

# The EU's in Two Minds? The Eastern Partnership and EU External Governance in the South Caucasus<sup>1</sup>

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## CONCEPTUAL FRAMING

In the field of European studies, the past decade has seen a burgeoning growth in the academic literature addressing the issue of European Union (EU)<sup>2</sup> external governance due to a considerable extent to the eastern enlargement in 2004 and 2007, which extended the EU's border to new neighbours. The term 'external governance' has been used by several scholars as a conceptual framework to explain the overarching approach the EU embraces in interacting with the world outside. A wide array of literature, notwithstanding different epistemological and methodological assumptions, provides an insightful analysis of the characteristics of EU external governance, including the extension of EU rules and institutions beyond EU's borders,<sup>3</sup> multilevel governance,<sup>4</sup> and Europeanisation.<sup>5</sup> The term is, moreover, closely interlinked with the broader theoretical framework explaining the role of the EU in international politics, including Normative Power Europe (NPE)<sup>6</sup> and EU's power on the global arena.<sup>7</sup> Drawing on the aforementioned insight, EU external governance can be conceptualised as a set of problem-solving governance tools the EU devises to transfer its agendas<sup>8</sup> and frame its external relations

<sup>1</sup>The author would like to express sincere gratitude for those involved in Jean Monet Summer School 'European Integration and Energy Security 2017' hosted by Yerevan State University, Armenia.

<sup>2</sup>In this article, the EU refers to EU institutions and it is treated as an actor in the international arena.

<sup>3</sup>Sandra Lavenex, 'EU External Governance in 'Wider Europe,' *Journal of European Public Policy*, 11 no. 4 (2004), pp. 680-700; Sandra Lavenex, 'A Governance Perspective on the European Neighbourhood Policy: Integration beyond Conditionality?' *Journal of European Public Policy*, 15 no. 6 (2008), pp. 938-955; Sandra Lavenex and Frank Schimmelfennig, 'EU Rules Beyond EU Borders: Theorizing External Governance in European Politics,' *Journal of European Public Policy*, 16 no. 6 (2009), pp. 791-812.

<sup>4</sup>See Joachim Mugenzi, 'EU External Governance: Regionalizing Multilevel Networks of Governance,' *Journal of European Integration*, 37 no. 3 (2015), pp. 353-370; Attila Ága and Attila Kovács, 'EU Cohesion Policy in the Eastern Partnership Region: A Case of External Europeanisation,' in *Handbook on Cohesion Policy in the EU*, ed. by Simona Prattoni and Laura Polverari (Northampton, MA: Edward Elgar Publisher, 2016).

<sup>5</sup>See Eva Gross, *The Europeanization of National Foreign Policy. Continuity and Change in European Crisis Management* (Basingstoke: Palgrave Macmillan, 2009).

<sup>6</sup>See Ian Manners, 'Normative Power Europe: A Contradiction in Terms?' *Journal of Common Market Studies*, 40 no. 2 (2002), pp. 235-258; see also a critical analysis of the concept in Christopher Bickerton, *European Union Foreign Policy: From Effectiveness to Functionality* (Basingstoke: Palgrave Macmillan, 2011).

<sup>7</sup>Asle Toje, *The European Union as a Small Power: After the Post-Cold War* (Basingstoke: Palgrave Macmillan, 2011).

<sup>8</sup>The EU's agendas in this respect include both its idealistic vision and the material interests that the EU and its member states pursue.

based on the core values<sup>9</sup> upon which the EU is built. In this respect, external governance is value-laden, assuming normative changes in the third countries as a result of the interaction within the contour of external governance. It also shows the problem-solving objective in that external governance as such basically targets and seeks to mitigate the mismatch between the EU and the third country. This, it can be assumed, further reduces the problems that may arise in the partnership-building with the outsiders. Furthermore, Korosteleva rightly points out that ‘the notion of external governance explicitly draws on a compulsory element of conditionality.’<sup>10</sup> In short, EU external governance eventually requires conformity from the third country with which it interacts and the fundamental criteria against which the EU employs to assess the third country are based on its core values.

The Eastern Partnership (EaP) was launched in 2009 to bridge the gap in the European Neighbourhood Policy and specifically tailored to the characteristics of the six partners.<sup>11</sup> All three South Caucasus states, namely Armenia, Azerbaijan, and Georgia, are included in the EaP. Essentially the EaP aims at deepening the partnership between the EU and its current eastern neighbours. Put differently, it is the manifestation of the EU’s attempt to bring its neighbours closer whilst not promising them membership. In this respect, through the EaP, the EU offers an opportunity for the three South Caucasus states to get benefits from being its member in accordance with the degree to which they abide by EU external governance packages. However, as EU external governance operates with the logic of more EUropeanised, more benefits from the EU, it makes the partnership scalable depending on the EU’s ability to initiate changes and the receptiveness based fundamentally on the interests of the partner states. More importantly, in the South Caucasus, Russia has attempted to provide an alternative form of governance through the Eurasian Economic Union (EEU) in order to revitalise its hegemonic status in the region. This means, notwithstanding striking differences in the degree of proximity, Russia is still and will remain in the equation when the South Caucasus states decide to adopt changes under the framework of EU external governance.

Hence, this paper addresses the asymmetry of the partnership between the EU and the three South Caucasus states, which eventually stymies the ability of the EU to implement external governance through the EaP. The paper presents, in the first part, the background of

<sup>9</sup>The EU core values are human dignity, freedom, democracy, equality, the rule of law, and respect for human rights. See European Union, ‘The EU in Brief,’ Retrieved 12 August 2017 from: [https://europa.eu/european-union/about-eu/eu-in-brief\\_en](https://europa.eu/european-union/about-eu/eu-in-brief_en).

<sup>10</sup>Elena A. Korosteleva, ‘Change or Continuity: Is the Eastern Partnership an Adequate Tool for the European Neighbourhood?’ *International Relations*, 25 no. 2 (2011), p. 250.

<sup>11</sup>The EaP partner countries are Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine. However, this paper focuses on merely the three South Caucasus states.

the relationship between the EU and South Caucasus states with an emphasis on the deteriorating relationship between the EU and Russia after the annexation of Crimea in 2014. In the second part, it examines four factors constraining the implementation of EU external governance, namely the rival governance model provided by Russia, the scalable asymmetry of the partnership between the EU and the three South Caucasus states, the energy conundrum, and the frozen conflicts in the region. It then concludes by assessing the future direction of EU external governance through the EaP in the region.

### **I: THROUGH THE EBB AND FLOW**

Since the introduction of the EaP, the EU and the three South Caucasus countries have had their obvious ups and downs. In January 2015, Armenia had become a member of the Eurasian Economic Union despite the fact that the country had been actively negotiating the Association Agreement with the European Union. The strategic reorientation towards Russia<sup>12</sup> surprised not only Brussels but also a number of pro-EU Armenians who felt betrayed by their government. In contrast, Georgia achieved visa liberalisation in February 2017 after it entered into a Deep and Comprehensive Free Trade Area (DCFTA). This makes Georgia the EU's closest partner country in the region and drastically pushes the country away from Russia's influence, let alone the deteriorating relationship between the two. Azerbaijan has been enjoying relative independence in its strategic decisions, which seem to accommodate both the EU's and Russia's interests. It can be said that Azerbaijan adopts 'a "rejectionist" position, preferring self-reliance.'<sup>13</sup> Additionally, Azerbaijan, as well as Armenia, did not sign the Association Agreement with the EU. Therefore, unsurprisingly, the EaP programmes in Armenia and Azerbaijan hardly touch upon domestic political issues vis-à-vis Georgia. For instance, the priority sectors in the European Neighbourhood Instrument for 2014-2017 are regional and rural development for Azerbaijan and private sector development for Armenia. In contrast, the EU focuses on public administration and justice sector reform in Georgia, which are more politically sensitive.<sup>14</sup>

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<sup>12</sup> Many scholars call this move 'Armenia's strategic U-turn;' see Richard Giragosian, *Armenia's Strategic U-turn*, European Council on Foreign Relations (2014), pp. 1-6; Anahit Shirinyan and Stefan Ralchev, *U-turns and Ways Forward: Armenia, the EU and Russia Beyond Vilnius*, Institute for Regional and International Studies (2013), pp. 1-13.

<sup>13</sup> Apart from Azerbaijan, Turkmenistan and Uzbekistan also adopt rejectionist stances. See George Vlad Niculescu, 'Sailing South Caucasus Through Troubled Waters Towards Regional Integration,' *Connections: The Quarterly Journal*, 14 no. 2 (2015), pp. 37-50.

<sup>14</sup> See the EU's priorities in each country in European Union, 'European Neighbourhood Policy And Enlargement Negotiations,' Retrieved 11 November 2017 from: [https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/overview\\_en](https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/overview_en)

Hence, it is clear that in practice the implementation of the EaP is totally different depending primarily upon the level of leverage the EU has in the partnership-building process. In other words, the implementation of external governance is likely to be more effective when the EU has strong leverage on the relationship with the partner states. However, this does not necessarily suggest that EU leverage is the only factor contributing to the success of the EU in implementing external governance. Of equal importance, it also depends upon the Russian factor in the sense that it constrains the available choices for both the EU and the South Caucasus states to interact with each other. For instance, due to the frozen conflict between Armenia and Azerbaijan over Nagorno-Karabakh, Armenia needs Russia as a security provider, thus adopting a closer Eurasian integration rather than the EU integration. Accordingly, the oscillating relationships between the EU and the South Caucasus countries resulted considerably from the increasing tensions between Russia, which has been trying to employ all means at its disposal to exert its influence over the post-Soviet space, and the EU, which attempts to promote its external governance in the region.

However, for the EU, successful implementation of external governance is not the sole objective it seeks to achieve. The driving forces behind EU external governance are the EU's interests, which underpin the practical aspect of EU external governance. The EU, for instance, needs energy security by getting a guarantee of an uninterrupted accessibility to South Caucasus energy reserves. Energy matters are thus incorporated in the EaP, such as the energy flagship project and the Eastern Partnership Platform on Energy Security, to name but a few. The interest-driven element of EU external governance creates a gap in the partnership; the expectations of the EU and the South Caucasus states must be aligned if the gap is to be bridged. However, the inherently asymmetrical character of EU external governance makes it difficult for Armenia and Azerbaijan especially to align their interests with the EU. Although Georgia shows its willingness to further adopt the EU governance model, the country is still struggling to fully adjust its interests to the EU in certain issues such as the settlement of conflicts in South Ossetia and Abkhazia. All in all, the actual implementation of EU external governance takes different shapes in each South Caucasus state. The implementation of EU external governance in Armenia is practically limited, particularly after the country joined the Eurasian Economic Union, leading to the formation of a relatively exclusive relationship with Russia. This fact reasserts the importance of the Russian factor. Azerbaijan attempts to position itself as the EU's equal

partner.<sup>15</sup> Hence, domestic resistance, particularly from political elites bolstered by being an energy-rich country, makes EU external governance highly selective from both sides. The EU tries to formulate tailor-made programmes in implementing external governance in Azerbaijan whereas Azerbaijan clearly cherry-picks only the less politically sensitive programmes it finds beneficial to national interests. Regarding Georgia, despite its firm pro-European position, there are some doubts arising in relation to how much the EU can really bring about security and prosperity. Additionally, the fear of being in an asymmetrical power relation appears in public discourse.<sup>16</sup> In this respect, the implementation of EU external governance in Georgia is very much dependent upon the EU's ability to sustain the pro-European momentum in the country.

## **II: EU'S NORMATIVE POWER VIS-À-VIS RUSSIA'S HARD POWER: IMPLICATIONS FOR EU EXTERNAL GOVERNANCE**

In the wake of the Georgia-Russia conflict in 2008 and the Russian annexation of Crimea in 2014, the relationship between the EU and Russia constantly deteriorated and has since remained tense. In particular, 'the ongoing crises in Ukraine can be illustrated as the nadir of the relationship between the EU and Russia.'<sup>17</sup> Moreover, the incident was a watershed in the EU- Russia relationship. Such a downturn in the relationship greatly affects the South Caucasus in that the region, which is located in the in-between space, has become a new geostrategic battlefield between the EU as well as its transatlantic allies and Russia. However, the EU tries to bring about changes in the region through the implementation of external governance particularly in the form of partnership-building under the framework of the EaP. In contrast, Russia is clearly more aggressive and even employs military intervention, be it directly or indirectly in the form of hybrid warfare in order to exert its influence over the South Caucasus.

In the past decade, Russia's direct and indirect military intervention in its 'near abroad' states has become obvious and the old antagonisms between the West and Russia fester. The expanding EU and, potentially, NATO enlargement to the states under Russia's sphere of influence bring about Russia's agitated exasperation. In response to such perceived threats, Russia, as pointed out above, relies more upon a hard power approach including military

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<sup>15</sup> Eske van Gils, 'Differentiation through bargaining power in EU-Azerbaijan relations: Baku as a tough negotiator,' *East European Politics*, 33 no. 3 (2017), pp. 388-405

<sup>16</sup> Lia Tsuladze, 'On Europeanisation, national sentiments and confused identities in Georgia,' *Communist and Post-Communist Studies*, 50 (2017), pp. 125-133.

<sup>17</sup> Hiski Haukkala, 'From Cooperative to Contested Europe? The Conflict in Ukraine as a Culmination of a Long-Term Crisis in EU-Russia Relations,' *Journal of Contemporary European Studies*, 23 no. 1 (2015), pp. 25-40.

intervention in the region. The war between Russia and Georgia in 2008 helps to illustrate the point. On the contrary, the EU, at best, can merely provide reform incentives through an introduction of the EU governance package when it tries to make the South Caucasus a fertile ground for partnership. 'Even though the European Commission states that the EaP would be developed in parallel with the strategic partnership with Moscow, Russia remains vigilantly sceptical about it.'<sup>18</sup> Having pointed out Russia's reliance upon hard power does not suggest that the country merely employs such a means. Russia also employs many kinds of political technology — e.g., creating propaganda through Russian media or clandestinely sponsoring pro- Russia politicians — to project its dominant power abroad.<sup>19</sup> It is thereby conspicuous that this competition shows a strategic imbalance in that Russia can and tends to make aggressive military moves if necessary since the country's foreign policies towards its neighbours are based on realpolitik consideration. In light of strategic imbalance as such, the South Caucasus states are faced with hard choices between embracing EU governance package and thus becoming more Europeanised (Georgia), getting closer to Russia (Armenia), or choosing neither the EU nor Russia (Azerbaijan). It should be noted as well that they encounter several Russian strategies to destabilise their aspirations to get closer to the EU because Russia considers its relationship with the EU in a zero-sum manner.<sup>20</sup>

Furthermore, the implementation of external governance is stymied, to a great extent, by Russia, which has adopted a number of countermeasures such as the Russia-led Eurasian Economic Union and Collective Security Treaty Organisation. Armenia is a full member of both organisations. In this sense, Russia acts in parallel as a governance provider in the region in that Russia also introduces an alternative form of governance, which is abundantly incompatible with the EU's core values. The presence of Russia's military forces in the conflicting areas in the region and the support for pro-Russia political parties from time to time limits the EU's ability to disseminate its external governance. For instance, Baku-Moscow arms deals have flourished seeing that Russia is the major arms supplier of Azerbaijan. Furthermore, Russia's powerful grip on Armenia's energy sector gears the country away from the EU. All in all, as Russia employs all the possible means at its disposal to exert its influence in the region whilst the EU relies on offering market incentives and institutional reforms, the power competition is visibly

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<sup>18</sup> Serena Guisti, 'Russia in Crisis: Implications for Europe,' in *Europe and the Financial Crisis*, ed. by Pompeo Della Posta and Leila Simona Talani (New York: Palgrave MacMillan, 2011), p.252.

<sup>19</sup> See Andrew Wilson, *Virtual Politics: Faking Democracy in the Post-Soviet World* (New Haven and London: Yale University Press, 2005).

<sup>20</sup> Hannes Adomeit, *Russia and its Near Neighbourhood: Competition and Conflict with the EU*, Natolin Research Papers, College of Europe, Bruges, 2011, p. 1.

disproportionate. Therefore, Russia's countermeasures are the major regional-level constraints to effective implementation of external governance in the South Caucasus.

### **SCALABLE ASYMMETRY OF PARTNERSHIP: 'MORE FOR MORE' (NOT) ANYMORE?**

Through the external governance package, the EU tries to transfer its rules and norms to each country in the South Caucasus, which manifest in the form of initiatives and programmes based on priority areas of partnership. Such a transfer of the EU's ways of doing things can be considered as a 'Europeanisation process',<sup>21</sup> which develops in parallel as a result of the implementation of external governance. For instance, Georgia has successfully undergone a series of judicial reforms and a corruption crackdown due prominently to the pro-EU government, which actively implements domestic structure adjustments in accordance with EU governance.

However, the EU is less successful in transferring its rules and norms in Azerbaijan and Armenia. In particular, the latter is almost completely under Russia's influence. It must be noted that external governance, too, brings along the EU's core values such as human rights protection and respect for individual freedom. In this regard, the implementation of external governance in the South Caucasus apparently reflects safeguarding both the EU's values and interests. The EU thus establishes itself as a pragmatic norm changer in the region in that the EU not only projects its norms to the region but also utilises conditionality to ensure practical outcomes. Put differently, 'it is necessary for the EU to strive towards a balance between material gains and moral impulse.'<sup>22</sup> However, conflating norms and practical interests in the implementation of external governance causes asymmetry in partnership-building between the EU and the South Caucasus states.

It is unequivocal that the EU's transformational power in the region is reliant primarily upon carrot-and-stick tactics in partnership-building. 'With its EaP initiative, the EU has set an ambitious goal to bring partner countries closer to the EU through comprehensively and deeply transforming their political and socio-economic system of governance.'<sup>23</sup> The bottom line is that the more a country commits itself to EU external governance, the more integration with the EU

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<sup>21</sup> Claudio M. Radaelli, 'The Europeanization of Public Policy,' in *The Politics of Europeanization*, ed. Kevin Featherstone and Claudio M. Radaelli (Oxford: Oxford University Press, 2003).

<sup>22</sup> Esther Barbé and Elisabeth Johansson-Nogués, 'The EU as a modest 'force for good': the European Neighbourhood Policy,' *International Affairs*, 84 no. 1 (2008), p. 83.

<sup>23</sup> Kamala Valiyeva, 'The EU's Eastern Partnership: normative or geopolitical power projection?' *Eastern Journal of European Studies*, 7 no. 2 (2016), p. 21.

will be facilitated.<sup>24</sup> But membership is obviously not promised. Moreover, when it comes to security matters, the EaP serves as a tool for the EU to maintain its 'hegemonic domination of its vision of security.'<sup>25</sup> This clearly illustrates that the EU is in the position of setting the vision and goals of partnership, which contradicts the rhetoric of the EaP, underscoring equal partnership. In other words, the EaP is the EU's project, in which several elements are pre-defined by the EU. This asymmetrical feature of the partnership is at the same time scalable, depending upon the level of commitment of the partner country to embrace external governance.

In addition, it is worth re-emphasising that the EU still restrains its pushing move in the region as Nuriyev nicely elucidates that 'the EU seems to adopt a rather skeptical wait-and-see approach towards the South Caucasus region.'<sup>26</sup> The reluctance of the EU thus generates a discontinued dynamic in the relationships, which at times leads to a deficiency in further cooperative development. This illustrates that the scalability in the partnership between the EU and the South Caucasus states can happen as well on the EU side. In particular, in relation to sensitive security regional issues, the EU, as well as its western allies, shows disinclination. For instance, 'the West's failure to intervene credibly in the Georgian conflict reduces the prospects of strong Western action to strengthen and broaden the East–West energy transportation corridor across the South Caucasus.'<sup>27</sup> Hence, in light of the EU's inconsistent partnership dynamics, coupled with the fact that the region has become more fragmented in the past few years, the implementation of external governance displays a sign of inertia and the 'EU's bureaucratic dilatoriness additionally enervates the partnership dynamics.'<sup>28</sup> Bishku points out that, moreover, the three South Caucasus countries have hardly cooperated amongst themselves,<sup>29</sup> let alone the fact that Armenia and Azerbaijan remain in conflict over Nagorno- Karabakh. What's more, as Paul argues, 'as a result of the Crimean annexation, Azerbaijan, Turkey, and Georgia have taken steps to further strengthen their cooperation, rendering

<sup>24</sup> It can also be conceptualised as a more-for-more approach. See Yannis A. Stivachtis, 'European Union, Conditionality and Empire,' in *Revisiting the European Union as Empire*, ed. Hartmut Behr and Yannis A. Stivachtis, (New York: Routledge, 2016), p. 88.

<sup>25</sup> Licinia Simão, 'Bringing "the political" back into European security: challenges to the EU's ordering of the Eastern Partnership,' *East European Politics*, 33 no. 3 (2017), pp. 338-354.

<sup>26</sup> Elkhan Nuriyev, 'Azerbaijan and the European Union: New Landmarks of Strategic Partnership in the South Caucasus-Caspian Basin,' *Southeast Europe and Black Sea Studies*, 8 no. 2 (2008), p. 166.

<sup>27</sup> Kornely K. Kakachia, 'Challenges to the South Caucasus regional security aftermath of Russian–Georgian conflict: Hegemonic stability or new partnership?' *Journal of Eurasian Studies*, 2 (2011), p. 19.

<sup>28</sup> Aaron Matta, 'The EU's Differentiated Integration Frameworks: Legislative Approximation and Lessons for the Eastern Partnership,' in *The European Neighbourhood Policy in a Comparative Perspective: Models, challenges, lessons*, ed. Sieglinde Gstohl (New York: Routledge, 2016), p. 211.

<sup>29</sup> Michael B. Bishku, 'The South Caucasus Republics and Russia's Growing Influence: Balancing on a Tightrope,' *Middle East Review of International Affairs*, 15 no. 1 (2011), pp. 1-12.



Armenia isolated and more dependent on Russia.<sup>30</sup> Therefore, the multilateral track outlined in the EaP to promote cooperation amongst the three South Caucasus states is severely crippled. What is happening in the South Caucasus is the fragmentation of national trajectories, which forces the EU to implement external governance in an ad hoc manner. In other words, with the almost completely different governance trajectory of each South Caucasus state, the EU, consequently, has to tackle the issues in each country differently and, of necessity, asymmetrically. Hence, ad-hocism seems to be the most efficient move the EU considers and tends to dominate the regional scene for a certain period of time. But, at the same time, ad-hocism in the implementation of external governance may fizzle out pro-EU forces in the region especially when membership aspiration is non-existent in the foreseeable future.

For brevity's sake, the implementation of external governance through the EaP in the South Caucasus is clearly asymmetrical and scalable. The case of Georgia is the most illustrative because the country has been constantly receptive to external governance. Therefore, it allows the EU-centric definition of partnership to prevail in exchange for more integration. In contrast, as Armenia and Azerbaijan show hesitance to embrace EU external governance, the EU likewise keeps its distance.

### **ENERGY CONUNDRUM: DIVERSIFYING RISK AND THE RISK OF DIVERSIFICATION**

Being a resource-rich region, the South Caucasus is strategically vital for both the EU and Russia. Moreover, the South Caucasus links the Caspian region to Europe, underscoring its geopolitical significance. Azerbaijan has a large oil reserve whilst Georgia, notwithstanding less significant oil reserve, is of vital importance as a transit hub. On the contrary, Armenia, however, lacks natural resources and depends almost solely upon Russia's energy. Despite Russia's recent slightly diminishing role in the country's energy sector,<sup>31</sup> Armenia remains far from being sufficiently independent of Russian oil and gas to establish its own governance direction. Additionally, it must be noted that Armenia has already suffered from a fuel blockade from Azerbaijan and Turkey.

After the 2004 and 2007 enlargement, the EU has formulated policies and launched several programmes, which aim primarily to stabilise the potential threats emerging around the

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<sup>30</sup> Amanda Paul, 'The EU in the South Caucasus and the Impact of the Russia – Ukraine War,' *The International Spectator*, 50 no. 3 (2015), p. 40.

<sup>31</sup> Emil Danielyan, 'Russian State Presence in Armenian Energy Sector Declining,' Retrieved 14 November 2017 from: <http://www.eurasianet.org/node/78661>

EU's borders through a vast variety of cooperation initiatives covering both political and economic issues. In light of energy matters, 'the EU's energy security strategy considers Caspian hydrocarbons as a means to diversify its energy supplies and reduce its dependency on Russia in particular.'<sup>32</sup> Therefore, the EU's concerns about energy security are addressed in the instruments such as European Neighbourhood Policy (ENP), Black Sea Synergy (BSS), and Eastern Partnership (EaP).<sup>33</sup> In particular, as argued above, the EU employs these tools to safeguard its interests as well as to promote its core values in the neighbouring countries. They thus reflect the EU's European vision towards the South Caucasus region. Otherwise stated, the EU wants the region to be stable enough so that the risks associated with the diversification of energy sources of the EU become diminished. However, in practice, the actualisation of this vision is rather dull due immensely to the Russian factor and significant differences amongst member states in terms of national consideration of energy security. For instance, Germany's support for the Nord Stream 2 pipeline project initiated by Russia's Gazprom is criticised for defeating the whole purpose of the Energy Union,<sup>34</sup> which ultimately seeks more independence from Russian energy sources.

Nevertheless, the EU's attempt to diversify energy sources stays persistent. In the mid-1990s, the EU initiated a regional energy cooperation programme — INOGATE (Interstate Oil and Gas Transportation to Europe) — which includes the three South Caucasus states amongst others. Currently, the cooperation as such continues under the framework of EU4Energy Programme through the EaP. However, the significant change is that the EU places more emphasis on 'the improvement of energy legislative and regulatory frameworks.'<sup>35</sup> In this respect, it is quite evident that the EU is striving to create policy and legislative convergence between the Energy Union and those in the South Caucasus states. Georgia, undoubtedly, is more advanced compared to Armenia and Azerbaijan as it has already joined the Energy Community. This means that Georgia has undergone vast reforms in accordance with the *acquis communautaire* in order to get into the Community. Moreover, this leads to more EaP programmes and initiatives in Georgia since the area of the partnership is expanded and covers more policy areas. Armenia is still an observer whilst Azerbaijan shows no serious interest in participating in the Community.

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<sup>32</sup> *Energy security in the South Caucasus: views from the region*, ed. Leila Alieva and Natalia Shapovalova (Madrid: FRIDE, 2015), p.5.

<sup>33</sup> Haydar EFE, 'Foreign Policy of European Union Towards the South Caucasus,' *International Journal of Business and Social Science*, 3 no. 17 (2012), p. 188.

<sup>34</sup> Anna Kinberg Batra and Gunnar Hoekmark, 'Nord Stream 2 is incompatible with Energy Union,' Retrieved 14 November 2017 from: <https://euobserver.com/opinion/136848>

<sup>35</sup> EU Neighbours, 'EU4Energy: new EU project to continue work done in EaP by energy cooperation programme,' INOGATE, Retrieved 14 November 2017 from: <http://www.euneighbours.eu/en/east/stay-informed/news/eu4energy-new-eu-project-continue-work-done-eap-energy-cooperation>

Again this reaffirms the argument that the implementation of external governance is more effective when the EU has more leverage over the third country it interacts with. But this simultaneously shows the asymmetry of partnership by which the EU is in the controlling position in the relationship, thereby contradicting the principle of equal partnership. All in all, the attempts made by the EU to diversify its energy sources through external governance are not totally disregarded by the South Caucasus states despite slowness and resistance in terms of implementation. However, unintentionally this entails another risk in that Russia will seek to maintain its grip over the European energy market.

The incorporation of the South Caucasus in the EU's policies obviously paves the way for forging closer ties between the former and the latter in general even though, as illustrated above, each state reacts to the EU markedly differently. However, the factor that affects the whole region is the Russian factor, especially when taking energy security matters into consideration. On the one hand, the South Caucasus is geopolitically important as it bridges Europe and Asia, which is materialised through the Transport Corridor Europe-Caucasus-Asia (TRACECA). Hence, the South Caucasus is considered to be a significant hydrocarbon hub which supplies the EU. In other words, it accommodates energy security infrastructure which is vital to the EU member states. For instance, the region accommodates three pipelines, namely Baku-Tbilisi-Ceyhan and Baku-Supsa oil pipelines and the South Caucasus gas pipelines. Lussac refers to this infrastructure as the Caspian hydrocarbons transportation network.<sup>36</sup> Therefore, 'after 2004, Brussels increased its number of initiatives toward the Black Sea — South Caucasus — Caspian space.'<sup>37</sup> Through these initiatives which operate under the overarching frame of external governance, the EU attempts to guarantee its uninterrupted access to resources such as oil and gas.

With Russia trying to reinforce its hegemonic status, as argued earlier, this makes the EU reluctant to actively engage in the region, however. For Russia, the EU-South Caucasus cooperation is regarded as a serious challenge that the Kremlin must counterweigh. Besides, Georgia's Western leanings and its NATO aspiration even ignite Russia's anger as its backyard will be strategically invaded. This leads to a situation which can be construed under the security dilemma framework in which the EU's expansion of its cooperation with the South Caucasus countries to ensure its security results in Russia's insecurity. This conundrum renders the region volatile and fragile since any move either the EU or Russia makes potentially hints at security

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<sup>36</sup> Samuel James Lussac, 'Ensuring European energy security in Russian "Near Abroad": the case of the South Caucasus,' *European Security*, 19 no. 4 (2010), p. 618.

<sup>37</sup> *Ibid.*, p. 188.

matters which, at least in theory, require an extraordinary means to handle. Consequently, the implementation of external governance is perceived by Russia as a security matter. In particular, Russia tends to tackle such a situation by an intervention of internal affairs and military means. Furthermore, Nuriyev points out that ‘the rivalry over control and influence in the South Caucasus has become an ideological factor and acquired greater strategic importance for Russia and the EU.’<sup>38</sup> In this regard, the security environment in the South Caucasus has been (re)shaped, to a certain extent, by the dynamic interaction between the EU and Russia. At the same time, the South Caucasus is of vital importance in the EU’s and Russia’s energy security landscape since both attempt to counterbalance each other through cooperation based on the energy-security-development nexus. In short, the implementation of external governance through the EaP, particularly in relation to energy matters, creates additional risks to the EU. Therefore, such an implementation is constrained by the Russian factor to a considerable extent.

Moreover, after the accession of Bulgaria and Romania in 2007, the South Caucasus has become the EU’s immediate neighbour. Buzan and Waever note that ‘geographical proximity engenders more security interactions among neighbours than among states located in different areas.’<sup>39</sup> According to this reasoning, it is unavoidable that the EU tries to play a role in the region in order to make it more resilient and predictable, which will, in turn, mitigate the risks the EU member states may face. In relation to energy security, the EU thereby recognises that its members’ energy security depends, to a considerable extent, upon the security of its suppliers, which include the South Caucasus countries and of necessity Russia. As a matter of fact, almost all of the EU member states are dependent upon the Russian gas supply. As Beck and Kirchner argue, ‘not only is the EU dependent on imported Russian natural gas, it is also confronted by Russian efforts to affect the energy distribution channels in Europe’.<sup>40</sup>

Russia incessantly exerts its influence over the South Caucasus states to strategically monopolise the energy transport to Europe, thus enhancing its negotiating position. This is a visible challenge that both the EU and the South Caucasus countries encounter. Put another way, the Caspian hydrocarbons transportation network is vulnerable to Russia’s strong influence which restrains the strategic moves of the EU and its allies. For instance, the close relation between Russia and Armenia and Azerbaijan’s versatile diplomacy which allows the country to

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<sup>38</sup> Elkhan Nuriyev, ‘Russia, the EU and the South Caucasus: Forging an Efficient Over-Arching Cooperative Regional Security Scheme,’ *Connections: The Quarterly Journal*, 14 no. 2 (2015), p. 51.

<sup>39</sup> Barry Buzan and Ole Waever, *Regions and Powers: The Structure of International Security* (Cambridge: Cambridge University Press, 2003), p. 45.

<sup>40</sup> Can Berk and Emil Kirchner, ‘European Energy Security Cooperation: Between Amity and Enmity,’ *Journal of Common Market Studies*, 48 no. 4 (2010), p. 867.

satisfy both great competing major powers weakens the EU's capacity to initiate a rearrangement of energy policies in the region. Georgia, nevertheless, can be considered as making crucial steps towards such a rearrangement. However, it takes place domestically and does not lead to changes at the regional level. Therefore, any project which involves the energy security infrastructure which strategically aims to bypass Russia is not possible in the foreseeable future. At the end of the day, Russia will attempt to derail the projects by employing its (semi-)monopolisation of the energy transport network to Europe. Nonetheless, despite Russia's aggressive policies, the EU tries strategically to translate its external governance into each South Caucasus state through different channels. For instance, the EaP adopts a two-track approach which facilitates both a bilateral and multilateral track of partnership. The latter encourages cooperation amongst EaP states. In case of South Caucasus states, the multilateral track is not effective owing to the conflicts in the region.

In a nutshell, in the area of energy partnership through the EaP, the implementation of external governance is clearly effective in Georgia whereas Armenia seems hesitant in getting too close to the European Energy Community. As it is just an observer, Armenia thereby is not bound to adopt energy reform packages. Moreover, as Armenia decided to espouse Eurasian integration, the convergence between its governance and EU governance, not merely in energy matters, will be more difficult. Azerbaijan remains aloof when it comes to energy reforms in accordance with the EU. Hence, the implementation of external governance is obviously limited in Azerbaijan. Considering the regional outlook, the implementation of external governance to secure its energy security creates a serious risk as it reinforces Russia's perception that it is being encircled by the West.<sup>41</sup> This pushes external governance into exclusivity in the sense that implementing it means becoming more Europeanised which excludes Russia.

## **DE FACTO STATES, FROZEN CONFLICTS, AND THE EXTERNAL GOVERNANCE WITHOUT RECOGNITION**

One of the gravest problems in the South Caucasus is the protracted and unsettled conflict resulting from competing claims over territory. This further suggests the dispute about sovereignty. Such conflicts are called frozen conflicts. Amongst the six EaP countries, four of them are involved in frozen conflicts, and all three South Caucasus states encounter such a problem, as shown in the table below.

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<sup>41</sup> Younkyoo Kim and Gu-Ho Eom, 'The Geopolitics of Caspian Oil: Rivalries of the US, Russia, and Turkey in the South Caucasus,' *Global Economic Review*, 37 no. 1 (2008), pp. 85-106.

Country/countries	Disputed territory/territories
Armenia and Azerbaijan	Nagorno-Karabakh
Georgia	Abkhazia and South-Ossetia
Moldova	Transnistria

These frozen conflicts in the South Caucasus have grown more complicated as Russia purposefully supports the independence of certain disputed territories by recognising their status as an independent state. Furthermore, Russia has heavily aided those territories. In 2008 when Abkhazia and South Ossetia engaged in the war of secession from Georgia, Russia firmly backed the separatist sides and also launched military operations against Georgia. The conflicts ended with a ceasefire agreement but without comprehensive conflict resolutions. Currently, Russia is the major security guarantor of Abkhazia and Ossetia, leading to the militarisation of the borders between Georgia and the two de facto states. Both states also depend overwhelmingly upon Russia's economic aid. Furthermore, Moscow grants Russian passports for the citizens of these disputed territories.<sup>42</sup> Therefore, Russia's pervasive support reinforces its immense influence in these territories.

On the contrary, the EU seems to subscribe to the engagement-without-recognition approach to these territories. Habets convincingly argues that in spite of having the EaP in place, the EU made little progress in conflict settlement in these territories due to its lack of unified policy and its ambivalent stance in dealing with them.<sup>43</sup> On the one hand, the EU sends a signal that the conflicts must be resolved whilst the territorial integrity of Georgia has to be honoured as outlined in the Priority Area 6 of the EU Georgia Action Plan.<sup>44</sup> But this does not contribute very much to the settlement of the conflict. On the other hand, as the EU does not enjoy strong

<sup>42</sup> Alexandra Sabou, 'The EU "Engagement without Recognition" Policy in its Eastern Neighbourhood De Facto States: The Case of Abkhazia and South Ossetia,' *Studia Universitatis Babeş-Bolyai-Studia Europaea*, 1 (2017), pp.127-139.

<sup>43</sup> Ingrid Habets, 'Alternative Prospects for the Eastern Partnership Countries,' *European Review*, 13 (2014), pp. 125-132.

<sup>44</sup> 'European Union External Action, EU/Georgia Action Plan,' Retrieved 14 August 2017 from: [https://eeas.europa.eu/headquarters/headquarters-homepage\\_en/6912/EU/GEORGIA%20ACTION%20PLAN](https://eeas.europa.eu/headquarters/headquarters-homepage_en/6912/EU/GEORGIA%20ACTION%20PLAN).

diplomatic relations with either Armenia or Azerbaijan, it can hardly exert significant influence in pushing forwards conflict resolution in Nagorno-Karabakh. The EU, therefore, lacks strategic leverage over the de facto states in all three South Caucasus states. The major challenge for the EU is to craft a coherent policy which outlines the long-term roadmap for political de-isolation in those de facto states in the context of Russia's firm grip in the region. These conflicts undermine regional stability, rendering the dissemination of external governance ineffective. For instance, human rights violations are commonplace in these disputed territories. In this respect, the situations in these breakaway territories illustrate that the EU is reluctant to engage in settling these frozen conflicts because of Russia's perceived influence in the region. Therefore, the EU restrains itself in implementing external governance in settling frozen conflicts. Although applying soft conditionality in the case of the conflict between Georgia and Abkhazia,<sup>45</sup> it has not produced a tangible improvement in the relationship between the conflicting parties. In this case, the EU still reserves its clear role in response to frozen conflicts and de facto states in the region through financial and technical support. This serves as an informal boundary which limits the implementation of external governance.

## CONCLUSION

It is clear that the implementation of external governance through the EaP is inherently asymmetrical and scalable depending upon the receptiveness and compliance of each South Caucasus country. Currently, the EU has relatively strong leverage in Georgia, where the pro-EU government has set the country's direction towards deeper European integration whilst maintaining a moderate relationship with Armenia. The EU-Azerbaijan relationship appears to be unique since the EU relies greatly upon Azerbaijan's energy wealth, contributing to increasing negotiating power on Azerbaijan's side. In this respect, the implementation of external governance through the EaP is most effective in Georgia. For Armenia, its government pursues a different form of governance through Eurasian integration as the country has begun to form an exclusive relationship with Russia. For Azerbaijan, which orients itself towards self-reliant policies, the EU apparently lacks leverage over the country. However, with the review of the ENP in 2015 and its greater pragmatic undertone,<sup>46</sup> the asymmetry in the partnership may be

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<sup>45</sup> Adriana Popescu, 'European Neighbourhood Policy and the Georgia-Abkhaz Conflict: European Union's Approach,' *Annals of University of Oradea, Series: International Relations & European Studies*, 3 (2011), pp. 188-197.

<sup>46</sup> European Commission, 'Review of the European Neighbourhood Policy,' Retrieved November 19, 2017 from: [http://ec.europa.eu/archives/docs/enp/documents/2015/151118\\_joint-communication\\_review-of-the-enp\\_en.pdf](http://ec.europa.eu/archives/docs/enp/documents/2015/151118_joint-communication_review-of-the-enp_en.pdf)

alleviated. Regarding the Russian factor, as the geostrategic rivalry intensifies, the EU and Russia attempt to carry out their governance models based on the values and interests they hold. This leads to more fragmentation in the region, which consequently limits the EU's engagement in the region, thereby rendering the implementation of external governance ineffective in certain issues such as the settlement of frozen conflicts in the region. The EU can, at best, play the role of the status quo actor. Finally, as the safe and secure transportation of energy resources to Europe is clearly in the EU's interests, the implementation of external governance in relation to energy matters is therefore of crucial importance. However, Russia perceives this as a serious threat to its interests, which prompts Russian countermeasures to maintain its leverage in the European energy landscape. Given the current regional outlook, the EU is indeed in two minds: whether to take a bold step to accelerate reforms, or take a more pragmatic approach that may compromise the effective implementation of external governance.

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