autonomous District of South Ossetia, to entrust the Government of Georgia with the task of intensifying the work with international organizations and partner States aimed at full implementation of peace plan endorsed by the Foreign Ministers of the OSCE member states.
5. To entrust the Government of Georgia with the task of providing the existing documents to international organizations, the Russian Federation and the partner states with regard on the current situation in the former Autonomous District of South Ossetia and the failure of the peace-keeping forces to fulfill their commitments.

Chairperson of the Parliament of Georgia
Nino Burjanadze

