

**THE GOVERNANCE OF THE EUROPEAN UNION IN ITS
EASTERN NEIGHBOURHOOD: THE IMPACT OF THE EU
ON GEORGIA**

by

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ABSTRACT

The European Union (EU) has set itself ambitious objectives in order to transform its neighbourhood. It aims to induce domestic reforms in order to promote democracy, good governance and prosperity. Theoretical-oriented empirical analyses on the impact of the EU's attempts to trigger institutional, regulatory and normative changes in domestic policies remain scarce. It is necessary to increase our understanding of the EU's potential, limitations, and the conditions under which it may have an impact. This thesis contributes to closing this empirical and theoretical gap by examining the impact of the EU on Georgia, a country included in the Eastern dimension of the European Neighbourhood Policy (ENP). This evaluation is derived from original empirical research of four different modes of EU governance in the context of the ENP: Governance by conditionality (access to the single market regarding economic issues); intergovernmental governance (cooperation in foreign and security policies); external governance (energy security); and cooperative governance (Security Sector Reform). This thesis suggests that we can explain the responses to EU policies in neighbouring countries if we use a synthetic ideational/rationalist analytical framework which takes into account additional variables in the EU–neighbour relations in the domestic and regional context.

The findings indicate that the impact of the EU is slowly increasing, even in areas dominated by geopolitics such as energy security. Although the impact has been uneven at policy level, the EU has become an important external influence in Georgia. The thesis argues that, although important, EU incentives and geopolitical pressures are less decisive than the existing literature would predict. In contrast, the role of ideas in bilateral relations has had a crucial role across the case studies, showing in some instances the limitations of the alluring power of the EU as a 'normative power'. Thus, EU impact is based on the existence of a coherent institutional framework of relations; embedded in social, political and economic links that are locked into favourable path-dependence processes and where ideational convergence is present.

Para mi madre Amalia, mi hermano Gabriel, y a la memoria de mi padre

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LIST OF ABBREVIATIONS

AA	Association Agreements
AP	Action Plan
BTC	Baku-Tbilisi-Ceyhan Oil Pipeline
BTE	Baku-Tbilisi-Erzurum Gas Pipeline
CEEC	Central and Eastern Europe Countries
CFSP	Common Foreign and Security Policy
CIS	Commonwealth of Independent States
CSDP	Common Security and Defence Policy
ESDP	European Security and Defence Policy
CST	Collective Security Treaty
DCFTA	Deep and Comprehensive Free Trade Agreement
EaP	Eastern Partnership
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EFP	European Union Foreign Policy
EFTA	European Free Trade Association
EIB	European Investment Bank
ENP	European Neighbourhood Policy
ECT	Energy Charter Treaty
ENPI	European Neighbourhood Policy Instrument
EU	European Union
EUMM	European Union Monitoring Mission
EUSR	European Union Special Representative
FDI	Foreign Direct Investment

FTA	Free Trade Agreements
GSP	General System of Preferences
IFI	International Financial Institutions
ILO	International Labour Organization
IMF	International Monetary Fund
IO	International Organisation
INOGATE	Interstate Oil and Gas Transport to Europe
JHA	Justice and Home Affairs
MoI	Georgian Ministry of the Interior
NATO	North Atlantic Treaty Organization
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
OECD-DAC	OECD Development Assistance Committee
OSCE	Organization for Security and Co-operation in Europe
PCA	Partnership and Cooperation Agreements
RFE/RL	Radio Free Europe/Radio Liberty
SSR	Security Sector Reform
TACIS	Technical Aid to the Commonwealth of Independent States
TRACECA	Transport Corridor Europe-Caucasus-Asia
WMD	Weapons of mass destruction
WTO	World Trade Organization

INTRODUCTION

This thesis assesses how the European Union (EU) influences policy developments in neighbouring countries where membership is not formally in place. It is widely recognised that the EU focuses its foreign policy on its own neighbourhood. According to a senior European Commission official, after the 2004 and 2007 expansions, ‘the neighbourhood policy is the new agenda... it is where the new focus of action is’ (cited in Magen, 2006: 397). In this regard, the EU is especially interested in achieving a high degree of cooperation with neighbours in order to ‘tackle specific cross-border issues’ in the political, economic and security realms (Patten, 2002). In brief, neighbouring countries are the EU’s essential partners (European Commission, 2003a: 3), but despite the high ambitions set by the European Neighbourhood Policy (ENP) launched in 2003 to share with neighbours ‘everything but institutions’ in exchange of domestic reforms (Prodi, 2002), analysts tend to be sceptical about the ability of the EU to trigger domestic reforms that bring neighbours closer to the EU.

This thesis uses Georgia as an example of a neighbouring country and makes a detailed study of four policy areas based on different modes of EU governance in its external relations towards Georgia. The thesis asks: *What is the impact of the EU on domestic policies in Georgia and under what conditions does the EU impact on domestic developments in Georgia?*

The primary aims of the thesis are twofold: first, to contribute empirically to understanding the nature of EU influence in its neighbourhood and second, to assess under what conditions the EU impacts on domestic policies in neighbouring countries. A secondary aim is to contribute both empirically and theoretically to efforts to combine rationalist and

constructivist approaches to international relations by acknowledging the interplay of material and ideational factors to account for the domestic impact of external actors.

Studies of the EU's policies towards the neighbourhood suggest that the impact of the EU, as a trigger which shapes domestic reforms, is likely to be low, despite the fact that the EU has developed an extensive array of policy initiatives and invested considerable political and financial effort in trying to ensure neighbouring countries adapt to its political, regulatory and economic principles (e.g. Kelley, 2006; Schimmelfennig, 2007; Delcour and Tulmets, 2007; Schimmelfennig and Scholz, 2008; Popescu and Wilson, 2009). This thesis argues that while these analyses may be correct, we lack an understanding of the conditions that explain EU influence or lack thereof. Some theoretically informed empirical analyses demonstrate that the ENP can become a potential foundation which can be used to affect domestic developments (e.g. Verdun and Chira, 2008; Buzogány and Costa, 2009; Franke et al., 2010).

Existing studies generally argue that the main causes of low EU impact are: insufficient rewards in exchange for adoption of EU-induced reforms (Lavenex, 2004; Kelley, 2006; Mahncke and Gstöhl, 2008); geopolitical pressures especially in the Eastern neighbourhood where Russia is arguably the most influential regional power (Wilson and Popescu, 2009); domestic costs of reforms; and low interdependence with the EU (Schimmelfennig, 2009). In theoretical terms, these analyses tend to contrast rationalist and sociological mechanisms of influence (Schimmelfennig, 2009; Trauner, 2009).

The thesis suggests that if we use a synthetic ideational/rationalist analytical framework that takes into account additional variables in the EU–neighbour relations in the domestic and regional context (see chapter 3), we can explain fully the responses in neighbouring countries. The thesis claims that ideas can help explain policy change and that these ideas are generally underspecified in analyses of the influence of external actors on country-level

policy developments (Orenstein, 2008: 55-58). Ideas frame the adoption of new policies as well as their goals and content in terms of other alternatives (Blyth, 2002). But, it is not all about ideas; processes of change occur in existing institutional legacies, domestic contexts and different international pressures. The thesis builds a theoretical framework that helps to evaluate the role of the EU in the ideational, institutional and international processes of policy change. Drawing on the work of Craig Parsons (2003; 2007), the thesis will distinguish between material, institutional and ideational causal process of political change in order to evaluate the EU impact on Georgian policy reforms until 2009.

Thus, this thesis argues that the EU has had an impact over the long term in the case studies of Georgia, despite encountering difficult domestic and regional conditions. Although the impact has been uneven at policy level, the EU has become an important external influence in Georgia. In terms of the conditions, the thesis argues that EU incentives and geopolitical pressures are less decisive than the existing literature would predict, but the role of ideas in bilateral relations has had a crucial role across the case studies. Despite the limitations of generalising the findings of the Georgian case, the analysis also proposes a main empirical hypothesis derived from the findings for further research: a likely pathway of EU impact is based on the existence of a *coherent* institutional framework of relations at a policy and general level of relations; embedded in social, political and economic *links*, that are either locked into favourable *path-dependence* processes and/or in a situation of *critical juncture* where *ideational convergence* allows the influence of the EU on the process of the construction of policies and their content. Thus, incentives and conditionality need to be embedded in institutionalised frameworks of relations and favourable normative and ideational convergence between the EU and partners. Geopolitical factors and EU material incentives, although undoubtedly important, are normally contingent factors that in the long term are diffused by the previous causal process.

This argument has an important corollary: It is commonly accepted that the possibility of membership is the main carrot that the EU uses to induce domestic reforms in terms of its rules, norms and policies. In the absence of this reward, the EU finds difficulties in pushing its agenda (Wolczuk, 2010), implying that with the possibility of accession on the table, change would be possible. The findings imply the plausible argument that even if the EU had granted Georgia candidate-country status, the impact of the EU on domestic policies would not have been very different.

To investigate how the EU impacts on domestic policies in the neighbourhood, the thesis analyses four cases of EU governance in its relations towards Georgia at policy level in the context of the ENP and regional initiatives in the Eastern neighbourhood:

- Governance by conditionality: access to the EU single market regarding trade and economic issues
- Intergovernmental governance: cooperation in foreign and security policies
- External governance: energy security
- Cooperative governance: cooperation in Security Sector Reform

The theoretical framework and empirical analysis that this thesis develops makes a contribution to a number of distinct aspects of the literature on EU external and international relations. Neighbours, to a greater or lesser extent, have an interest in deepening economic, political, social and security relations with the EU. This situation is more pronounced in the Eastern neighbourhood where countries such as Georgia, Moldova and Ukraine have expressed their desire to become EU members. Strikingly, despite the strategic and interdependent character of the relations between the EU and its neighbours, theoretically informed empirical analyses on the influence of the EU and the conditions under which the EU may affect domestic developments in its neighbourhood are still scarce (Schimmelfennig, 2009: 6). In such circumstances, it is highly relevant to investigate to

what extent the EU is able to achieve its objectives and to investigate the conditions determining the influence of the EU in the neighbourhood.

The thesis also addresses an important and relevant field of analysis in International Relations and Comparative Politics: the new models of cooperation, integration and governance that the EU is trying to develop with its neighbourhood in order to shape its milieu. Primarily, it sheds light on the capacity of the EU to influence its neighbourhood. In general terms, the empirical and theoretical arguments of the thesis contribute to the literature on the capacity of international actors, be they states or International Organisations (IOs), to influence other entities' political, legal and institutional developments.

In theoretical terms, the thesis develops a better understanding of the interplay of material and ideational dimensions. It also contributes to the advancement of methodological approaches designed to uncover ideational causal mechanisms; a subject of considerable and controversial debate (Yee, 1996; Wendt, 1998; Hay, 2002; Parsons, 2002; 2003; Kurki, 2006; Béland, 2009a; 2010), as well as the interaction of ideas and institutional and structural factors in order to examine their causal effect in policy change (Parsons, 2007; Gofas and Hay, 2008; Béland, 2009a, 2009b).

EXISTING STUDIES ON EU INFLUENCE IN ITS NEIGHBOURHOOD: ORIGINS AND EVOLUTION

The study of the conditions under which the EU can have an influence in world politics is a relatively recent endeavour that started to emerge in the early 2000s (Ginsberg, 2001). In his seminal work about the impact of the EU in international politics, Ginsberg developed a systemic approach for the study of the impact of European Foreign Policy (EFP); this refers to a decision-making system formed by the interaction and inputs from member states,

domestic actors and the international system into the EU's three pillars. The main contribution of Ginsberg's systemic approach is the analytical broadening of the EU as an international actor away from the narrow conceptualisation of the EU's foreign policy as a mere product of the Common Foreign and Security Policy (CFSP) or as an intergovernmental business that generally only reaches minimum-common-denominator agreements (Hyde-Price, 2006). This view is currently widely shared among the EU's foreign policy analysts and by this thesis (e.g. White, 2001; Smith, 2002; Smith, 2003; Keukeleire, 2003; Keukeleire and MacNaughtan, 2008).

As regards the EU and its neighbourhood, studies of how the EU impacts or shapes its milieu are even more recent (Helly, 2005). Currently, two main approaches have emerged for explaining EU external relations towards the neighbourhood.¹ The first draws upon the so-called 'Accession Europeanisation' (Franke et al., 2010: 150) or 'Europeanisation beyond Europe (sic)' (Schimmelfennig, 2007; 2009). Building on the 'Europeanisation' literature, where European-level actors, procedures and processes are independent variables for investigating European integration effects on member states' institutions and identities (Radaelli, 2003; also Magen, 2007: 363-365), a large literature emerged in the 2000s devoted to the impact of the EU in the Central and Eastern European candidate countries (CEEC). Thus, Hughes et al. (2004), Jacoby (2004), Schimmelfennig and Sedelmeier (2005) or Grabbe (2006), provide thoughtful accounts of the EU's role in the process of change in the CEEC during their road to accession and specify mechanisms of EU impact and the conditions under which they operate (Schimmelfennig, 2007: 6). As a result and given the early theoretical and empirical stages of studies on EU impact in the neighbourhood, 'Accession Europeanisation' literature has become an influential starting

¹ The EU tends to use the term external relations instead of 'foreign policy' for political reasons, since some member states tend to dislike state-like attributes. This thesis uses both terms interchangeably.

point in undertaking empirical analysis of EU impact on potential candidates and neighbouring countries (e.g. Schimmelfennig, 2009; Trauner, 2009; Franke et al., 2010).

Secondly, the ‘external governance’ approach assigns great importance to institutional factors and argues that the ENP is best captured as a process of external projection of internal policies (Lavenex, 2004; Weber et al., 2007; Albi, 2009; Gänzle, 2009; Bosse, 2010). This approach has been inspired by different sources: first, it was initially based on Michael Smith’s pioneering work on conceptualising EU policies towards its neighbourhood (Lavenex, 2004). According to him, during the 1990s, the EU tried to manage the Post-Cold War European order by partially including Post-Communist Central and Eastern European countries into four types of EU boundaries: geopolitical, institutional, cultural and transactional (Smith, 1996). Second, the external governance approach adopts an institutionalist view and rejects the traditional IR unitary state actor model (Lavenex and Schimmelfennig, 2009). In this regard, the EU’s external relations and its outcomes are firstly ‘shaped by the multi-level organisations and the rules of the EU; they vary with the institutional context of policy-making’; and finally, they “‘Europeanise” member states’ foreign policy, non-member states and other international organisations’ (Schimmelfennig and Sedelmeier, 2004: 658).

For the purposes of this thesis, the insights of the ‘Accession Europeanisation’ and ‘governance’ approach, which take us away from narrow, traditional, intergovernmental conceptions (Magen, 2007), are illuminating in two key ways: first, they will contribute to hypothesise possible outcomes for certain mechanisms of EU influence when chapter 2 sets out a framework of EU influence; second, the stress of the ‘external governance’ on the institutionalised projection of internal EU governance arrangements in the neighbourhood will contribute in chapter 1 to frame the selection of the case studies.

Nevertheless, these approaches have some shortcomings for conceptualising EU impact: first, they devote little attention to the agency of neighbouring states and the regional context. Second, they tend to stress institutional explanatory variables and under-theorise ideational factors. Drawing on international relations approaches for explaining the influence of international organisations, international norms and external powers on third countries (e.g. Andonova, 2003; Schimmelfennig, 2003; Goodman and Jinks, 2004; Kelley, 2004; Checkel, 2005; Nincic, 2010), the thesis builds a synthetic analytical framework for investigating EU impact in the neighbourhood. Thus, building on the literatures of ‘Accession Europeanisation,’ ‘external governance,’ and international relations approaches that examine the impact of international actors on domestic policies, this thesis is interested in *how* and *when*, at a first stage, and *why*, after tracing empirically the outcomes, the EU has an actual or potential impact on domestic policies, institutions and practices in third parties; in other words, for the purposes of this thesis, under which conditions the EU has an impact on domestic developments in its periphery. This area of inquiry fits with contemporary debates that aim to ‘better understand mechanisms and pathways of international impact on domestic change’ (Magen 2007: 366).

DEVELOPING A THEORETICAL FRAMEWORK TO EXPLAIN EU INFLUENCE

This thesis centres on three main concepts. First and foremost, that of EU *impact*, the dependent variable of the thesis. Approaches in international relations generally conceptualise ‘domestic influence’ of external actors in terms of the adoption, implementation and internalisation of their norms and rules (Schimmelfennig and Sedelmeier, 2005; Morlino and Magen, 2009) or their influence on government’s legislative behaviour (Kelley, 2004) or domestic bureaucracies (Finnemore, 1993). At policy level and aiming to overcome the dichotomy between cost–benefit and socialisation approaches, we understand ‘domestic influence’ as the ability of an external actor to change domestic goals

at policy level (Hall, 1993) in terms of the implementation of the agenda of an external actor.

EU impact is then defined in a simple manner: the extent to which a state adopts the bilateral agenda of reforms, policies and cooperation with the EU in the context of the ENP. We determine at the start of the case studies the EU–Georgian goals and agenda and then we trace domestic responses in order to evaluate the *relative* importance of domestic and external pull factors. From an international relations perspective we are not as interested in the adjustment and transformation of policy instruments and procedures, key issues for public policy and institutionalist analyses and the focus of the ‘Europeanization’ literature (Börzel, 2005), as the extent to which external actors shape goals, behaviour, interests and ideas of domestic policies and their consequences for the international position and organisation of a state. Tracing the causes of adoption and implementation, or lack thereof, in the case studies of the bilateral and regional agenda of reforms set up between the EU and Georgia envisages a wide range of activities and policy areas that should suffice to establish the impact of the EU on domestic policies.

Second, the possibility of the EU impact assumes the capacity of the EU of acting as an international actor. In order to capture the ‘actorness’ of the EU, this thesis conceptualises the EU’s external relations as a process of institutionalised ‘*engagement*’ (Youngs, 2005), whereby the EU frames relations with third parties (be they states or international organisations) around systematic arrangements via bilateral and multilateral agreements that formalise different degrees of relationships according to the aspirations of both the EU and those third parties (Magen, 2007). Such dynamics have established a relatively stable, institutionalised framework of relations. This thesis argues that the notion of ‘engagement’ captures the overarching character of the EU relations within the context of the ENP and other arrangements with neighbours.

Third, the concept of '*governance*' underpins the selection of the case studies whereby a typology of EU governance in its relations with the neighbourhood is built upon. Heritier defines 'governance' as 'every mode of political steering involving public and private actors, including the traditional modes of government and different types of steering from hierarchical imposition to sheer information measures' (2002: 3). This broad definition blurs a traditional distinction between 'government' which implies classical hierarchical political systems and 'governance', which implies horizontal and less formalised relations (Jachtenfuchs, 2001). Such a conceptualisation of 'governance' captures the cooperative and inclusive character of the ambitious goals of the ENP. Thus, by shifting to some extent its internal regulatory, transactional and social 'boundaries' the EU aims to shape and govern its neighbourhood through different dynamics of governance. The notion of governance based on horizontal and less formalised relations is used as a root concept, as such a conception is the core of the 'external governance' literature. But at the same time, the EU has also set up hierarchical and conditional governance in some areas as well as more cooperative arrangements with a loose export of rules. Chapter 1 expands this discussion and the criteria for establishing a typology of EU governance.

To uncover the impact of the EU's 'engagement' through the comparison of different types of governance, which constitute the empirical case studies, this thesis develops an original analytical framework. Explicitly or not, most analyses of EU influence on domestic developments beyond the EU contrast models or causal mechanisms based on the widely used logics of action (Schimmelfennig and Sedelmeier, 2005; Schimmelfennig, 2009): a logic of consequences, which responds to cost-benefit calculations and a logic of appropriateness, whereby political actors are driven by their conception of themselves and what they represent (March and Olsen, 1998; Sjursen, 2002). This thesis problematises this analytical dichotomy. Chapter 2 argues that empirical analyses based on contrasting logics of consequences and appropriateness suffer from an artificial dualistic distinction between

material and ideational explanatory factors. It argues that in order to capture the impact of the EU in the neighbourhood, any theoretically driven empirical analysis must take into account the interplay between the institutional framework whereby EU–neighbour relations are conducted, domestic factors, the international dimension and crucially, the ideational elements of domestic responses.

This thesis proposes an alternative analytical framework based on *causal* logics of explanation (Parsons, 2007) that takes into account the institutional dimension of EU–Georgia governance in the selected policy areas, the international and geopolitical dimension in which the latter is located and crucially, ideational and material domestic factors. Chapter 2 elaborates different causal explanations that draw clear lines between different processes of causal logics. Accordingly, ‘structural’ explanations refer to material causal factors that are exogenously given, whereas ‘institutional’ explanations refer to man-made causal factors. These two explanations follow what Parsons (2007) calls a ‘logic of position’ which implies a certain rationalist claim by which human action is ‘explained by determining the landscape around someone to show how an obstacle course of material or man-made constraints and incentives channels her to certain actions’ (Parsons, 2007: 13). In contrast, ideational and psychological explanations are based on a ‘logic of interpretation’ by which someone arrives at an action by interpreting what is possible and/or desirable (Parsons, 2007: 13). An ideational claim therefore, would suggest that ‘even rational people depend to some degree on interpretative filters to organise their preferences, priorities and problems’ (Parsons, 2007: 98).

If the logic of position is dominant, then EU incentives, international (regional competition and social, economic and political links with external actors) and domestic material factors (e.g. veto players, political system), or a combination of them, will explain the impact (or lack thereof) that the EU has; in other words variations of the previous factors will lead to a

domestic response if they have an effect (such factors or conditions are fully developed in chapter 2). If ideational factors can explain EU influence, they need to have an independent and consistent effect in the domestic process of policy formulation, its content and goals, according to the EU governance agenda in the policy area. The key issue is that by framing the analysis in terms of causal logics, it is possible to trace both the independent effects and the interaction of institutional, structural and ideational causal processes. In sum, conditions of domestic impact both in terms of logics of position and interpretation can have independent or simultaneous effects; by framing the analysis in such logics it is possible to trace the interaction of both ideational and material factors. Chapter 2 will elaborate the conditions under which the EU might have an impact in the framework of causal logics.

EVIDENCE AND METHODS: RESEARCH DESIGN

This thesis employs a robust research design. On the one hand, it develops a comparative research design based on the so-called ‘diverse-case’ method, which encompasses a full range of variation that ‘is likely to enhance the representativeness of the sample of cases chosen by the researcher’ (Gerring, 2007: 101; Seawright and Gerring, 2008). Chapter 1 develops in detail the characteristics and elements that identify the case studies based on different types of EU governance; suffice it to say at this point that those cases capture a considerable degree of variation along some relevant dimensions of EU governance in its external relations. The purpose is twofold: First, this design allows for the testing of the expected outcomes by the ‘Accession Europeanisation’ literature in the case of EU relations with Georgia. Second, it allows for a robust comparative analysis of the effects or lack thereof of different types of governance in the impact of the EU.

In the context of the Eastern neighbourhood, Georgia represents an ‘extreme case’ in some dimensions. Georgia exemplifies the change in the EU’s approach towards the Eastern neighbourhood and especially the Southern Caucasus. Since the Southern Caucasus

countries were included in the ENP in 2004, the EU has increased its involvement in the region, especially in Georgia (Cornell and Star, 2006). Such context allows us to consider the effects of change in the EU's external relations towards the region and Georgia in particular. In addition, the country has undertaken an ambitious process of reforms since 2004 as a result of the so-called Rose Revolution, which brought into power a reformist government (Mitchell, 2008). The post-revolutionary context in Georgia offers a unique event in the region to investigate the role of new ideas and policy paradigms in a critical juncture of reformist impulse and, thus, to evaluate the impact of the EU on shaping the course of reforms. Georgia is normally considered a pro-Western country with the ambition of becoming a member of the EU (Gogolashvili, 2009: 90), and the current government officially pursues integration into NATO and the EU as the main national foreign policy goals (National Security Concept of Georgia, 2005; Parliament of Georgia, 2006). It also faces enormous internal problems related to poverty, political instability and conflicts with separatist regions and Russia. Given these factors, Georgia presents a challenge to the effectiveness of the EU's external policies in the region. No less important, given the favourable environment in terms of the pro-Western orientation of the country, the case of Georgia also shows the limits of the EU's 'alluring' capacities and 'normative power' (Manners, 2002).

The extreme-case method 'selects a case because of its extreme value on an independent or dependent variable' (Gerring, 2007: 101), because it shows a dimension of interest or because it is 'paradigmatic of some phenomena of interest' (Gerring, 2007: 101). Georgia is an extreme case of political instability; of multiple ethnic conflicts; an intriguing case of pro-Western aspirations; and an extreme case of difficult relations with Russia. Finally, it is also an interesting case of political and radical economic reforms not only after the 2004 Rose Revolution, but also in the period of 1995-98. Most of these dimensions are present to some extent in all of the EU's Eastern neighbours, but in none of them are they all present

as in the case of Georgia. Because of these factors, we have more to learn from Georgia about the conditions and mechanisms of EU impact and/or lack thereof in the context of the Eastern neighbourhood. By the same token, despite the limitations of such a research design to generalise findings, it can be used for establishing hypotheses for further research given that literature on the EU's influence in the neighbourhood and beyond is still emerging (Magen, 2007; for methodology see Gerring, 2007). In short, the deep analysis of a country with the characteristics of Georgia will contribute to developing comparative analysis in the region on the conditions and causal mechanisms of EU (and also other international actors) impact.

A caveat is necessary here: Case selection on extreme dimensions may certainly be vulnerable to 'selection bias' and specifically, selection bias on the dependent variable (King et al., 1994). Selection on the dependent variable is, however, a crucial component of qualitative research, which is concerned with uncovering causal mechanisms, explanations or conditions that explain an event or phenomenon (Collier and Mahoney, 1996; George and Bennett, 2005). Additionally, following an extreme-case selection strategy leads to a maximisation of the dimension a researcher is interested in. The thesis, therefore, follows a simultaneous case-selection strategy.

Given the aims of the thesis, this strategy allows for a combination of methods that lead to the development of both theoretical and empirical knowledge (Gerring, 2007: 89), but under circumstances where it is possible to draw on some pre-existing hypotheses. With the development of a theoretical framework in chapter 2 and with the empirical analysis of cases of EU governance towards Georgia, the thesis also puts forward an analytical framework to advance hypotheses for further comparative or extended empirical research. Using both methods increases the external validity of the research. In other words, this research design increases the representativeness of the cases of EU governance in the

neighbourhood and the case of Georgia in the Eastern neighbourhood. Despite concentrating the empirical efforts on one country, the research design enhances the possibility of obtaining empirical and theoretical advances that are representative of what can be expected in the context of the Eastern neighbourhood. In that sense, the case study of Georgia has a great value in itself. As aforementioned, it might form the basis of further comparative research in the region, and by extension, comparative analysis of the impact of the EU in different EaP countries. In short, because of its particularities, the findings from the case of Georgia may generate hypotheses and conditions of EU impact to be tested or further developed in comparative research.

Once the cases have been selected, the next crucial step is how to illuminate causal relationships. The challenge is to establish the internal validity of the research. This thesis follows two strategies in order to ensure the internal validity of the research design: First, with the analysis of the effects of the projection of four different modes of governance the research attains both a temporal variation and a certain degree of quasi-experimental design as some factors of the case studies differ in their degree. Second, the thesis uses ‘process tracing’ to overcome the lack of spatial variation and to reconstruct causality through the analysis of contextual evidence (Mahoney, 2003; Collier et al., 2004; Gerring, 2007: 172-173). Process-tracing is a method that requires multiple sources of evidence to see ‘whether the causal process a theory or hypothesis implies is in fact evident in the sequence and values of the intervening variables’ or factors in the case (George and Bennett, 2005: 6). In short, process-tracing resembles ‘detective work’ (Gerring, 2007: 173).

Evidence and sources

Methodologically, uncovering causal logics, especially ideational causal mechanisms (see Parsons, 2002, 2003; or Orenstein, 2008 for examples of empirical research), presents an important challenge in terms of data access and data collection as well as making plausible

and convincing arguments. However, if these obstacles can be overcome, effective tools exist for objective and interpretative evaluation of political action. This thesis follows a standard method of triangulation, which uses more than one method to gather data, such as interviews, observations and documents over time (diachronic analysis).

In this thesis, these materials are divided into three groups. First, a close reading of official EU and Georgian documents and political statements of EU–Georgian relations in terms of the process of reforms in the country, together with an analysis of different historically informed political accounts of the process and content of those relations. Primary sources include internal documents such as the report of the 2008 European Commission’s fact-finding mission to Georgia about the reforms to be adopted in order to obtain a comprehensive free trade agreement, which touches upon cross-sector reforms. Other similar documents relate to internal Georgian plans for reform, which are not public, in the energy and judicial sector, and bilaterally agreed by the appropriate Georgian administration and the European Commission (EC). I obtained these documents during my fieldwork in Georgia. This data shows the reform agenda set between the EU and Georgia in the framework of the ENP at a particular policy level. It serves the purpose of framing the reforms to be undertaken by the Georgian government and accordingly, to trace the effect of the EU in such process. This responds to the particular questions of: to what extent the EU has driven the process of reform, how the EU has influenced the agenda-setting process of particular reforms, and how the Georgian government has implemented, if at all, such an agenda. This set of questions will help trace the impact of the EU as defined in the previous section.

Primary sources also include the minutes of EU–Georgian meetings, including those of the Cooperation Council and Cooperation Committee, as well as Council and EC situation reports and reports on the implementation of some EU assistance projects such as the

EUJUST-Themis mission on judiciary reform. This material is a result of the database of EU documents on relations with neighbouring countries and Russia, created in the framework of the EUPROX project led by Professor Esther Barbé.² These documents are accessible in the digital repositories of the institutions, or are available to the public upon request to the Secretariat General of the Council of the EU. They offer a valuable insight in reconstructing the particular dynamics of EU-Georgia relations throughout time and illuminate mutual perceptions in terms of a) EU approaches towards Georgian policy developments, and b) Georgian perceptions of EU advice and cooperation. Accordingly, this material was analysed in order to a) trace how the EU responded to the Georgian implementation or lack thereof of the bilateral agenda of cooperation, b) trace the evaluation of the EU of particular policy reforms and the situation in Georgia in general, and c) evaluate how Georgian authorities framed domestic process of reforms and state of affairs before the EU.

Second, sources of primary data include 25 semi-structured interviews conducted mainly in Tbilisi with EC and Georgian officials during May and June 2009. Other interviews or conversations were carried out with EU officers in Brussels, London and Berlin. The interviews in Tbilisi were designed to maximise the range in variation of sources and backgrounds to cross-check the interpretations of political action and choices. Accordingly, interviewees include ambassadors of European countries and among them the ambassador of the EC. In order to safeguard the anonymity of the sources I simply refer to them as ‘European diplomats’. Interviewees also include personnel of the EC delegation to Georgia and members of the EC at the Directorates General of External Relations and Trade in Brussels; Georgian officers at the ministries of Foreign Affairs, Energy, and Euro-Atlantic Integration; Georgian Members of Parliament; current and former Georgian diplomats as

² I thank Anna Herranz for making this material available to me.

well as Georgian advisors and experts. Some of the latter are former high rank officers that have been in direct contact with the EC and Council representatives.

I also held talks with representatives of Georgian civil society and international NGOs such as Friedrich Ebert Stiftung, Links-London, the New Democracy Institute and Transparency International. During my stay in Georgia, I also attended a few training workshops for Georgian civil servants and diplomats conducted by EU contracted advisors. Given the volatile situation in the country in the spring of 2009, the anonymity of the sources was a key element in obtaining access to the interviewees and therefore, they will be cited accordingly; by giving the physical location and a general description of their responsibilities during the time of the interview, but not their position and names. I attach an appendix with the sources of the interviews exclusively for the members of the thesis committee.

It is worth noting the fact that only a couple of interviews were held in Brussels. The main reason is that it was considered more valuable to analyse primary information obtained on the ground, or in short, Georgia, and thus, to direct limited time and financial resources towards research in the country. Ultimately, the External Relations Directorate of the EC in Brussels as well as the Council, obtain and create policy reports base on the information they obtain from the region; in this case the EC delegation to Georgia, the EU permanent representative to the South Caucasus (through his office and personal trips to the region), and member states embassies, which at the same time liaise with the special representative when he is 'in town' and the EC delegation. Thus, it was deemed a priority and necessity to travel to the country in order to gather primary data from EU officers and advisors on the ground, as well as collecting first-hand information from the Georgian authorities and experts.

Interviews were conducted by using the method of semi-structured interviews. This method of data collection has two main advantages when attempting to uncover causal mechanisms. First, it is a flexible way of conducting interviews, allowing new questions to be asked in terms of the responses of the interviewee and thus, a deeper exploration of the research topic from the insights brought up by the interviewee, ensuring that responses adjust to the reconstruction of a particular phenomenon (Blee and Taylor, 2002). Second, semi-structured interviews facilitate the gaining of knowledge on the experiences and interpretation of reality, from the perspective of the people involved in domestic developments in Georgia, both from the perspective of external actors, domestic experts and policy makers (Saunders et al, 2007: 312). In short, semi-structured interviews potentially allowed interviewees to express and reconstruct their interpretation of policy reforms, domestic developments, and the influence, if any at all, of the EU (and how) in such processes. In that regard, despite potential difficulties in directing responses towards the topic of interest, semi-structured interviews still retain the comparability of empirical results (Löwstedt and Stjenberg, 2006: 176), which is one of the main advantages of structured interviews (formalised and close-ended sets of questions susceptible to categorisation and codification).

Prior to the interviews, I prepared a set of introductory questions divided into different sub-topics that I expected to address in relation to the research goals. The initial question would be used in each sub-topic for introducing the latter in order to cover all sub-topics and before entering the open-ended phase of the interviews. The main introductory topic would be the state of relations between the EU and Georgia and its historical evolution in a particular broad policy area. Sub-topics would then address, according to the specific profile of the interviewee, the following issues: a) reforms undertaken in a particular area (case study) since 2004 and during the Shevardnadze period, b) evaluation of those reforms in terms of the perceived successes/obstacles, c) the agenda of cooperation at that policy

level between the EU and Georgia (and to what degree of detail) d) opinion in terms of how the EU has influenced developments in those reforms (directly or not), e) the role of other external actors (other IOs, Russia and USA). Interviews were then developed trying to use a standard method of semi-structured interviews. First, interviews started from a broad theme, normally an overview of EU-Georgia relations in general and its evolution, and, in the case of interviews with Georgian officers, relations in the specific context of their working policy area. Second, after giving a synthesis of the introductory open and general questions, I introduced the aforementioned issues in a relatively directed way, each one at a time and expanding upon certain questions in relation to the responses of the interviewees. The interview would then proceed by introducing in a directed way each sub-topic and some initial questions before entering the non-directed phase or open-ended discussion. In this way, the process of reforms, main drivers, as well as the role of the EU and the conditions set out in chapter 2, could be reconstructed, not only from direct accounts, but also by cross-checking different interviews given the different backgrounds and interests of the interviewees.

Third, secondary sources are widely used, as well as publicly available data in relation to the qualitative and quantitative specific and general information of the case studies (see Pardo 2008, for a preliminary investigation of secondary literature on Georgia). Secondary literature on Georgia is generally scarce beyond research and reports on the separatist conflicts that have ravaged the country. Sources dealing with domestic political conditions, especially regarding the literature of domestic governance (mainly addressing weak statehood, corruption and democratisation), is relatively well developed. The literature, however, regarding other policy areas and relations with the EU is, in general, rather scarce. Apart from the intrinsic value of the analysis on EU-Georgian relations and on Georgian policy developments, this thesis constitutes a first attempt to establish a deep and systematic analysis of EU-Georgian relations, which may be used as a stepping stone for further

empirical research in the region. The main bulk of this literature, and certainly of best quality, is available in English. Language thus did not constitute a significant obstacle. Secondary sources consulted are brought together in the bibliography at the end of this work. They comprise a well-balanced and exhaustive review of the literature on the issues touched by the thesis between books, peer-reviewed journals, policy-papers, working papers, good quality newspaper articles (which are referenced as they appear in the text), and institutional reports and analysis by different organisations (Bertelsmann Foundation, International Crisis Group, Human Rights Watch, World Bank, Transparency International, OECD, etc.).

A final note is necessary to explain how the lack of knowledge of the Georgian language was compensated during the research. First, given the nature of the research most of the interviewees (members of the EU and Georgian administration, as well as diplomats and regional experts) spoke good or excellent English. Second, the scarcity of official documentation does not only apply to the little data available in foreign languages including Russian and English, but also to domestic policy evaluation, reports, etc. in the Georgian language. Given the characteristics of the Georgian policy-making process since independence, characterised by improvisation and the pursuit of short-term problem-solving policies (admittedly, domestic circumstances have never been easy in Georgia), most of the policy planning and strategies have been drafted with the assistance of Western institutions and non-governmental organisations, and therefore, are normally available in English.

STRUCTURE OF THE THESIS

The first section of the thesis elaborates the conceptual and theoretical aspects that underpin the development of the analytical framework for investigating EU influence. The first chapter conceptualises briefly the EU's external relations towards its neighbourhood as a process of 'engagement', and maps the institutionalisation of the latter in Georgia in the

context of the Eastern neighbourhood. It then establishes a typology of governance in the neighbourhood which will serve as a basis for the selection of the empirical case studies in terms of the impact of the EU at policy level.

The second chapter sets forth the analytical and theoretical framework for the analysis of the EU impact on each case study. With the aim of comparing the case studies, different conditions for EU impact are extracted for each causal logic from the literature on ‘accession Europeanisation’, ‘external governance’, historical and sociological institutionalism, and international relations more broadly.

The second section of the thesis undertakes an empirical assessment of the conceptual and analytical framework. Chapters three, four, five and six present the empirical case studies for the evaluation of the EU’s impact on Georgia. Chapter three analyses the impact of the EU on an area of ‘governance by conditionality’ such as economic relations and access of Georgia to the EU single market. Chapter four moves to analysing an area of ‘intergovernmental governance’, represented by cooperation on foreign and security policy issues between the EU and Georgia. Specifically, it focuses on the alignment of Georgia with CFSP acts; regional cooperation for the management of conflicts; and conflict management and prevention. Chapter five investigates the EU impact on an area of ‘external governance’ such as energy security in the context of Georgia and the wider Black Sea region. Finally, chapter six analyses the impact of the EU in the Georgian Security Sector Reform as an area of ‘cooperative governance’.

The thesis closes with a concluding chapter which reviews the main empirical findings and their theoretical implications. The conclusions give rise to a discussion about the capacity of influence of the EU, its role as a driver of change, especially regarding democratisation, conflict resolution and economic reforms, as well as a discussion about the power of the EU and the limits of ‘EU governance’, especially its ability to exert influence through

conditionality. A further step shows how the EU's 'engagement' can generate some predictable processes that allow theory building for further comparative research. The conclusion ends by suggesting some avenues for further research.

CHAPTER 1 – EU GOVERNANCE TOWARDS ITS NEIGHBOURHOOD: IMPLICATIONS FOR CASE SELECTION

The EU is commonly seen as a *sui generis* organisation (e.g. European Union Committee, 2005). More than an international organisation, but certainly not a state, conceptualising the capacity of the EU in its external relations is a complex matter. However, it is hardly disputed that the EU is an important actor in world politics. In relation to neighbouring countries, the EU has set itself grand ambitions to bring about profound reforms without membership perspectives with the carrot of sharing ‘everything but institutions’ (Prodi, 2002). Indeed, there is no precedent of promoting EU rules (*acquis*) as a template for development and modernisation without membership perspectives (Wolczuk, 2010). In order to frame the case studies, the aim of this chapter is to conceptualise the way in which the EU projects different forms of governance towards its neighbourhood. It argues that the EU aims to extend its influence through ‘a deliberate effort to export its novel experience of conflict resolution, socio-economic and political cooperation, regional integration and supranational governance’ (Magen, 2007: 373). It conceptualises the ENP as a process whereby the EU engages neighbours in a wide array of policies with different sets of instruments. In this sense, EU governance takes on different shapes and rationales.

The chapter pursues two interrelated goals: First, it establishes the way the EU has institutionalised relations with its neighbourhood. This is a necessary first step because it allows us to understand the nature of the EU’s engagement with its neighbourhood and to frame EU relations with Georgia in the context of the Eastern neighbourhood. Second, the chapter sets out a framework for the selection of our empirical cases based on different types of EU governance. Taking the ‘external governance’ approach as a starting point, it defines four ideal types of governance that frame the selection of issue-areas for empirical

analysis: ‘hierarchical governance’ (access to the EU’s single market); ‘intergovernmental governance’ (foreign policy and political dialogue); ‘external governance’ (energy cooperation); and ‘cooperative governance’ (assistance to the Security Sector Reform).

The analysis starts by tracing the process of institutionalisation of the EU relations with its neighbours. It defines this approach as a process of institutionalised engagement (Youngs, 2005). It then discusses how the EU’s ‘engagement’ has evolved in the context of EU–Eastern neighbourhood relations since the breakup of the Soviet Union in 1991 with particular reference to Georgia. The final section conceptualises EU governance towards its neighbourhood and sets out the conditions and criteria for the selection of our empirical cases.

1.1. FRAMING EU EXTERNAL RELATIONS TOWARDS ITS NEIGHBOURHOOD

The EU aims to extend its influence through a deliberate effort to export its model of socio-economic and political cooperation (Magen, 2007: 373). This is not unique and experience shows us that modern Western powers have sought to expand their socio-economic values and political arrangements so it does not come as a surprise that the EU aims to transfer its own political and legal experience. The novelty in the case of the EU is its structured and systematic arrangements with third parties, be they states or international organisations, via bilateral and multilateral agreements that formalise different degrees of relationships according to the aspirations of both the EU and third parties (Magen, 2007). According to Youngs (2005), the notion of ‘transformative engagement’ defines the overarching character of the EU relations within the context of the ENP and other arrangements with neighbours. ‘Transformative engagement’ implies the:

establishment and development of formal comprehensive ties incorporating regularised cooperation, dialogue and monitoring (bolstered by financial

assistance, technical aid and conditionality) on a broad range of subjects (trade, competition, standards, transport, environment, justice and home affairs, human rights, democracy and so forth) with the aim of affecting far reaching economic, political and social change in targeted countries (Magen, 2007: 375).

Although the qualifier ‘transformative’ is biased (it implies that the EU will indeed transform partners and this might not be the case), the notion of ‘engagement’ as an institutionalised and long-term process of relations captures the nature of the EU’s ‘actorness’ in its near abroad. It crucially reflects the main feature of the EU’s external relations: the establishment of formal and institutionalised cooperation, political dialogue and (variable) monitoring on a broad range of issues through bilateral and regional structures (Youngs, 2005; Magen, 2007: 374-375). The enlargement policy, the European Neighbourhood Policy (ENP) and other association and partnership agreements are the reflection of this structured approach.

In light of this conceptualisation we can better grasp how the EU approaches governance in relation to its near abroad and specifically in the context of the ENP. Accordingly, before moving to issues of case selection for the empirical analysis, we first need to specify what institutional and procedural settings the EU has developed towards its Eastern neighbourhood, where Georgia is located. The next section presents such a framework for the EU–Georgia relations in the context of the EU–Eastern neighbourhood and although it is admittedly rather descriptive, it is necessary to give the reader an overview of the dynamics of the institutionalisation of the EU’s engagement in the area.

1.2. EU ENGAGEMENT WITH THE EASTERN NEIGHBOURHOOD: DYNAMICS OF A CHANGING RELATIONSHIP

As regards the EU’s external relations with its Eastern neighbourhood, a fully-fledged and far-reaching ‘engagement’ was not in place until the EU did not enlarge towards the Central

and Eastern European countries (CEEC). First, the enlargement brought into the EU new sensibilities and interests towards their new Eastern neighbours, a situation that prompted both member states and the Commission to reconsider and upgrade relations towards the region (Johansson-Nogués, 2007b). Second, as a consequence of path-dependent institutional dynamics of the enlargement policy towards the CEEC, a new framework of relations between the EU and its neighbours was established: the ENP. In the case of Georgia, the outcomes of the so-called Rose Revolution of November 2003 that brought into power a reform-oriented and democratically elected government opened the doors of the ENP to the Southern Caucasus.

More than a historic and descriptive overview of these factors, this section engages in establishing the institutional dynamics of the relations between the EU and its Eastern neighbourhood and the existing elements of engagement. It will serve the purpose of setting the scene of the EFP towards the region before we move on to select the case studies, in the context of the particular ways of governance the EU projects towards its neighbourhood.

1.2.1. First stages of the EU's engagement in its Eastern Neighbourhood

After the collapse of the Soviet Union in December 1991, the EU proposed to establish an institutional and legal framework of relations in the form of Partnership and Cooperation Agreements (PCA) with the former Soviet Republics in 1995,³ thus setting up the initial steps for an institutionalised relationship. This one-size-fits-all approach towards the former Soviet Union reflected a lack of strategic perspective towards the area as a result of the limited geopolitical and economic interests of the EU in the region (Coppieters, 1998; Light, 2008). The default option was to engage in low-profile contractual and financial

³ With the exception of the Baltic States which were already immersed in the process of NATO and EU integration.

commitments with the overall aim of prioritising the relations with Russia (Taylor, 1994; MacFarlane, 1999, 2002; Cornell and Star, 2006).

The PCAs came into force in 1999 for a 10 year period and can be renewed or upgraded to include new contractual relations. At the time of writing, Ukraine and Moldova are negotiating so-called new generation Association Agreements (AAs) in the context of the Eastern Partnership (EaP) established in 2009. The EaP aims to complement the Southern or Mediterranean dimension of the ENP, which was further developed with the establishment of the Union for the Mediterranean in 2008. It is framed within the context of the ENP and the main added value is the possibility of enhancing regional cooperation in the areas of energy and trade, principally, and the creation a civil society forum (see Council of the European Union, 2009; Tiede and Schirmer, 2009). Despite a certain strengthening of the Eastern dimension of the ENP, the goals, instruments and institutionalisation of the latter remain the same (mainly, the establishment of AAs, strengthening administrative capacities, and further regional cooperation at all levels), and the EaP does not, therefore, affect the context of EU-Georgian relations at the time of writing. AAs negotiations with the Southern Caucasus countries were initiated in July 2010.

The PCAs, which need to be implemented in principle before the final signature of the AAs, include the usual ingredients of the EU's contractual relations with third parties: 'supporting efforts to consolidate democracy and economic development; promoting trade and investment and harmonious economic relations; creating the conditions for the future establishment of a free trade area; cooperating in economic, social, financial, technological and cultural fields; and providing a framework for political dialogue' (Keukeleire and MacNaughtan, 2008: 271). All PCAs had similar political objectives and legal layout, with little differentiation among them even in the Russian case, where the major difference is

that it incorporated a higher level of institutional framework of regular consultations in the form of biannual heads of state/government summits (see table 1).

Table 1: Legal basis and institutional framework of political dialogue between the EU and the former Soviet republics, excepting the Baltic States

	Legal Basis	Council Commitments			Commission-run Activities
		Horizontal	CFSP-Specific	JHA-Specific	
Southern Caucasus, Central Asian Republics and Moldova	Entry into force on 1999. PCA signed on 22 April 1996*	- Cooperation Council: one per year at ministerial level (bilateral, international, including political dialogue)	-Regular meetings of Senior Officials -Ad-hoc settings, such as experts meetings - Dialogue can be conducted on a regional basis	<i>Ad hoc</i> Cooperation on JHA	Cooperation Committee: usually one per year (officials)
	PCA into force in 1997. Signed in 1994*	- two meetings per year at head of state/government level and the EU troika -Cooperation Council: one per year at ministerial level (bilateral, international, including political dialogue)	-2 meetings per year between Senior Officials representing the EU troika and Russia - Ad-hoc settings, such as experts meetings (working parties)	Subcommittee	Cooperation Committee: usually one per year (officials)
	PCA into force in 1998. Signed in 1994*	- Cooperation Council: one per year at ministerial level bilateral, international, including political dialogue)	-Where appropriate, consultations at the highest political level -Regular meetings of Senior Officials - Ad-hoc settings, such as experts meetings (working parties)	<i>Ad hoc</i> Cooperation on JHA	Cooperation Committee: usually one per year (officials)

Source: own elaboration from EC documents. *Agreements for a 10-year period that have been rolled over pending conclusion of new agreements.

The potential level of cooperation envisaged in the PCAs was not only less ambitious than those agreed with the CEEC countries, but also less than the AAs offered to the Mediterranean countries which are part of the Barcelona process. The financial scope was less ambitious too: the PHARE total commitments between 1990 and 1998, the EU assistance programme for the Mediterranean countries, were €8,891 million (Bailey and De

Propris, 2004), whereas the total budget of the assistance programme for the former Soviet Union TACIS was €5,208 million for the 12-year period 1992-2003 (European Commission, 2003b). (Compare also the evocative connotations of the word PHARE (which means *lighthouse* in French) with the aseptic TACIS).

Despite the low profile of engagement, the PCAs included the possibility of transferring parts of the EU's *acquis communautaire* in terms of the harmonisation of a wide range of economic and regulatory issues. The *acquis* is a characteristic internal element of the EU that allows the existence of the EU as a single market and as a polity itself and has turned into a powerful foreign policy tool (see Harpaz, 2006; 2007; Petrov, 2008). The *acquis* is the body of common rights and obligations which bind all the Member States together within the European Union, comprising not only EU primary, secondary binding and non-binding legislation but also the European Court of Justice (ECJ) case law (Petrov, 2008: 33). The consequences of the *acquis*' existence, a reflection of the regulatory convergence between member states (Scharpf, 1999), in the EU's external relations is paramount and not always well understood (Magen, 2007). The adoption of the *acquis* encourages partner countries to make their national rules and standards compatible with those of the EU in order to share the 'Union's common values' (Petrov, 2008: 34). In fact, the establishment of a compatible legal environment between the EU and third countries is an indispensable condition for the mutual liberalisation of markets. The latter is a costly process in terms of monetary resources, legal change and political terms since leaning towards the EU's economic sphere can have important implications for domestic business, political interests and even geopolitical consequences.

The PCAs also created the first elements of socialisation in launching some institutionalised patterns of political dialogue at different levels with the EU (see table 1). However, the elements that were put in place only set up a thin, institutionalised base of relationships.

They did not allow for far-reaching engagement since the low level of contractual relations did not establish conditions for cooperation and governance with a clear framework of reforms that would allow these countries to achieve closer political and economic relations with the EU. In addition, the regional and domestic political and socioeconomic conditions in the post-Soviet republics were far from ideal in order to engage with the contractual frameworks agreed with the EU.

Indeed, domestic conditions in those countries, particularly Georgia, were especially difficult. During the nineties, all the former Soviet Republics faced the difficult prospects of a triple transition: from a planned economy to a market economy; from a centralised Soviet state sustained by a security apparatus to uncertain political systems; and a process of state-building in societies with no traditions of statehood. In all cases, the result was economic collapse, societal breakdown and the constitution of hybrid political regimes and economies (e.g. Stefes, 2006) (see table 2).⁴ Corruption became endemic and, in general, these countries were economically dependent on a weak Russia that still kept a grip on their political elite and the separatist conflicts that ravaged many former Soviet Republics, particularly Georgia (e.g. Coppieters, 1996; Dawisha and Parrott, 1997; Cornell, 2001; Lynch, 2002, 2003; Goltz, 2006).

⁴ Hybrid political regimes combine (to different degrees) democratic features with authoritarian practices ‘placing them in a “grey zone” between closed authoritarianism and liberal democracy’ (Wigell, 2008: 230). Most of the Eastern Partnership countries and Russia are characterised by weak institutional structures and oligarchic and strong presidential forms of government legitimised through elections (see Carothers, 2002).

Table 2: Growth in real GDP in Central and Eastern Europe and the CIS

Selected CEEC and CIS	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Estimated level of real GDP in 1998 (1989=100)
Albania	9.8	-10	-27.7	-7.2	9.6	9.4	8.9	9.1	-7.0	8.0	8.0	86
Bulgaria	0.5	-9.1	-11.7	-7.3	-1.5	1.8	2.1	-10.1	-7.0	3.5	0.0	66
Croatia	-1.6	-7.1	-21.1	-11.7	-8.0	5.9	6.8	6.0	6.5	2.3	-0.5	78
Latvia	6.8	2.9	-10.4	-34.9	-14.9	0.6	-0.8	3.3	8.6	3.6	1.5	59
Poland	0.2	-11.6	-7.0	2.6	3.8	5.2	7.0	6.1	6.9	4.8	3.5	117
Armenia	14.2	-7.4	-17.1	-52.6	-14.8	5.4	6.9	5.8	3.1	7.2	4.0	41
Azerbaijan	-4.4	-11.7	-0.7	-22.6	-23.1	-19.7	-11.8	1.3	5.8	10.1	3.7	44
Belarus	8.0	-3.0	-1.2	-9.6	-7.6	-12.6	-10.4	2.8	10.4	8.3	1.5	78
Georgia	-4.8	-12.4	-20.6	-44.8	-25.4	-11.4	2.4	10.5	11	2.9	3.0	33
Moldova	8.5	-2.4	-17.5	-29.1	-1.2	-31.2	-3.0	-8.0	1.3	-8.6	-5.0	32
Russia	n/a	-4.0	-5.0	-14.5	-8.7	-12.7	-4.1	-3.5	0.8	-4.6	0.0	55
Ukraine	4.0	-3.4	-11.6	-13.7	-14.2	-23.0	-12.2	-10.0	-3.2	-1.7	-2.5	37
CIS	0.6	-3.7	-6.0	-14.2	-9.3	-13.8	-5.2	-3.5	0.9	-3.5	0.0	53

Source: EBRD Transition Report 1999

1.2.2. *Reaching an institutional equilibrium*

In addition to the contractual relations between the EU and its Eastern neighbours in the form of the PCAs, the EU has devised a series of incremental steps in order to foster relations with its near abroad as a way of guaranteeing EU security as well as stability in the neighbourhood (see Council of the European Union, 2003). Undoubtedly, the main overarching policy towards the neighbourhood (and exemplary of far-reaching institutionalised engagement) is the ENP, which can be seen a ‘roof over an expanding system of functional regional integration that moves at different speeds and with different dynamics’ (Lavenex, 2008: 939). As aforementioned, the ENP includes regional initiatives such as the Union for the Mediterranean and the EaP that aim at promoting regional cooperation and regional free trade agreements that ideally would also be anchored in the single market.

In relation to the Eastern neighbourhood, the EU has been slower in framing multilateral initiatives since traditionally it has prioritised relations with Russia. However, the EU established the Black Sea Synergy in 2007 and recently, the EaP in 2009 that complement the bilateral and top-down approach of the ENP with the possibility of creating multilateral arrangements and a free trade area. These processes reflect important institutional and political dynamics within the EU that affect its capacity of influence in terms of coherence and it is worth detailing them briefly. In the case of the EaP, a Polish-Swedish initiative (Copsey, 2008; Ferrero-Waldner, 2008a; Copsey and Pomorska, 2009), the objective is to upgrade relations with the Eastern neighbourhood in the context of the ENP to the same degree at least as the Union for the Mediterranean and therefore to have a 'Brussels-focused' framework instead of the regional orientation of the BSI, which includes Russia and Turkey. The launch of the EaP was scheduled to occur during 2009-2010, but as a consequence of the Russian-Georgian war it was officially unveiled in November 2008 and signed in May 2009 as a way of signalling to Russia (and the EU's Eastern neighbours) the commitment of the EU towards the area.

The accession of the CEEC passed up to the EU level their national interests and security concerns regarding their Eastern neighbours and Russia respectively. The Baltic States, especially Estonia and Lithuania (Galbreath and Lamoreaux, 2007), and Poland, were strong advocates of increasing the political and financial assistance towards not only Ukraine and Moldova, but also to the Southern Caucasus (Zaborowski and Longhurst, 2003). In the case of Georgia, protests provoked the resignation of Shevardnadze as President of Georgia when the opposition led by M. Saakashvili denounced, during the so-called Rose Revolution, the results of the November 2003 parliamentary elections. Saakashvili himself, seen as pro-Western and reformist, won the presidential elections of January 2004, a result that opened a window of opportunity to overhaul the entire state and security forces. Immediately, the Baltic States, Poland, Bulgaria and Romania created the

‘group of friends of Georgia’ with the purpose of assisting Georgia to accede to NATO and the EU. The so-called ‘colour revolutions’ in Georgia and Ukraine and the EU’s enlargement (and NATO) created new dynamics that exhausted the EU position of relative passivity towards these countries and led the EU to include the Southern Caucasus in the ENP.

The ambitious goal of the ENP is to promote democracy and to serve as a ‘motor for political, economic and social reforms in neighbouring countries’ (Lippert, 2007: 181). Short of further enlargement, the ENP represents the EU’s most prominent policy tool directed towards stabilising and securing relations with its neighbourhood (Smith and Weber, 2008). It was against a background of ‘enlargement fatigue’ that the ENP was proposed (Smith, 2005), but in terms of policy design and instruments it is a direct product of the enlargement policy (Copsey, 2008; Menon and Sedelmeier, 2010). The choice of policy instruments and institutional procedures (the Commission’s DG for Enlargement itself created the ENP policy framework)⁵ such as the emphasis on conditionality, the projection of the EU’s *acquis*, the existence of action plans and EU monitoring as well as specific assistance tools, derive directly from the experience of enlargement. This obviously creates a crucial tension between policy instruments devised around an incentive-based strategy conducive to final accession to the EU and the ENP where enlargement has been ruled out (Menon and Sedelmeier, 2010: 88).

The result is that the ENP is not a strategic and contextually created policy but the consequence of a path-dependent process that superficially resembles the enlargement process; this is especially true in those countries that aspire to accession or to be as close as possible to the EU such as Georgia, Moldova, Ukraine or even Morocco. This also reflects the consensual aspect of EU policy making: EU members differ in both the geographic

⁵ These responsibilities were transferred to the DG for External Relations in 2006.

scope of their interests and also in their political interests; the only way to manage this tension is via what seems from the outside to be an aseptic and technical process. Governance by conditionality and the process of benchmarking and monitoring during the CEEC enlargement was a way to sort out these tensions (Sedelmeier, 2007; Menon and Sedelmeier, 2010).

The implications of the ENP policy design in analysing the influence of the EU are important since it extrapolates a series of dynamics created in the context of the CEEC enlargement in terms of modes of governance and mechanisms of influence. Although incentives and benchmarks are less clear, the ENP and the EaP establish a relatively stable and institutionalised framework of relations. As a result of such a process, the ENP has a strong ‘community component’ and it has been defined as a process of external projection of internal politics (Lavenex, 2004). In spite of its reliance on enlargement policy instruments, the ENP has evolved towards a certain policy equilibrium given the two-way process with partners and the adjustments of incentives according to a context of non-accession. As Prodi (2002) declared, membership is not ‘the only game in town.’ Accordingly, the EU has had to find a different way to influence the neighbourhood without the ‘golden carrot’ of membership. The crucial element for the purpose of this thesis is the wide scope of the ENP as EU relations with its neighbours touch to a greater and lesser extent upon almost every policy. Obviously, there are areas where the EU’s and partners’ interests amplify the political and economic resources devoted to them. In this sense, the ENP offers a single framework where EU-partner bilateral progress is based to a great extent on the neighbours’ interests and aspirations. To summarise, those who advance the wider process of approximation to the EU in terms of values, political organisation and the economic system will, in exchange, obtain closer relationships.

In the context of the Eastern Neighbourhood, as for the ENP and EaP, this implies the following elements: establishment of Deep and Comprehensive Free Trade Agreements (DCFTA) that involve adaptation to the EU's legislation in public procurement, intellectual property, food safety, competition, the labour market and the implementation of a series of international conventions that would lead to an environment of free trade, investment and capital; Visa facilitation and Mobility Partnership agreements that would complement the previous 'freedoms' of capital, goods and services with a certain facilitation of movement of people towards the EU; and political and financial support in institution-building and conflict resolution. The fulfilment of negotiations in the first two areas plus advancements in the latter, which obviously depends on political decisions within the Council, would represent the upgrading of contractual relations to signing new generation Association Agreements. 'New generation' implies the dynamic adoption of changes of the correspondent *acquis communautaire*. Ideally, a final scenario would be the creation of an extended European Economic Area towards the Eastern neighbourhood. This process does not preclude policy-level and *ad hoc* cooperation with countries that do not implement the previous elements (energy security for example). This is a way of sorting out the normative elements of the EU's identity in world politics and *realpolitik* elements or EU member states' interests: cooperation is always possible, but conditionality is introduced for those who want to be closer to the EU. Lastly, a point worth mentioning is that although accession is not on the agenda (and the EU has explicitly made clear that the ENP/EaP is not even a first step towards it), the EU has never precluded the possibility of membership for the EaP countries either, and some member states, such as the UK and Poland, consider the implementation of the ENP in Eastern Europe as a first stage towards obtaining EU candidacy.⁶

⁶ This has only happened in the case of Morocco, when its candidature was rejected on the grounds

In conclusion, the elements of an institutionalised ‘engagement’ that aims to transform domestic policies are very much present in the current format of relations between the EU and its Eastern neighbours. In the case of Georgia, since 2004 the EU has established a regular dialogue at the technical level as a product of the ENP in addition to the institutionalised framework of the PCA political dialogue. At the time of writing, the EU and Georgia have set up sub-committees on Trade, Economic and related Legal affairs; Justice, Freedom and Security; Transport, Environment and Energy; and Social Affairs and Education. In terms of the DCFTA, there are ongoing negotiations; the visa-facilitation negotiations have finished and Mobility Partnership negotiations have started. In terms of conventional foreign policy instruments, the EU appointed a special representative for the Southern Caucasus in 2003 and set up different *ad hoc* assistance programmes outside of the ENP framework for the reform of state institutions under the heading of the CFSP Rapid Reaction Mechanism. Currently, the EU is the only guarantor of the ceasefire agreements of the Russo-Georgian war of August 2009, whereby the EU deployed the only international mission on the ground in Georgia, monitoring the resulting ceasefire conditions affecting the demarcation line between Georgia and the breakaway entities South Ossetia and Abkhazia (with another Special Representative in charge of the EU Monitoring Mission). This can lead to the obvious problems of institutional coherence, as the latter elements correspond to exclusive Council competences (European Commission, 2006a).⁷

that it is not a European country. Likewise, the European Parliament has consistently supported membership perspectives for EaP countries (e.g. see EU-Georgia Parliamentary Committee, 2009, 11th meeting, point 35); and the Conference *The Eastern Partnership and the Future of EU Engagement*, Chatham House, 16/03/2011 (under Chatham House rule of anonymity).

⁷ The Treaty of Lisbon, in force since December 1 2009, attempts to resolve the institutional or horizontal coherence with the creation of an EU diplomatic service and by integrating the High Representative for CFSP (Council competence) and the External Relations Commissioner. The new High Representative for External Relations will have access to both institutions’ resources and meetings of the Commission and the General Affairs Council. The Treaty also unifies the former

1.3. TYPES OF EU GOVERNANCE IN THE NEIGHBOURHOOD AND CASE SELECTION

The two things that now seem undisputed about the ENP are that it tries to promote both deeper and broader relationships between the EU and its neighbours (Buzogány and Costa, 2009: 525). Understandably, the EU aims of reproducing its norms and rules in countries with no or little accession perspective has attracted the attention of scholars (Barbé et al., 2009a). As set out in the introductory chapter, there are two main trends of analysis that are concerned with how the EU promotes policy convergence in its neighbourhood (Magen, 2007; Barbé et al., 2009a). The first, the ‘external governance’ approach, focuses on how the EU expands its internal arrangements towards its neighbourhood and especially its *acquis communautaire*. The second, normally referred to as ‘Europeanisation beyond the EU’, seeks to establish to what extent, under what conditions and through which mechanisms the EU influences and promotes legislative and regulatory approximation and policy adaptation in the neighbouring countries.⁸

Both are relevant for the purposes of this thesis, but in different ways: the ‘external governance’ literature will help us to establish and define the characteristics and selection of our empirical cases, whereas the ‘Europeanisation’ literature will guide us in the first steps of building an analytical framework for empirical research. The rest of this chapter will focus on developing the framework for the case studies.

three-pillar structure, although it keeps the intergovernmental character of the CFSP and CSDP as well as some areas of the JHA.

⁸ There exists an important third strand of literature which is concerned with ‘normative’ aspects of the ENP (or the ‘goodness’ or value judgments about the ENP) (Barbé et al., 2009a). Although it is a relevant contribution to the study of the EU’s external relations, it is outside the scope of this thesis (e. g. Johansson-Nogués, 2007a; Pace, 2007; Barbé and Johansson-Nogués, 2008; Delcour and Tulmets, 2009).

1.3.1. The limits of 'External Governance': Governing what and how

To explain the process of expansion and transfer of EU norms and rules during the most recent EU enlargement, the concept of governance has recently been imported into the analysis of EU external relations (e.g. Schimmelfennig and Sedelmeier 2002, 2004). Thus, the 'external governance' literature highlights the fact that, to some extent, the EU is expanding its internal multilevel and network governance to the neighbourhood in the context of the ENP and relations with its near abroad (e.g. Johansson et al., 2002; Hubel, 2004; Lavenex, 2004; Rosamond, 2005; Gänzle, 2009; Lavenex and Schimmelfennig, 2009; Bosse, 2010). For that purpose, the EU is seeking to expand the geographical scope of its norms and rules to manage problems of interdependence without offering membership (Schimmelfennig and Wagner, 2004: 658). In this section, we take as a point of departure for case selection the theoretical insights of this literature. We also problematise some of its analytical aspects with the aim of establishing different case studies for the empirical analysis of EU influence in domestic policies beyond enlargement. We also aim to set out some specific governance characteristics that will configure a continuum of different types of EU governance towards its neighbourhood for analysing EU impact.

The 'external governance' approach derives from two main sources. One is the concept of 'boundary politics' (Korosteleva, 2009: 232) set out by Michael Smith with the purpose of describing the challenges that the collapse of the communist regimes in the CEEC posed to the EU regarding how to manage relations with those countries (Smith, 1996). The concept of 'boundary politics' revolves around the tension between inclusionary and exclusionary forces in the EU's foreign policy towards its neighbourhood. Smith argued that the EU tries to define its order by extending and maintaining four types of boundaries: geopolitical, institutional, cultural and transactional, but that it will become increasingly difficult for the EU to keep these boundaries impenetrable to their immediate neighbourhood. Although the

article was written in the context of relations between the EU and the CEEC, the concept of ‘boundary politics’ is still pertinent for relations between the post-enlarged EU and its neighbourhood (Gänzle, 2009).

The second source is the growing academic attention to the concept of ‘governance’. The important aspect of the ‘governance’ approach in relation to the EU is to shed light on those processes that promote convergence among EU member states through multi-level policy processes and the interaction of public and private actors from the subnational to the supranational level, without resorting to hierarchical relations (Schimmelfennig and Wagner, 2004: 657). In this sense, although ‘governance’ is admittedly sometimes an overstretched concept, it captures the cooperative arrangements that characterises the process of European integration (Jachtenfuchs, 2001). Accordingly, ‘governance’ defines a political arrangement characterised by the coordination of multiple public and private players; the convergence of divergent preferences in relation to the plurality of interests involved; and the application of both formal (legislation, legal obligations, etc.) and informal (best practices, professional norms, etc.) rule-making and compliance methods (Weber et al., 2007: 9).

Thus, by shifting to some extent its internal ‘boundaries’ the EU aims to shape and govern its neighbourhood through different dynamics of governance. Drawing on the theoretical underpinnings of the institutionalist perspective of policy transfer within the European Union (Radaelli, 2000; Bulmer and Padgett, 2004), we can identify three distinctive forms of EU governance: *hierarchical governance* where EU institutions exercise coercive forms of rules transfer; *negotiation*, where the EU seeks to agree on common rules by consent (see also Dolowitz and Marsh, 2000); and *voluntary* exchange facilitated and coordinated by the EU, where the member states or neighbours adopt transferred norms or rules without conditionality. In the context of EU governance in relations with its neighbourhood,

‘Hierarchical governance’ conforms to an ideal type of policy transfer based on formal and precise rules that are non-negotiable and legally binding (Lavenex and Schimmelfennig, 2009: 797). This mode of interaction implies the existence of conditionality: in order for partners to integrate with some EU policies, they need to adopt and implement a series of norms and rules and/or regulatory practices. Therefore we prefer to label ‘hierarchical governance’ in the context of the ENP as ‘governance by conditionality’ as it requires the conditions of precise rules, formal procedures, monitoring and sanctioning associated with hierarchy (Schimmelfennig and Sedelmeier, 2004: 664-665).

Likewise, in the same context, ‘negotiation’ and ‘voluntary’ forms of EU governance are formalised by Lavenex and Schimmelfennig (2009) as ‘network governance’, which aims to expand norms and rules through a policy transfer mode based on voluntaristic and inclusionary, process-oriented (in contrast to policy ‘output’) characteristics. This means that in institutional terms the final output of the arrangements is subject to an open process of technical dialogue (Lavenex, 2008; Lavenex and Schimmelfennig, 2009). However, the analytical frontiers between hierarchical and different types of network governance are rather blurred (e.g. Smith and Weber, 2007; Lavenex, 2008; Barbé et al., 2009b; Trauner, 2009). A simple differentiation between hierarchical and voluntaristic modes of governance does not capture the continuum of EU governance in the neighbourhood. Although we agree with the governance approach that policy and rule transfer processes and outcomes are shaped by the institutional settings in which they take place (Bulmer and Padgett, 2004: 105), we have to take into account the policy characteristics in terms of the political components that underpin the ENP and the EaP.

The ‘external governance’ approach misses the important factor of the incremental level of relations that some countries wish to establish with the EU, but that requires considerable levels of adaptation in some areas. Conditionality, although admittedly without overall clear

commitments and rewards (Sasse, 2008), is still present in the ENP. At the same time, ‘external governance’ also fails to recognise the two-way or dual process between the EU and neighbours, whereby the EU projects its institutional arrangements, constructing and shifting its boundaries, but can also be the subject of boundary construction by partner states (Korosteleva, 2009: 232). Sectoral cooperation can lead to different perceptions between the EU and its partners, resulting not only in misunderstandings, but also in disengagement. Political calculations in member states, the Council and partner countries do influence the final possibility of deepening bilateral relations. However, given the strong institutionalist and functionalist foundations of the ‘external governance’ approach, it underestimates three crucial elements relating to the relations of the EU with its neighbourhood: first, the political dynamics within the institutional setting of EU–neighbour relations; second, the domestic context of neighbours; and third, the international dimension of the relations.

Based on this rather theoretical discussion, the following section sets out the main conditions that determine a stylised continuum of EU types of governance within the context of the ENP. The purpose is to take into consideration whether the characteristics of a policy affect the conditions under which the EU can induce reform in the neighbourhood. Therefore, the empirical cases are selected according to different types of policy conditions within a specific ‘mode of governance’.

1.3.2. Typology of EU governance in the neighbourhood

This thesis shares with the ‘external governance’ literature the view that in order to grasp the process of rule transfer beyond membership we need to shift the focus of analysis from ‘unitary state actors’ to institutionally structured processes and the policy-level dynamics characterised by different forms of governance. It also shares the view that the internal policy-making and institutional arrangements within the EU will affect the type of

governance that is established with neighbours. However, it proposes to create a typology of ideal types of governance in EU–neighbour relations in relation to the factors that characterise different policies which will provide greater analytical sophistication than the catch-all concept of ‘external governance’.

As the previous section discussed, hierarchical and voluntaristic modes of governance represent the extreme ends of EU modes of governance. The continuum between them will mainly depend on two intimately related elements: EU policy-making processes and the degree of formalisation of the rules the EU aims to project; and conditionality. This is admittedly a rather simplistic conception of governance but the key point is that variation along these dimensions will affect the degree of hierarchy, political flexibility and institutionalisation of EU relations with neighbours at policy level. To summarise, this section proposes a stylised typology of EU governance in its neighbourhood that captures EU internal dynamics as well as political relations with neighbours since ‘the governance export...varies substantially and *deliberately*, from one category of external relations to another’ (Magen, 2007: 380, my emphasis).

Degree of rule formalisation: Clarity and density of rules

The EU is not a state and therefore it has developed a unique way of ensuring a common purpose: by creating a system of issue-specific rules accepted by member states and governed by an institutional setting of checks-and-balances subject to EU law. The EU’s engagement is intimately linked to the projection of that system of EU and international rules (Magen, 2007). Hence, as mentioned earlier, an important determinant of the external dimension of EU policies is the projection of its *acquis communautaire* and regulatory arrangements. Indeed, the EU projects these rules in order to influence ‘the policy-making and legislative activities of third countries’ (Schimmelfennig, 2009: 11). It is important to bear in mind that the *acquis* varies in its clarity and density across policy-areas. In areas

where the norms and rules that the EU aims to transfer are clearly defined, the potential for influence and implementation will be higher (Lavenex and Schimmelfennig, 2009).

In this sense, the *acquis communautaire* is an important element of the EFP and a crucial characteristic of EU modes of governance. In general terms, we can assume that ‘progress in bilateral relations with the EU directly influences the third country’s attitude towards the implementation of the *acquis* [...] it could be argued that any decision to accomplish the effective implementation of the relevant *acquis* is both political and legal’ (Petrov, 2008: 37-38). As we will see below, this statement has an important corollary: the more important and binding the *acquis* is in a policy-area, the more conditional a policy will be in the case of third countries’ harmonisation with the EU.

The important element to stress is that the higher the level of integration a third country desires to achieve with the EU, the higher the level of regulatory and legal approximation and therefore the level of conditionality attached to the process. EU norms and rules derived from the *acquis* have a high degree of clarity and density which is an important factor for establishing a high degree of conditionality and hierarchy in the EU-neighbours in a particular area (Petrov, 2008). In contrast, in areas that are characterised by more cooperative and *ad hoc* arrangements, where the EU does not have a clear *acquis* or where the possibility of cooperation requires a more flexible approach, the EU will promote international norms or standards or will resort to state member’s practices or *ad hoc* agreements (Barbé et al., 2009a).

Conditionality

Conditionality will be more acute in hierarchical policy-areas. In our analysis, conditionality is a strategy where the EU offers material or social incentives such as international recognition or public praise to the target governments to ensure compliance

with its demands (Sedelmeier, 2007: 199).⁹ We can assume that the higher the degree of conditionality, the higher will be the degree of monitoring from the EU side. A second element is to what extent the EU aims to expand its own rules defined by the *acquis* and their clarity: does a policy reflect a well-defined EU policy and well-ingrained processes in the EU political and legal system? We can also expect that supranational policies that affect core constitutive elements of the EU or subjected to the supremacy of EU law will have a high degree of conditionality and hierarchical characteristics in the EU's external relations.

Constitutive elements refer to those rules and norms that a state has to adopt to become a member of a community (Schimmelfennig et al., 2006). The existence of a common market is arguably the central constitutive element of the EU. Access to EU markets (movement of goods, services or people) requires a variable but highly defined and important degree of adaptation depending on the degree of access a third country wishes to obtain. This process is, in short, driven by the conditional approximation to EU legislation, standards and regulatory practices, which affect a wide range of areas (e.g. from food safety to border management). Access to constitutive core areas of the EU will be characterised by conditionality and the EU will utilise its gate-keeping role in relation to third parties. In contrast, less formal and coordinated cooperation will depend on political interests in a particular area; whether or not it affects or not constitutive elements of the EU; and the limits of EU power to act as a hegemonic power. To summarise, a continuum of different degrees of conditionality characterises the EU's modes of governance in the neighbourhood.

⁹ At a general level, conditionality can be understood as a political strategy between two actors, in which one actor offers rewards to another actor if the latter complies or fulfils the conditions set by the former. If these conditions are not met the reward can be denied (positive conditionality) or punishment follows (negative conditionality) (Checkel, 2000).

An important element that determines the importance of conditionality is the internal policy-making of a policy area. Some policies such as defence and security cooperation are tightly controlled by the Council, whereas in other areas, especially communitarised ones, the Commission enjoys a high degree of expertise and autonomy. Indeed, the ENP and EaP are to a great extent a consequence of the Commission's important role in driving and monitoring the EU enlargement to the CEEC. The Commission has eventually obtained a privileged role in managing these processes in terms of preparatory stages, benchmarking, assistance and monitoring and therefore, in terms of the allocation of political and financial resources (Menon and Sedelmeier, 2010). This role has been retained to an important extent in some areas of the ENP. But, between intergovernmental and communitarised areas, there exists a continuum of policy-areas where such ideal-type clear-cut characteristics do not exist and where member states, the Council and the Commission have different degrees of participation.¹⁰ This affects both the type of governance as the possibility of exerting conditionality and its effectiveness.

In conclusion, the previous factors will be present in different degrees. The important element to bear in mind is that EU governance with neighbours is affected by the interrelation of these factors. The level of institutionalisation will be intimately connected to the EU's capacity to project its internal political arrangements, rules and conditionality. This is translated in different types of governance. The following section presents a continuum of types of governance that illustrates the previous discussion.

¹⁰ The European Parliament has increasingly gained more influence and powers since the Treaty of Maastricht. Indeed, the Treaty of Lisbon gives the Parliament an important role in the formulation of the EFP, but we do not deem it to be a determinant player during the period of empirical analysis considered in this thesis.

1.3.3. Four ideal-types of EU governance in the neighbourhood

In light of the previous discussion, we can derive a continuum for heuristic purposes to visualise different ideal-types of EU governance and the policy areas related to them that represent our case studies (see Figure 1). We adopt a family resemblance approach for assigning attributes to the conceptual ideal-types of policies (Collier and Mahoney, 1993). This means that the series of determinants of governance developed earlier will be present, but in different degrees so that different combinations of determinants produce different governance types. In theoretical terms, we take ‘external governance’ as a root term (Sartori, 1970; Collier and Levitsky, 1997). The rationality behind this is provided by the fact that ‘external governance’ is the most prevalent type of governance within the wide range of functional cooperation of the ENP. However, it is not the only one and very importantly, constitutive policies of the EU will tend to take more hierarchical and conditional arrangements; although less recurrent, their implications and stakes are higher and therefore these areas deserve careful analysis.

At the other end of conditionality and hierarchy we find cooperative arrangements that do not affect the EU as much as the partner country and where the EU normally has less expertise or fewer clear rules, relying on best practices or Council missions or on member state financial and human resources. Although these programmes sometimes touch upon sensitive areas of domestic structures, they are normally based on *ad hoc* frameworks that establish EU–partner cooperation in order to cooperate in some areas; this does not mean that some conditionality is not present. In the case of judicial reform, human rights or electoral rules, improvements in those areas are in principle prerequisites for closer cooperation with the EU. The following section outlines very briefly the characteristics of the case studies. The empirical chapters provide more detailed background information on

the EU approach and goals in each case, as well as the Georgian stance and the specificities of the EU–Georgian relations in each area.

Accession to the EU's single market and trade issues is an area of governance subjected to conditionality. In terms of within-policy characteristics, this is a policy area dominated by hierarchical relations as it is the EU that governs the process of granting a DFCTA and the AA that should follow. This is possible given that the area affects an important constitutive dimension of the EU and it has a clear and dense *acquis* with the expertise and monitoring competences of the Commission (it is a communitarised area). The EU, to summarise, can play a role of 'gate-keeper' if conditions are not met. This type of governance by conditionality is also characterised by hierarchical conditions that require to some extent a coercive form of rule and policy transfer (Radaelli, 2000; Bulmer and Padgett, 2004) based on formal and precise rules which are non-negotiable and legally binding (Lavenex and Schimmelfennig, 2009).

In sectors such as foreign policy and security issues, an intergovernmental approach prevails where the ENP Action Plans (APs) allow some partners to participate in Common Foreign and Security Policy (CFSP) acts as well as in Common and Security Defence and Policy (CSDP) missions.¹¹ In the context of the ENP, the only action plans that included this arrangement were those of Ukraine, Moldova and Georgia, while Armenia demanded it after Georgia asked to participate. In this area, the EU keeps an already voluminous *acquis politique* or corpus of declarations and actions that has developed and characterised the EU's normative tradition and value-system (Smith, 2008) and as in the case of access to the single market, the EU retains a gate-keeper role in the case of the possibility to align with CFSP acts. In other areas of foreign and security policy, such as conflict management, rules

¹¹ Before the Treaty of Lisbon the CSDP was called 'European Defence and Security Policy' or ESDP.

are less precise and mostly based on international rules and norms such as non-proliferation treaties, non-use of force, etc., but the Council retains a tight control over developments in these areas.

A paradigmatic area of external governance is the energy sector, where the EU aims to expand EU energy markets through the standardisation of practices as well as the modernisation of infrastructures. Energy cooperation is based mainly in non-hierarchical but institutionalised relations with dense networks of participants in terms of different actors, public and/or private, as well as the possibility of different levels of political participation (basically national and supranational). The objective for the EU is to create stable and secure transportation of energy from producers to the EU through stable transit countries (Westphal, 2006). In the case of Georgia, the country has become an important transit country and it aims to reinforce this role. In addition, the energy sector is subject to an uneven degree of specificity in the EU rules; in some cases the EU has developed a communitarian *acquis* and in other cases it can resort to international agreements such as the Energy Charter or EU regional programmes such as INOGATE or the Baku Initiative. However, some energy cooperation frameworks such as the Energy Community share elements of hierarchical conditions as it is required to meet certain rules and norms for membership; Georgia currently has observer status.

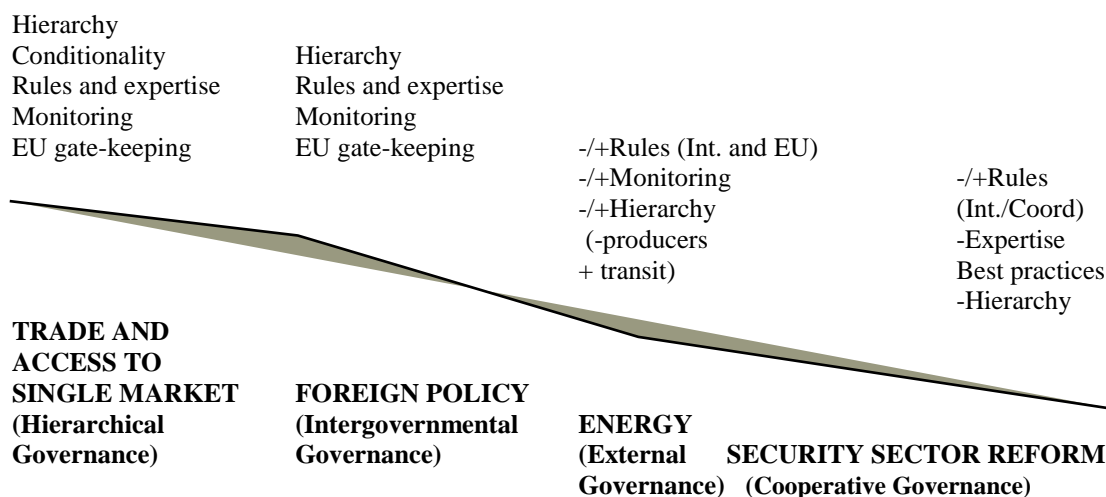
Cooperation in the Security Sector Reform (SSR) can be characterised as a mix of governance dimensions. The growing recognition of the links between security, development, justice and democracy has led the international community to promote 'holistic' approaches to security (Sugden, 2006). SSR therefore alludes to the necessity of reforming not only the armed forces, but also the judiciary, police or border management in order to increase the accountability of the security framework, facilitating good governance, democracy and economic development (Wulf, 2004). The thesis uses the concept of SSR

for two reasons: first, the EU itself has identified activities of assistance in the ‘rule of law’ field as SSR in different policy concepts and in the European Security Strategy.¹²

Second, EU activities in SSR reflect ‘cooperative governance’. In general terms, the area is characterised by the existence of a mix of international and EU norms and rules, as well as less emphasis on conditionality. Lacking clear intra-EU rules in this matter, the EU relies on bilateral and *ad hoc* cooperation programmes and on the transfer of international rules, such as those of the Council of Europe or the OSCE. However, some areas of reform do rely on certain parts of the EU *acquis* and member states’ best practices. It is also characterised by inter-pillar responsibilities and hence, the Commission and the Council have a division of labour not always conducive to a coherent EU policy. Improvements in the judicial sector and the rule of law are also constitutive elements of the EU. Good records in this area are a prerequisite of enhanced and upgraded relations with the EU, although such an evaluation is not subject to clear benchmarks and subjected to political consideration. For all these reasons we characterise this area as ‘cooperative governance’. SSR is in itself a big area and to narrow it down we consider three main dimensions of SSR where the EU and other international actors could potentially give assistance: judiciary reform, police reform and border management. The Georgian defence sector will be also considered as a way of constructing a counter-factual of ‘non-EU intervention’ since the EU has not set up any cooperation framework in that sector due to the lack of EU involvement in defence sector (Georgian defence and army reform revolve around the country’s ambitions to join NATO).

¹² See European Security Strategy (2003) *A secure Europe in a better World. European Security Strategy*, December 2003, Brussels, available at: www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf

FIGURE 1: CONTINUUM OF EU GOVERNANCE TOWARDS ITS NEIGHBOURHOOD



Key: Int.=International norms, EU=EU norms (*acquis*), Coord.=Coordination, *ad hoc* norms, producers=energy producers country, transit=energy transit countries.

1.4. CONCLUSIONS

The chapter proposed the notion of institutionalised ‘engagement’ as a way of capturing the essence of the EU external relations towards its near abroad. It captures the overarching framework of relations between the EU and its neighbours that encompasses a wide-range of policy cooperation structured around institutionalised relations. It also encapsulates the dynamic and flexible nature of the relations with neighbours in terms of the degree of ambition and cooperation they wish to establish with the EU. Thus, the EU ‘engages’ with third countries independently of domestic conditions, but more ambitious frameworks of cooperation would require enhancing the domestic adaptation of the country in relation to the EU. In other words, the EU does not apply negative conditionality or ‘carrots and sticks’ but conditionality by reward or increased and deeper cooperation according to domestic developments in relation to the framework of relations with the EU.

In the context of the Eastern neighbourhood, the EU has only recently fully developed an approach of relations that can encompass the notion of institutionalised ‘engagement’. It was primarily with the establishment of the ENP and then the EaP that the EU created an

ambitious and wide-ranging bilateral, institutionalised framework of relations with Eastern neighbours. In the case of the Southern Caucasus countries, the main drivers for their inclusion in the ENP were the accession of the CEEC into the EU and the Rose Revolution in Georgia. Since then, the degree of bilateral and regional institutionalisation of the EU and Eastern neighbours has become rather ambitious and encompassing around the ENP and the more regionally oriented EaP; this is in addition to other regional programmes such as the Black Sea Synergy. To summarise, after a period of low-profile engagement, since 2004 the EU has fully developed an ambitious process of engagement towards the Eastern neighbourhood.

In this context, the EU has deployed different types of governance according to three main factors: first, the internal institutional characteristics of the EU in different policy areas; second, the rules that the EU aims to project in relation to the rules that define the policy area, e.g. the EU's *acquis communautaire*; and third, the degree of conditionality attached to the area of governance. The variable presence of those factors determine a mode of governance in terms of the hierarchical role of the EU, the clarity of rules and the capacity of exerting conditionality and the monitoring of the process from the EU side. The governance perspective allows re-orienting the analysis from state-centric perspectives and country-based analysis of impact to capture the cooperative and integrative dynamics between the EU and neighbours in a wide-range of policy areas. Accordingly, case studies were selected in terms of different policy areas that correspond with a continuum of ideal types of governance: 'hierarchical governance' (access to the EU's single market); 'intergovernmental governance' (foreign policy and political dialogue); 'external governance' (cooperation in energy security); and 'cooperative governance' (assistance to the Security Sector Reform). Having established four ideal types of governance between the EU and neighbours that will serve us as empirical case studies, the next chapter sets out an

analytical framework for evaluating the conditions of EU impact or lack thereof, in each area of governance.

CHAPTER 2 - EU INFLUENCE: A SYNTHETIC ANALYTICAL FRAMEWORK BEYOND ‘EUROPEANISATION’

Building upon the literature of ‘Accession Europeanisation’, international relations and historical and sociological institutionalism, this chapter sets out a synthetic analytical framework for the analysis of the EU impact on third countries. It starts by critically evaluating dominant approaches that aim to explain the influence of external actors on domestic policies on the basis that standard rationalist and sociological or constructivist accounts rely on pre-existent models that may not be suitable for capturing the challenges that the EU aims to address in its neighbourhood (Magen in Verdun and Chira, 2008: 440). The proposed analytical framework claims to lay out a commensurate approach that takes into account how embedded instrumental motivations and ideational elements are, the international context of the relations between the EU and neighbours and the agency of neighbouring countries. It aims at building bridges between institutional and structural claims, which require assuming actors’ rationality (Parsons, 2007) and ideational claims of the independent effects of beliefs and interpretations within institutionalised relations.

As set out in the second section of the introductory chapter, the proposed analytical framework is based on causal logics, which take into account in a complementary fashion the analysis of ideational explanations and cost-benefit calculations framed in institutionalised relations (as developed in the previous chapter). The justification of such a decision may appear rather elaborated throughout this chapter, but it gives some conceptual and theoretical foundations in order to underpin the validity and choice of the proposed approach. The latter is an alternative way of analysing the external influence on domestic politics, and therefore it needs some elaboration. The immediate justification is the relative lack of solid theoretical and empirical literature which would provide the foundations for

building upon the analysis of external influences, given the particularities of the region (see introduction and chapter 1), and how the EU structures its external relations (see chapter 1). In such a context, the analysis of EU impact on domestic policies should consider: a) the international level in terms of the regional context (influence of other international actors in particular), and the bilateral agenda of relation between the EU and Georgia (embedded in EU policies towards the Eastern Neighbourhood) and b) the domestic context in terms of veto players, political structures, etc. (the chapter will develop in details these factors). At both levels, we also need to trace to what extent the EU may promote ideational processes that affect domestic interpretations of 1) problems and issues that enter the agenda of reform, 2) ideas that shape assumptions that influence the policy content of reforms, and 3) discursive strategies that amplify values existing within a society in order to convince and interpret policy reforms (Béland, 2009a). The second section of the chapter will argue that a research design based on causal logics, which incorporate all the aforementioned ideational, institutional and material processes, helps framing how the EU relates with the latter in order to have a broader and richer picture of its mechanisms of influence.

The chapter firstly reviews the main assumptions that standard approaches use for analysing the EU's impact on third countries, which at the same time derive from the literature on the role of international organisations and other political organisations such as states, in policy and norms transfer. After both critically assessing and partly building on these approaches, the chapter moves on to offer an alternative model of analysis. Finally, the chapter finishes by hypothesising theoretically informed conditions under which the EU can have an impact on domestic policies of neighbouring countries for the subsequent empirical analysis.

2.1. MECHANISMS OF EU IMPACT/INFLUENCE

Most of the existing explanations that aim to answer through which mechanisms or pathways the EU mobilises material and social resources for influencing change in

neighbouring countries rely on analytical frameworks developed for evaluating 'Europeanisation' in candidate countries, normally based on rationalist and constructivist approaches (e.g. Schimmelfennig, 2009; e.g. Andonova, 2003; Schimmelfennig and Sedelmeier, 2005; Vachudova, 2005; Grabbe, 2006; Jacoby, 2004). The use of 'Europeanisation' analyses is a logical step since the EU draws on the experience of its enlargement policy, although without offering membership, in the particular framework of the ENP (Menon and Sedelmeier, 2010). As mentioned earlier, this is to a great extent a consequence of the still underdeveloped state of the empirical and theoretical literature on the influence of the EFP in its neighbourhood (Magen, 2007; Schimmelfennig, 2009).

The following section outlines the two main explanations for analysing the influence of the EU in third countries which are, broadly speaking: incentives-based approaches (in the historical and rational institutionalism traditions) and a constructivist approach. The aim is to build upon these to establish an analytical framework for analysing the impact of the EU, since although these models have proven to be a rich and fertile ground for establishing consistent theoretically driven empirical analysis of 'Europeanisation' in candidate members, their characterisation may not capture the complexity of EU external relations in the context of the neighbourhood.

2.1.1. Main approaches for studying EU influence

In International Relations theory, there are two dominant approaches that examine the impact of international organisations and states on domestic policies: a 'rationalist' approach which emphasises the role of institutions in facilitating bargains among rational actors with a given set of interests and a 'sociological' or constructivist approach that emphasises the role of international norms in reshaping state identities and interests (Andonova, 2003). The general proposition of the 'rationalist' approach is that a state adopts international organisations' norms, rules and policies if the benefits of adoption

exceed the costs (Grabbe, 2005). In contrast, ‘sociological’ approaches argue that the action of adopting international norms and rules can be explained as a result of people interpreting and international organisations shaping, their views through ideational elements (e.g. Barnett and Finnemore, 2004; Parsons, 2007: 96). Accordingly, the EU can draw upon two main strategies and instruments to promote its goals in its neighbourhood: incentives and socialisation (Sedelmeier, 2007: 199) and consequently, the main bulk of empirical analyses on the EU’s influence in the neighbourhood contrasts the two approaches.

These two main mechanisms of EU influence correspond with different logics of action (March and Olsen, 1989). Cost–benefit calculations respond to a ‘logic of consequences’, whereas socialisation mechanisms respond to a ‘logic of appropriateness’. The former can be identified by the criterion of utility, where ‘actors in the international system seek to develop policies that allow them to maximise their own interest’ (Sjursen and Smith, 2004: 127). The latter can be characterised by the criterion of values, where actions of political actors are driven by their conception of themselves and what they represent (Sjursen, 2002).

The next subsections briefly detail the main propositions of both mechanisms of influence in the framework of logics of action. The purpose of this overview is to outline the foundations of the subsequent synthetic framework built around ‘causal logics’ instead of ‘logics of action’ (Parsons, 2007). This move will allow us to integrate analytically ideational and incentives mechanisms, instead of a clear-cut comparison of approaches based on ‘logics of action’ (Schimmelfennig and Sedelmeier, 2005), which creates a potential ontological and epistemological tension. In other words, the aim is to set out a commensurable framework of ideational and institutional/incentives factors that provide causal mechanisms for explaining the influence or lack thereof, of the EU.

a. Structure of incentives

Theoretically informed studies on the EU's influence on the domestic policies of third countries are principally driven by rationalist approaches, where cost-benefit calculations explain adoption of EU-induced reforms, either as a main explanatory model of analysis or as an initial model against which other alternative models are tested (e.g. Spendzharova, 2005; Magen, 2006; Buzogány and Costa, 2009; Trauner, 2009). Arguably the most elegant explanation is the 'external incentives' model developed by Schimmelfennig and Sedelmeier (2004; 2005). In conditions of enlargement at least, 'theoretically informed research tends to suggest that the external incentives model of governance has the strongest explanatory power in terms of interpreting successful adaptation and transfer of given EU rules' (Trauner, 2009: 777). The model's ontological assumptions revolve around a bargaining process where actors exchange information, threats and promises in relation to their preferences (Kahler, 1992), being the policy outcome of such process a result of 'an asymmetrical distribution of (1) information and (2) benefits of a specific agreement compared with those of alternative outcomes or "outside options"' (Schimmelfennig and Sedelmeier, 2005: 10). Ultimately, policies, rules or reforms are implemented when the benefits of rewards offered by the external actor overcome domestic costs.

Therefore, the main strategy behind a model of external incentives is conditionality. Importantly, however, the EU cannot force policy change in countries that refuse to comply because its approach is based on 'carrots rather than sticks' (Grabbe, 2003: 66). Most theoretically informed analyses focusing on conditional rewards for explaining compliance or adoption of external pressures follow an actor-centred, rationalist bargaining model based on a logic of consequences (Schimmelfennig and Sedelmeier, 2005). The key analytical point is that the bargaining starting point is a domestic equilibrium or status quo that differs from EU-induced reforms or other, different sets of reforms. This difference

between domestic institutional and policy conditions and EU policy paradigms is normally described in the 'Europeanisation' literature as 'goodness of fit' (Grabbe, 2006). It is this tension that determines domestic preferences, costs, etc. or in rational choice parlance, the 'game set' (e.g. Scharpf, 1997).

b. Socialisation: Learning and persuasion.

A second perspective, based on a logic of appropriateness, deploys sociological approaches to explain compliance with EU norms and rules. Constructivist thinking has offered the most prominent alternative to incentives-conditionality models (Checkel, 2000; Trauner, 2009) and empirical analyses following this approach have argued that socialisation is crucial for an effective implementation of international norms (Flockhart, 2006). According to this approach, adoption of EU rules will depend on how third countries regard the appropriateness of such adoption. Thus, legitimacy of the latter and a low level of conflict within the domestic sphere are paramount factors.

Explanations of international socialisation mainly revolve around processes of social interaction and collective identity identification with an international agent that allow for an external social group to shape political decisions. Different levels of analysis can focus on micro-processes (socialisation of agents, normally individuals or elites) or meso and macro-processes (governmental and policy level or societal level through identity and cultural identification respectively). This approach commonly argues that socialisation and therefore policy change and externally induced rule adoption, is facilitated by the interaction of political and epistemic communities (Adler, 1992), persuasion (Checkel, 2003) or complex learning (Flockhart, 2006) and also by mutual recognition of roles of 'teacher' and 'pupil' as Gheciu (2005) showed in the case of NATO enlargement to the East. In addition, identity reinforces the resonance of external influences: the constructivist literature on international socialisation processes stresses that, for a successful implementation of international norms,

the agent being socialised must identify with the social group of the promoter of the norm-maker (Schimmelfennig and Sedelmeier, 2005).

It is evident from the previous discussion that sociological approaches are a rather complex and wide church. However, in relation to how an external agent is able to induce policy reforms, norms and rules transfer, the important common element for ‘social institutionalist’ arguments is to explain the adoption of external actors’ norms and rules by resorting to the intrinsic value, based on legitimacy and identity factors of those norms *regardless* of the material incentives or costs of adopting them (Verdun and Chira, 2008; see Börzel and Risse, 2003 for a theoretical discussion). Building on these assumptions, Schimmelfennig and Sedelmeier set out what they call a ‘social learning model’ in order to provide a potential alternative to the external incentives model (2005: 18). They argue that the EU can bring about change in non-member countries through socialisation when the latter view EU norms and rules as legitimate; they identify with the socialising agent; and rules resonate in domestic traditions and culture.

The following section expands the theoretical foundations of the mechanisms and conditions developed by the rationalist and constructivist approaches, but in a different fashion. The objective is to develop a new analytical framework building upon these models that is able to take into account the multidimensional and multi-causal context of EU influence. It proposes a different approach to grasp the diverse institutional, ideational and international dimensions of the relations between the EU and its neighbourhood, a very different setting than the context of the CEEC enlargement that requires a redefinition of the previous models.

2.1.2. From logics of action to causal logics

Explanations based on the previous models, epistemologically based on logics of action, have been widely used for investigating the impact of the EU in the context of enlargement. This research has led to the evaluation of the conditions of EU impact ‘beyond enlargement’ under the models’ main assumptions (Magen, 2006; Schimmelfennig, 2007). In the context of the neighbourhood, however, this has a series of shortcomings. First, the accession process has a clear goal: membership. Such goal evidences that the process is self-contained with a clear end and therefore, policies, assistance and political efforts have a clear direction. Although enlargement policy was not a coherent and institutionally well-agreed policy (Kelley, 2004; Jacoby, 2004; Menon and Sedelmeier, 2010), at least goals and conditions were set within a defined agenda. This circumstance clearly does not exist in the context of the ENP, not only in terms of the golden carrot of membership but also of the lack of direction: there are potential incentives, but there is not a clear ‘final destination’.

Second, the process of enlargement occurred in a relatively stable economic and political context where there was little or no external pressure from great powers. It is not only that Russia was too weak to oppose even NATO’s enlargement to its borders, but also the fact that the elites, economies and societies of the CEEC were totally linked to the EU and especially to key players within it such as Germany (Levitsky and Way, 2006). In contrast, the Eastern neighbourhood is characterised by great-power competition and domestic tensions such as poverty and political instability. Besides, the approaches of the EU and US towards the region, contrary to the CEEC accession to NATO and the EU, are in some occasions in tension. To summarise, the context of the ENP is unstable in terms of the research design: there are myriad potential independent variables.

A third objection is more fundamental: Given the clear prospects of accession for the CEEC, the ‘external incentives model’ will have the upper hand in explaining the causal

pathway of compliance with EU rules and norms since ‘incentives’ are the closest cause in time to the outcome: accession. Accessing the EU implies engaging in a painful rule-adoption process. Since the final outcome is accession and the former is a prerequisite, it is difficult to know whether rule adoption results from a cost–benefit calculation by simply comparing rationalist and sociological models since ‘legitimacy’ of norms and rules from a logical point of view, is both an ex-ante and ex-post condition.

A deeper concern is the ontological inconsistency of the previous models. This thesis argues that to capture the dynamics that surround EU–neighbours relations, we need to consider a different approach for capturing the interplay between material and social factors. Contrasting logics of consequences and appropriateness represents a dualistic ontological distinction between ideational and material factors (Hay, 2002; Gofas and Hay, 2008). Accordingly, an approach that recognises the complex interdependence of the ideational and the material cannot rest on an ontological commitment to a rigid and dualistic distinction between material and ideational factors (ideas as a variable to test against other material variables) (Gofas and Hay, 2008: 9). In analytical terms, if the aim is to establish a causal logic for ideas, any ideational argument has to clarify a certain positional logic (Parsons, 2007): ideological factors are embedded in certain structural and institutional environments. Methodologically, the most plausible way to do this is by considering causal mechanisms and process tracing as set out in the introductory chapter (e.g. Mahoney, 2001; Brady and Collier, 2004; George and Bennett, 2005; Parsons, 2007).

Given the previous caveats, the thesis proposes an analytical framework in terms of *causal* logics of explanation with the aim of establishing the impact of the EU by taking into account the international system, the institutional setting between the EU and Georgia and ideational factors. In this vein, the main explanatory cleavage is the obvious different logic of explanation between rationalist and ideational assumptions. It is possible, in our view, to

commensurate both approaches (e.g. Youngs, 2004). As set out in the second section of the introductory chapter, a typology of political explanations that draws clear lines between different types of causal logics may provide deeper insights in how different mechanisms of external influence affect domestic reforms. Accordingly, ‘structural’ explanations refer to material causal factors that are exogenously given whereas ‘institutional’ explanations refer to man-made causal factors. These two explanations follow a ‘logic of position’, implying a certain rationalist claim by which human action is ‘explained by determining the landscape around someone to show how an obstacle course of material or man-made constraints and incentives channels her to certain actions’ (Parsons, 2007: 13). In contrast, ideational explanations are based on a ‘logic of interpretation’ by which someone acts by interpreting what is possible and/or desirable (Parsons, 2007: 13), suggesting that ‘even rational people depend to some degree on interpretative filters to organise their preferences, priorities and problems’ (Parsons, 2007: 98) as well as the way they communicate them and justify, which requires some ideational referents. More prosaically, ideas can have a political impact and, therefore, a logic of interpretation would illuminate how, if at all, the EU is able to shape and convince other actors to mobilise and shape domestic reforms, which implies power relations beyond material resources such as financial pressures and/or incentives (see Orenstein, 2008, for an empirical example).

Empirical research establishing clear analytical boundaries between a ‘logic of position’ and a ‘logic of interpretation’ allows the undertaking of interpretative research tied to ideational analysis with a logic of position associated with institutional analysis (Béland, 2009a). According to Béland ‘this type of research should articulate these two causal logics while drawing a clear analytical line between them and between the specific factors they embody’ (2009b: 7). Ideational processes and the capacity to convince others to mobilise their efforts in a certain way can be traced in conjunction with institutional ‘human-made factors’ and material factors by taking the logic-of position seriously. As put forward in chapter 1, the

EU establishes an institutionalised framework of relations that engages with partner countries in order to project its values, norms and rules (Youngs, 2005), which will lead to some effects over time. At the same time, the effects of ideational aspects and the international system also need to be considered. These are not competing explanations, as an analytical framework based on logics of action would entail, but by tracing the effects of different causal logics it is possible to determine the dynamic effects over time of the EU influence in the case studies, controlling for the effects of the international and domestic material factors and ideational factors.

In sum, these two different causal logics will structure the empirical research in terms of our main research questions (what is the impact of the EU and under which mechanisms and conditions it operates). The logic of position frames the analysis of structural and institutional processes that may influence domestic choices in the four case studies (see chapter 1). First, at the international level, it relates to international/regional pressures and opportunities, as well as to the incentives, opportunities and pressures posed by the EU in the bilateral agenda of relations with Georgia. Second, at the domestic level, such logic encapsulates structural and institutional domestic factors that affect domestic decisions. The logic of interpretation provides an ideational analysis in view of uncovering how domestic policy-makers frame, justify and interpret political choices, and in that context, the influence of the EU in providing ideational and discursive resources (which impinges upon the EU's normative power and legitimacy). Both logics are not competing explanations but complementary. Institutional and cost-benefit analysis needs to be supplemented by ideational analysis; in the end, ideational factors are limited by questions of legitimacy and normative convergence as well as the conditions in which actors must bargain, taking into account perceived incentives and costs in addition to the existence of domestic veto players within a certain institutional environment (Blyth, 2002; Béland, 2009b; see also Orenstein,

2008). The following section will set out the conditions or factors that will explain the relative importance of each process in explaining EU influence or lack thereof.

A caveat applies here: it is the empirical analysis that will establish the relevance of each set of factors, but the important thing to bear in mind is that material as well as ideational factors can be studied through causal analysis (e.g. Wendt, 1998; Parsons 2002, 2003, 2007; Kurki, 2006; Gofas and Hay, 2008; Béland, 2009a). Therefore, following Parsons (2007), we embrace a multi-causal analysis that reflects these different *logics of explanation*. Admittedly, this eclectic research design is neither parsimonious nor elegant, but by applying what P. Katzenstein and R. Sil (2008) call ‘analytical eclecticism’ the aim is to expand the range of assumptions. Analytical eclecticism allows for the ‘development of a more comprehensive understanding of how different kinds of causal mechanisms interact’ by using different analytical tools and methodological devices (Tsantoulis, 2009: 244). In the context of the ENP, without a clear outcome of the relationships between the EU and the Eastern European countries, ideational conditions are set in ambiguous and uncertain settings, in which social interaction is less systematised. On the basis of the previous observations, the next sections set out a synthetic analytical framework built partly upon the ‘Europeanisation’ models, but also upon IR literature and comparative politics, to establish the causal mechanisms and conditions of EU impact in terms of causal logics.

2.2. A SYNTHETIC FRAMEWORK OF EU INFLUENCE

Chapter 1 showed that the contractual relations between ‘Eastern neighbourhood’ countries and the EU, plus how embedded they are in the context of the ENP Action Plans and the EaP, provides a relatively stable institutional and policy transfer framework. The previous section argued that the impact on policy change and reforms of this structured pattern of relations is normally explained by contrasting rationalist and ideational accounts. In that regard, this thesis claims that in order to have a reflective approach towards a subject of

analysis – that is, structures and interests derive from social as well as material factors (George and Bennet, 2005: 129; see also Wendt, 1999 and Keohane, 2000) – ideational and material factors cannot be treated as a dualistic distinction (Gofas and Hay, 2008: 10).

According to institutionalist explanations, the incentives offered by the EU and the constraints determined by domestic factors will explain the adoption of EU-induced reforms, ‘the setting-up of certain intersubjectively present institutions channels people unintentionally in certain directions’ where rules and flows of information might alter actors’ cost–benefit calculations (Parsons 2007: 67). In a different fashion, structural arguments will claim that material variations and exogenous factors of the structural landscape explain variation of policies or human choices (Parsons 2007: 55). Ideational arguments, in contrast, stem from the causal logic of people’s interpretation of a situation in order to organise their preferences (Parsons 2007: 98), which explains the ideational effect on the construction of policy options or reforms, its content and the discursive strategies around which reforms and policy change are grounded (Parsons, 2002, 2003; Béland, 2009a, 2009b, 2010). This is different from arguing that an *institutional setting* of rules and norms shapes people’s preferences and actions. In this case, the causal mechanism stems from the institutional setting and not from *people’s* interpretations, as sociological institutionalism would claim, and therefore, in terms of causal logics, the argument would be considered as an institutional explanation or a choice based on a logic of position.

This section establishes the causal logics that explain the EU impact or lack thereof. The section proposes a series of explanatory factors that take into account the institutional dimension of EU–Georgia governance in the selected policy areas, the international and geopolitical dimension in which the latter is located and domestic material and ideational factors. If the logic of position is dominant, EU incentives, regional competition, domestic material factors or a combination of them will explain EU influence (or lack thereof). A

variation of the previous factors, especially the variation of EU–Georgian institutional and EU incentives, will lead to a variation of domestic choices if the factors have an effect. On the contrary, if the logic of interpretation explains to some extent EU influence, ideational factors will have a consistent effect in policy change according to the EU governance agenda in the policy area. If the latter happens, ideas narrow policy domestic choices and alternatives. In sum, the case studies in the following chapters will be analytically framed in these parameters, setting out conditions of EU influence in terms of causal logics at the international and domestic level.

In light of the previous discussion, the following sections establish the conditions whereby the EU might have an effect on domestic policies according to both logics of position and interpretation. Analytically, the theoretical framework is divided into assumptions through which the institutional framework of the EU–neighbour relations will have an effect in the context of the international and domestic factors. The next section presents the conditions under which material and institutional factors can affect domestic responses from a logic of position perspective. The conditions to show the explanatory value of ideas in terms of a logic of interpretation are presented in the following section.

2.2.1. Logic of position

1. Determinants of institutional arrangements between the EU and neighbours

From a logic of position perspective, the main determinant of the EU's influence will be the result of a cost–benefit balance, as a consequence of the rewards in relation to costs of adaptation derived from the EU–partner institutional and bilateral arrangements or as a consequence of incentives and constraints posed by international factors. At the level of EU–neighbour relations, cost–benefit calculations are embedded in the institutional context that define the type of governance within a policy area and the overall context of relations.

Chapter 1 proposed a series of types of governance based on three interrelated dimensions which define the institutional setting: internal EU policy-making process; type and clarity of rules; and conditionality. In addition to the incentives at policy level, which are spelt out in detail in each empirical chapter, there are political factors that emerge from the dimensions of the type of governance that might affect the impact of the EU. The EU can affect the cost–benefit balance, as long as third countries perceive that EU incentives are in their interest, when the following conditions within a certain type of governance are favourable: EU institutional and political coherence at policy and general level; consistency and clarity of rules; credibility of conditionality; and enforcement and distribution costs.

First, coherence is a reflection of the internal EU policy-making dimension within a policy area. The political and institutional context within the EU is a conditioning factor of the degree of impact of the EU's foreign policy. Coherence is of extreme importance because, given the complex institutional structure of European foreign policy-making, some failures of foreign policy have been blamed on it (Nuttall, 2005). In addition, incoherence between the policies of the EU and member states on the ground may hamper EU impact (Ferrero-Waldner, 2008b: 2). According to Nuttall (2005) EU coherence can be divided into three categories: horizontal, institutional and vertical. Horizontal coherence means the consistency between different policies of the EU that pursue different objectives, but that eventually 'should be coherent with each other' (2005: 97). Institutional coherence refers to the consistency between different EU institutions, especially the Commission and the Council. Finally, vertical coherence refers to the consistency between one or more member states national foreign policies and EU foreign policy.

In terms of relations with neighbours, institutional and vertical incoherence are likely to arise and indeed they are fundamental characteristics of the EU external relations. In the context of the Eastern neighbourhood, member states with close relations with either the US

or Russia might obviously affect not only the degree of EU ambition in terms of incentives and assistance towards the Eastern neighbourhood but also incoherence between national and EU policies on the ground. The same also applies to those member states that favour closer relations with the Eastern neighbours. The latter can partly be a reflection of institutional incoherence. Communitarised policies reflect an important degree of convergence between member states and this will lead to more coherent external policies. Likewise, types of governance reflecting such an arrangement will suffer less from institutional incoherence since institutional competences are clearer and reflect a greater consensus. This also applies to intergovernmental areas where the Council controls the policy-making process and its output. It can be expected that institutional incoherence will be more problematic in areas with less developed competence sharing, expertise and that lay between purely communitarised and intergovernmental policies. In the context of this thesis, the cases of EU external energy policies and Security Sector Reform reflect the latter characteristics.

Second, the dimension of rule projection of EU governance will be conditioned by the consistency and clarity of rules. Chapter 1 defined clarity of rules as a key dimension for defining different types of EU governance in external relations. In policy areas where the EU has developed well-defined rules (more likely in communitarised policy areas with a specific *acquis communautaire*) the institutional relations and reform agenda with partners will be more clearly specified and easier to monitor and implement if the third country is willing to do so. Thus, coherence of the EU policy-making process within a type of governance and the *clarity* and *determinacy* of the rules and reforms set for adoption are both, in principle, necessary conditions for EU influence (Schimmelfennig and Sedelmeier, 2005).

Consistency can be understood as how well-specified EU demands are in terms of rules, benchmarks and how the process is going to be monitored and evaluated or what it counts as compliance in order to obtain the expected incentives.¹³ Obviously, such ‘technicalities’ can be used by the EU and its members as a way of refusing rewards if not met (e.g. Turkey and EU membership); ultimately, political will is paramount, but coherence and consistency define clear yardsticks that ‘entrap’ the EU into conceding rewards linked to an agreed reform agenda if met (Schimmelfennig, 2003). This will be variable across policies and to a great extent determined by the type of governance the EU is able to project or agree with partners. The empirical chapters will define in detail the determinacy and consistency of the EU rules in each case study.¹⁴

Coherence and determinacy of rules are closely related because we can expect that EU external relations will be more coherent where rules are clear and policy goals well defined since it will reflect an internal consensus. Thus, communitarised policy areas such as the internal market are defined by denser and clearer EU rules than intergovernmental policy areas such as the defence and security policy. However, as mentioned, the latter can be internally coherent since the policy area is tightly controlled by the Council, although the area of cooperation is narrower. Likewise, areas where the EU has not developed its own

¹³ Grabbe considers these factors as ‘types of uncertainty’ (Grabbe, 2003: 106). Here they are reconceptualised in terms of the literature on EU impact beyond enlargement.

¹⁴ It is necessary to make reference to a factor emphasised by the ‘Europeanisation’ of candidate countries literature. Adoption of reforms becomes more likely the closer in time the EU incentives are and the bigger the size of incentives (Schimmelfennig and Sedelmeier, 2005). It is during the process of accession that the EU’s potential for enacting domestic changes through conditionality is at its peak (Sedelmeier, 2007). However, even under conditions of accession, as in the case of some Western Balkans countries or Turkey, the incentive of accession might not be sufficient for enacting the assumed potential of the EU’s transformative power (Maniokas, 2009a). In the context of the ENP, the condition of the speed and size of rewards is quite indeterminate and therefore not an important part of this thesis.

rules or where it institutionalises *ad hoc* arrangements with third parties, institutional and vertical incoherence are more likely to occur.

Third, credibility of conditionality and accordingly, the credibility of rewards is a crucial factor for EU impact. The possibility for third countries of strategically calculating whether the EU will subordinate rewards to political, strategic or economic considerations instead of following an evaluation of the fulfilment of the conditions attached to the rewards is likely to be a distorting factor for EU impact.¹⁵ According to Schimmelfennig and Sedelmeier (2005: 13), credibility of conditionality implies on the one hand the possibility of withholding rewards in case of non-compliance and to deliver them in case of adoption of EU-induced reforms on the other. Partners might have the desire of increasing contractual, political and economic relations with the EU, a process that depends on substantive reforms such as the implementation of the ENP Action Plans. The advancement in one area towards EU-standards can be influenced by the overall desire of enhancing contractual relations with the EU (Smith and Weber, 2007; Trauner, 2009), but it is hardly debatable that conditionality is weak in the context of the neighbourhood as ‘clear incentives and enforcements structures are vague for both the EU and partners’ (Sasse, 2008: 296). Yet, there are areas linked to specific rewards or carrots such as the establishment of a visa facilitation process or a DCFTA; or in the case of Georgia, accession to the Energy Community, as we will see in the case studies.

Lastly, distribution costs are especially relevant in those areas where the EU requires cooperation from different countries to reach its goals or interests, where it will probably face costs for enforcing the agenda of reforms across different policies. Distribution costs affect cooperative arrangements in the sense of increasing the difficulties for finding commonly accepted solutions (Lavenex, 2008). By definition, distribution costs are a

¹⁵ Vachudova (2005) calls this condition ‘enforcement’.

characteristic of policy areas that require the participation of different actors. In this sense, there can be policy areas such as energy security where the EU needs to bring on board different countries and different international financial institutions and energy companies in order to advance its goals. This is a classic collective action problem in which common interests do not solve by themselves the need of finding cooperative solutions (Olson, 1965). According to the 'external governance' literature, distribution problems should be easier to tackle with soft and decentralised, process-oriented modes of governance (Lavenex, 2008: 945). This need not be the case as long as a state or international organisation is able to provide public goods if they assume the costs and willingness to act as hegemons (Kindleberger, 1981; see also Ikenberry and Kupchan, 1990; Kupchan, 1998).

Given its nature, the EU will have difficulties in fulfilling the role of a classical hegemonic power. Instead, cooperation in the absence of a hegemon is possible through the creation of international institutions that decrease both information costs and the possibilities of cheating and free-riding (Keohane, 1984). The key issue is that in some policy areas such as energy security, where the EU needs cooperation from different states, a soft and decentralised mode of governance might not be able to woo partners in order to collaborate; the EU faces a challenge if distribution costs are present. In some areas the EU is trying to act as a regional centre or hub, a process that resembles the creation of a centralised institution in order to pave the way to greater cooperation.

An additional obstacle in creating institutional arrangements for cooperative purposes is the existence of potential enforcement costs. Enforcement problems refer to the strength of incentives to cheat and free-ride within institutional arrangements diminishing compliance with a set of agreed rules (Lavenex, 2008). Given that it is one of the main issues for the effectiveness of an international organisation or international regime, IR theory has devoted considerable efforts to analysing this potential problem. In principle, the greater the

enforcement problems, the higher and stricter the mode of governance should be for the effectiveness of an institutional arrangement. Therefore, some sort of central authority would have to have competences of monitoring and enforcement of the agreements and to guarantee rule compliance. This can be a central authority within the organisation such as the Commission and ECJ in the case of the EU, the arbitration process within the WTO or a great power or hegemon that guarantees the provision of public goods.

The key elements when talking about distributive and enforcement costs in the context of EU external policies towards its neighbourhood is a) the capacity of the EU to act as a 'regional hub' in order to tackle both problems, as the EU does not have the political conditions to act as an hegemon, and b) in order to act as a 'regional hub' the EU has to provide some mechanisms for decreasing distributive and enforcement costs in the form of acting as a central authority that projects values, norms, rules and some sort of monitoring and enforcement mechanisms. The latter will basically depend on the incentives that such arrangements offer to different countries and the political and financial will on the part of the EU to act as such a 'regional hub'.

These factors condition the process of institutionalisation of the EU–neighbour relations, but they will be of variable importance in different policy areas. The aspect to bear in mind is the interrelated, organic nature of those factors within a context of institutionalisation of cooperation between the EU and third countries, both at policy and at general level of relations. Together with the incentives on the table and the perceptions of partners, these factors determine the ability of the EU, from its side, to affect domestic policy change.

II. Determinants of partner country's responses

Analyses of the impact of external agents on domestic policies tend to draw a clear line between the norm-maker and the norm-taker, depicting a rather unilateral relation (Barbé et

al., 2009a). EU partners have the possibility of playing a role, not only in how external pressures are managed in relation to the adoption of EU norms and rules, but also in influencing the EU's options of norm promotion (Barbé et al., 2009a). In this sense, the role of agency of the EU's neighbours is neglected more often than not. This issue is beyond the scope of this study, but by framing the analysis in terms of causal logics within institutional and ideational explanations, the role of the neighbours' agency can be assessed in terms of the determinants of EU-neighbour relations and domestic and international factors. This section focuses on the institutional and political determinants of domestic constraints from a logic of position perspective. Domestic constraints that affect the potential process of implementation of the EU-Georgian agenda relate both to those actors affected by the potential process of reforms as well as to the institutional and political obstacles for reform. Three main factors can be identified that might affect the influence of the EU from an institutional and structural domestic perspective: actors/veto players; institutional constraints; and path dependence.

First, the key issue is to identify the actors that are able to prevent/push a process of EU-induced reforms. Generally, adoption costs and the number of veto players will vary across countries and across issue-areas. The political system of the country also affects the veto-players constellation (Tsebelis, 1995), as well as the possibility of checks-and-balances and density and empowerment of different political actors. Georgia has a presidential political system that allocates unusual extended powers to the President, leaving the powers of the Parliament and opposition parties considerably weakened and with little opportunity to influence political developments. Therefore, since the constitutional reforms of 2004, President Saakashvili and his core group within the government enjoy quite unlimited executive and legislative powers, as the Parliament is dominated by Saakashvili's National Movement. In addition, the post-revolutionary government has, since 2004, co-opted through governmental appointments great numbers of NGOs activists; a trend that has

resulted in the drain of human-resources from civil society, not to say the capacity of scrutinising the government.

Since 2004, the Georgian administration and Saakashvili himself have set out not only an ambitious programme of reform and state-building, but also placed an unprecedented emphasis in the region on the vital aspiration of modernisation with the aim of turning the country into a ‘Caucasian Tiger’ (Asmus, 2010). The case studies will show that a key issue of the lack of EU influence among Georgian governing elites has to do more with ideological divergence rather than the perceived political and economic costs of reform. The top-down and hierarchical structure of the Georgian political system can be expected to be a fundamental determinant for explaining the adoption, or lack thereof, of the EU–Georgia institutionalised agenda of reform.

Second, an obvious problem for adoption and, importantly, implementation of EU rules and norms are potential administrative obstacles: human resources capacities and budgetary constraints. The EU can partly overcome implementation problems due to administrative constraints through financial and technical assistance. Being the ENP a policy derived from the enlargement policy (Johansson-Nogués, 2007b; Edwards, 2008), it replicates instruments established for the accession process that allow partners to familiarise themselves and socialise with EU practices and standards at policy level through instruments initially envisaged for the enlargement policy, such as Twinning and Taiex. Twinning projects are built around the secondment of at least one full-time Member State expert who is posted in a beneficiary country administration. Projects can also include a number of other actions, usually run by relevant public bodies, such as workshops, training sessions and expert missions and counselling. Taiex provides technical and legal assistance for adopting EU legislation. The ENP also allows for the setup of subcommittees that meet

regularly on different issue areas such as Energy, Human Rights, Justice and Home Affairs (JHA) or Trade.

In the case of Georgia, despite obvious public management deficiencies, administrative constraints are not a crucial problem in the implementation of the EU–Georgia agenda. Despite the constant rotation of high rank officials in the administration and in the political direction of different ministries, the Georgian government and administration keeps a core group of policy-makers committed to implementation of reforms (Maniokas, 2009a). As a result, administrative problems are not expected to be a major source of non-implementation of the EU–Georgian agenda of reforms.

Finally, advancements in the process of EU-induced reform can arguably be affected by path dependence and sunk costs of an initiated process of reforms (Schimmelfennig and Sedelmeier, 2005; Verdun and Chira, 2008). Path dependence is a key concept of institutionalist approaches and entails at least three core claims (Mahoney, 2000). First, an initial set of factors or causal forces, often referred to as ‘turning points’ or ‘critical junctures’ (Collier and Collier, 1991; Abbot 1997) leads institutions, countries or innovations to a particular direction. Second, in the particular case of institutions, political or economic decisions, once that process is set in motion there are ‘increasing returns’ that make it difficult to reverse the process or change it (Pierson, 2000). Seemingly, ‘individual and organisational adaptations to previous decisions may also generate sunk costs that make political reversal unattractive’ (Pierson 1996: 144); new rules of the game, adoption of ‘new policy paradigms’ and social adaptation to new policies can ‘lock in’ actors to the new environment (Pierson, 1996). Third, and perhaps the most difficult concept to establish, institutions or countries eventually stabilise around enduring (and this is the key element) ‘equilibrium points’ (Mahoney, 2000; Pierson, 2000); small fluctuations may occur, but their basic position is ‘locked in’ (Mahoney, 2000).

The important analytical dimension is that particular historical elements matter in reproducing subsequent stable policy and institutional paradigms that were set in motion by them; the purpose in this case at the observational level is to detect a ‘historical juncture’ that helps us understand the existence of that process. If path dependence is at work, making explanations of differences among institutions and countries around current attributes are insufficient (Mahoney, 2003): a factor might be constant at the moment, but in the past might have been the cause of variation among different units and therefore analysis might not take into account that factor by considering just current attributes. Again, methodologically speaking, longitudinal analysis that considers historical process is essential for uncovering ‘path dependent’ processes (Skocpol, 1992; Pierson, 2003).

It could be too early to establish the strength of path dependence. Georgia has experienced two great ‘waves’ of reforms. The first one, during the initial years of Shevardnadze’s mandate, was largely focused on the macro-stabilisation of the economy of a country affected by hyperinflation and shortage of currency as well as on the creation of some basis of state-institutions. The second wave of reforms started with the election of President Saakashvili in 2004 and was of a different qualitative character, focusing in contrast on economic deregulation and a radical overhaul of the Georgian state institutions and security forces. The latter process has meant a profound transformation and rotation of institutions and staff respectively. Indeed, the continuous turnover of staff and political appointments along all ministries runs the risk of erasing the institutional memory of Georgian institutions and thus any lock-in effect of the EU-induced reforms becomes unlikely (Gegeshidze, 2006).

As a consequence, we expect a low degree of ‘sunk costs’ and ‘path dependent’ effects derived from relations with the EU. On the contrary, the legacy of former Soviet networks and relations with former Soviet Republics as well as political and business interests can

constrain the possibility of implementing EU-induced reforms (Franke et al., 2010). To summarise, it will be difficult to find the three main claims about path dependence regarding relations with the EU, although one may find some elements that hint at that possibility or, at least, the existence of potential ‘sunk costs’ (Verdun and Chira, 2008). The litmus test will be the ‘stickiness’ of those processes in a subsequent change of government.

III. Determinants of the international structure and regional dynamics

EU relations with third countries obviously do not occur in a void. A recurrent tension in the external governance literature as well as in the literature on the impact of the EU beyond enlargement is that little attention is given to the international context (Barbé et al., 2009a). Any analysis of relations between two international political entities that misses the conditions of the international level is omitting a relevant factor for understanding mutual influences. In the case of the EU–Georgian relations and, by extension, relations between the EU and its Eastern Neighbourhood, they are affected by international level conditions.

In this regard, the international environment is important along two dimensions: ‘regional competition’, which provides small countries with certain potential opportunities and constraints, and ‘linkage’ (meaning the density of economic, social and political relations between particular countries or regions) or lack thereof to the EU. This is obviously a simplified view of the international system but these two variables account for enough of an explanatory degree of the relevant international factors at play in the region to evaluate EU influence. The point here is not to have an in-depth assessment of the current state of international security issues in the region (for this see for example Triantaphyllou, 2009 or Haukkala 2010), but to offer two factors derived from the international environment that may explain the influence of external actors on domestic policies. In that sense, the Southern Caucasus has traditionally been characterized as an unstable and volatile zone of proxy competition among external powers (e.g., Lynch, 2003), and it makes sense to

evaluate how policy-makers in Georgia have reacted in those circumstances (i.e. if the regional competition among external actors has affected domestic choices). However, we need to consider 'low' security issues, such as trade relations, interdependence and other social links, in order to control other important features of the international environment, which is characterised by being in constant flux, globalisation, and dominated not by one or two great powers, but by 'dozens of actors possessing and exercising various kinds of power' (Haass 2008, 44). These issues are beyond 'hard' security or traditional military and realist accounts of the international system, hence the use of the concept 'linkage'.

First, in terms of 'regional competition', the constellation of great powers and their interests in the region can potentially give both opportunities and constraints to small countries. This can change over time, as has happened in the Southern Caucasus, with the commitment of US resources in the region since 9/11 (Pardo, 2009a) and the so-called 'resurgence' of Russia as a great power (Larrabee, 2006; Lukyanov, 2008; Popescu and Wilson, 2009; Stratfor, 2010a). Russian foreign policy has become more assertive over the last few years since the Putin administration has challenged the Post-Cold War European order by claiming an equal status in formal and informal international institutions vis-à-vis the EU, the US and other emerging powers such as China (Averre, 2007; 2009). Inevitably, the EU initiatives towards its neighbourhood may further deepen the political and economic influence of the EU, which at the same time will have geopolitical implications with Russia (McCormick, 2007: 130). For instance, in the Eurasian context, O'Hara has remarked that 'who controls the export routes, controls the oil and gas; who controls the oil and gas, controls the Heartland' (2004, 138–60).¹⁶

¹⁶ 'Heartland', Eurasia, is an obvious reference to the classic and controversial geopolitical work by Mackinder (1996). The influential work by Brzezinski (1997) is clearly inspired by the latter. Both share the opinion that whoever controls the Eurasian landmass will have global hegemony.

Regional competition between great powers allows peripheral and small states to take advantage of the situation. In Neorealist parlance, small states can exploit different options of ‘bandwagoning’, that is to follow a hegemon(s) in the hope of being rewarded for that reason (Waltz, 1979). Competition among external powers can also offer opportunities to small states to receive more resources or support. None of the states of the shared neighbourhood between the EU and Russia possess any tradition of statehood and traditionally have opted to seek the protection of a regional hegemon in their quest for security. From a liberal perspective this also applies; in recent times it has been argued that small nations can only prosper if they manage to cluster with greater economic and political regional entities such as the EU (Zielonka 2006, Colomer 2007).

EU influence will be limited if it is confronted by geopolitical tensions. The EU is generally unable to challenge power politics and has not developed tools or the political will to deal with hard ‘realpolitik’ choices. The nature of the EU, which is more than a simple international organisation, but definitely not a state, makes it difficult for it to project hard power, with the EU characterised rather as a ‘civilian power’ (Duchêne, 1973; Orbie, 2006), or ‘normative power’ aiming to shape conceptions of ‘normal’ in world politics (Manners 2002). In that sense, some sharp analyses have pointed out that for many of its members the EU itself represents a vehicle for checking and diminishing geopolitical tensions between them, rather than a fully-fledged alliance for projecting power in order to defend common interests (e.g. Zielonka, 2006). This does not mean that the EU has not or does not pursue common interests, it only means that it normally does so under certain conditions that exclude hard choices regarding power politics and when the EU and member states sing in unison (see condition of ‘coherence’ in the previous section); hence, the conceptualisation in chapter 1 of the EU’s external relations as one based on long-term ‘engagement’. In the case of the EU’s Eastern neighbourhood, the fact that Russia is an extremely important partner for some key members such as Germany and that it has been increasingly wary of

European initiatives that endanger its generally dominant political, cultural, and economic position in the region, can send EU policies astray. In addition, the EU and the US have not tended to collaborate in pursuing common interests where they exist in the Caucasus.¹⁷

Second, building upon the work of Steven Levitsky and Lucan A. Way (2006 and 2007; see also Rosenau, 1969; Pridham, 1991; Cameron, 2007) we define ‘linkage’ as the density of ties and cross-border flows between a particular country and other regions or countries. The assumption is that high levels of ties and cross-border flows between a country and the EU will increase the dependency of the former and make it more porous and favourable to the EU’s influence (Cameron, 2009). In critical junctures such as the aftermath of the Rose Revolution, this can determine to some extent the path of reforms. On the one hand, the need for currency, investment, markets and assistance can push the country towards a certain pathway of reforms according to the main/potential source of those material needs.

Linkage can be operationalised at three levels: economic, social and political. At the economic level, the relative level of Foreign Direct Investment (FDI) and trade flows determine to a great extent the degree of linkage to an area or certain countries (Cameron, 2007; 2009). At the social level, migration is an important proxy indicator of social linkage that affects the geopolitical position of a country. At the political level, political and business elites’ links to certain countries will also determine policy choices. It is probable that all three dimensions are closely interrelated. The concept of ‘linkage’ is close to the concept of interdependence. The decision to choose ‘linkage’ is due to the idea that it allows flows and connections at the international level rather than the normal conceptualisation of interdependence as bilateral links. The important point is that from a

¹⁷ Interview with an attaché at the European Commission’s delegation to Georgia, Tbilisi, 02/06/2009.

logic of position perspective, third countries will tend to orient themselves with the EU if linkage is high (to the extent that it influences domestic choices or the course of policies).

Methodologically, these two variables offer structural constraints and incentives; empirically, we have to show how they do or do not affect domestic choices and the outcomes of reforms. This involves demonstrating that systemic conditions determine to some extent the course of action among different rational preferences (Parsons, 2007: 63). If variations of these systemic conditions would lead to considerable effects on the policy-making choices and their outcomes, then the international level may be an important factor in explaining domestic choices.

2.2.2. Logic of interpretation: ideational factors and normative convergence

There are two main steps in accounting for an ideational argument. First, we need to map the existence of ideational elements prior to the action (Parsons, 2007: 130). Second, the analysis should show that the people ‘it claims followed these ideational elements oriented their action similarly to each other and differently from others’ (Parsons, 2007: 130). The most important empirical indicator of the importance of ideational claims is to show how, among different beliefs or alternative historical interpretations, some of the latter out-battled others and eventually, one prevails and shapes the final choice which at the same time can create the ideational elements of perceived interest that shape future decisions or the evolution of such policy (see Parsons, 2002; 2003). By tracing the different ideational options that different actors hold we can analyse their interplay with domestic and international factors and evaluate the process of the creation of interests. Analytically, with the logic of position conditions, it is also possible to evaluate the constraints and opportunities that the institutional and structural factors pose on the ‘ideational battle’.

Conditions of ideational causal mechanisms

According to Béland (2009a), there are three major ways by which ideas can impact policy developments. First, ideational processes help to construct the problems and issues that enter the policy agenda. Policy-makers, interest groups, etc. might confront a situation of policy change for varied reasons, but the important issue in terms of the ideational influence is that during the moments of policy initiation, ideas narrow down different issues and options. Likewise, different political actors might have the need to change the status quo. Historical Institutionalism and Historical Sociology stress the importance of ‘critical junctures’ or significant shocks that determine the need for policy change (e.g. Mahoney, 2000; Skocpol, 1979). In these critical moments the perceived failure of old policies and paradigms becomes self-evident for key political actors (actors with the political resources to effect change. Confronted with the need for change, different political actors will diverge in the formulation and perception of the problem as well as in the ‘remedies’. The issue here is to discover under what conditions the EU can impact this stage.

The EU can provide policy blueprints when the need for change arises or *reacts* as a consequence of demands of policy assistance; it might also see a window of opportunity for pushing a certain agenda of reforms. Thus, an important condition is the existence of EU rules in that particular policy area (Schimmelfennig and Sedelmeier, 2005). Subsequently, the EU must engage in a deliberative process that should either empower those who support that agenda or if contending policy ideas exist, ‘persuade’ the selection of the EU agenda. Following the ‘socialisation’ literature (see Checkel, 2003; see also Ikenberry and Kupchan, 1990 for a dualistic interpretation of norms and interests), persuasion occurs when agents do not calculate benefits and costs or adapt their roles to a particular context (‘strategic calculation’ and ‘role playing’ respectively), but put forward arguments and try to convince and persuade each other. This process implies that interests are not pre-defined but open for

redefinition and very importantly, agents can change their interests (Checkel, 2005). For a potentially successful deliberative process, a certain ‘normative convergence’ and the legitimacy of EU norms must converge (Schimmelfennig and Sedelmeier, 2005).

Second, ideas shape the assumptions that impact the content of reform proposals. Once the process of reform has started, the key issue is to flesh out the contents of the policy: specifications, goals and resources. This moment can be conflictive even though the main aims of the policy have been established and veto points and players have been overcome. The concept of ‘policy paradigm’ (Hall, 1993; Grabbe, 2006) can be analytically useful since it refers to interpretative frameworks within which policy-makers work (Grabbe, 2003: 72). The EU, as we saw in the previous chapter, tends to project isomorphic processes of its ‘ways of doing’ (Radaelli, 2000) and the way policy-makers communicate and frame their work-processes and discourses can specify the contents and problems to be addressed (Hall, 1993). Underlying policy paradigms in different policy-areas (for example deregulation vs. regulation in economic policies or securitisation vs. market approach towards energy), can have important consequences for the acceptance of the EU’s agenda, although the legitimacy of the rules, its clarity and the goals of the reform process are shared. If different policy paradigms are in conflict with each other and with the domestic ‘policy paradigms’, adoption and implementation of EU-induced reforms can be expected to be patchy and incomplete at best.

Lastly, political actors can develop discursive strategies that amplify values ingrained within a certain social group such as interest groups or the population at large in order to convince them of supporting their alternatives. ‘Value amplification’ refers to the ‘identification, idealisation and elevation of one or more values presumed basic to prospective constituents but which have not inspired collective action for any number of reasons’ (Snow et al. in Béland, 2009a: 706). In terms of a public discourse it works

‘through framing processes’ where these ideas or values ‘can help to convince policy-makers, interest groups and the general population’ that change in (or the defence of) a specific policy is necessary (Béland, 2009a: 705). Some of the case studies will show that the discursive process of defending or articulating policy content or a course of reform in Georgia after the Rose Revolution has been at odds with the EU policy paradigm.

The key issue is to determine whether ideas have shaped policy change and policy choices and for the purpose of this research, whether the EU is able to influence the aforementioned ideational process. By contrast, a logic of position perspective would establish the influence of the EU institutional setting and incentives in domestic policy developments. Ideational processes do not occur in a void, but in relation to institutional and contextual factors. Without appropriate resources and the necessary political and socioeconomic conditions or with the presence of insurmountable obstacles such as powerful veto players, the adoption of certain political alternatives is certainly hampered (Béland, 2010). Through this process, ideas have an impact under specific institutional and political conditions, namely construction and identification of problems, the shaping of the policy content for their solution and discursive strategies for framing the process of change.

2.2.3. Summary of the analytical framework

This section summarises briefly the main conditions that will affect EU influence on domestic policies in the context of the institutionalised relations between the EU and neighbouring countries. First, we can distinguish the processes that characterise the different causal logics. Tables 3 and 4 present the conditions that are expected to affect EU impact on the case studies in terms of the logics of position and interpretation. The layout of the tables shows the empirical rationale that will be addressed in each case study. They are deliberately left empty and in the final conclusions of the thesis we will show the same tables with the empirical findings and the impact of the EU.

As mentioned earlier, EU impact is assessed in terms of the adoption and implementation of the EU-neighbour agenda of reforms and whether the latter has been adopted as a consequence of the relative importance of the EU to other sources of change (i.e. domestic and other international pulls). Table 3 shows the different factors that will determine EU influence from a logic of position perspective. They are analytically divided between the *institutional* processes that characterise EU-neighbour relations and path dependence at domestic level on the one hand and the *structural* conditions stemming from the domestic and international level on the other.

From a logic of position explanation, EU influence is a product of the interplay of institutional and structural factors. EU impact will be more likely if the coherence of EU policies; consistency and determinacy of EU rules; the credibility of conditionality and rewards are high and enforcement and distribution costs are low and incentives stemming from relations with the EU are domestically perceived as positive. In addition, the previous conditions are affected at domestic level by path dependence processes and the existence of veto players and political conditions that increase costs of implementation of EU-induced reforms. Simultaneously, a high degree of geopolitical competition and low levels of linkage are expected to hamper EU influence.

Table 4 shows the ways that ideational processes can impact policy change. We established that ideas can impact the process of reforms and policy change in three interrelated ways: the construction of policy problems and policy agenda; their content; and the discursive strategies used to frame and articulate them in order to rationalise and communicate a course of action. The question is whether the EU is able to inform and influence these three elements. The ideational impact of the EU will be high and will reinforce the institutional process if the content and policy paradigms of the EU agenda of reform and policy paradigms resonate within domestic policy traditions; if there is a normative convergence of

the EU norms and rules; and if the EU is regarded as a legitimate model/reference group, which frames policy reform.

Table 3: Conditions for EU impact: institutional and structural processes (Logic of Position)				
	Governance by conditionality: Internal Market Access and economic issues	Intergovernmental Governance: Foreign and Security issues	External Governance: Energy security issues	Cooperative Governance: Security Sector Reform
<i>Institutional process: EU–Georgia institutionalised relations</i>				
<i>Coherence</i>				
<i>Consistency and determinacy of rules</i>				
<i>Credibility of conditionality</i>				
<i>Enforcement and Distribution costs</i>				
<i>Domestic perception of incentives</i>				
<i>Domestic determinants: Institutional process</i>				
<i>Path Dependence</i>				
<i>Domestic determinants: Structural process</i>				
<i>Veto players/Political System</i>				
<i>Structural process: International level</i>				
<i>Geopolitical constraints</i>				
<i>Linkage</i>				
IMPACT				

Table 4: Conditions for EU impact: ideational causal logic (Logic of Interpretation)				
	Governance by conditionality: Internal Market Access and economic issues	Intergovernmental Governance: Foreign and Security issues	External Governance: Energy security issues	Cooperative Governance: Security Sector Reform
<i>Construction of policy problems and policy agenda</i>				
<i>Content of policies and reform proposals (policy paradigms)</i>				
<i>Discursive strategies</i>				

2.3. CONCLUSIONS

This chapter has developed a framework for the analysis of the impact of EU governance in neighbouring countries. Firstly, it overviewed existing approaches that account for the impact of the EU on non-candidate countries. It argued that most of the theoretically driven empirical analyses are based on the application of the ‘Europeanisation’ mechanisms developed to account for domestic change driven by the EU in candidate countries (Barbé et al., 2009a: 380). In general, the study of the EU’s influence on the neighbourhood, also called ‘Europeanisation beyond the EU’ (Schimmelfennig, 2007), draws on the distinction between logics of action in order to establish different mechanisms of EU impact (Schimmelfennig, 2007; 2009), where the impact of the EU is driven by either a ‘logic of consequences’ or a ‘logic of appropriateness’. According to a logic of consequences, the adoption of EU-induced reforms is a consequence of cost–benefit calculations in the partner country in terms of EU sanctions or rewards. In contrast, explanations based on a logic of appropriateness emphasise the role of identification with the EU and the legitimacy of the rules the EU aims to project in order to explain compliance. Instead of sticks-and-carrots that alter rational cost–benefit calculations, explanations based on a logic of appropriateness favour sociological mechanisms such as social learning or persuasion in order to explain the adaptation of third countries to the agenda of reforms agreed, in the case of neighbours, with the EU.

The chapter then problematised the extrapolation of the ‘Europeanisation’ approach in the context of the neighbourhood for various reasons. On the one hand, the contextual conditions make it difficult to draw on existent models of ‘Europeanisation’ within the EU and in candidate countries since geopolitical and rule promotion conditions are radically different. On the other hand, contrasting the explanatory power of logics of action is flawed both in epistemological terms and in analytical terms. First, in the case of models of EU

impact on candidate countries, given the final outcome of accession and the conditionality to a greater or lesser extent of the process, legitimacy of EU rules and the EU as a polity are, implicitly, ex-ante and ex-post factors. Therefore, given the fact that the adoption of EU rules is the closest factor in time in terms of the *explanandum* (adoption of EU rules), conditions derived from logic of consequences will always have the upper-hand in explaining the final outcome. Second, the chapter argued that contrasting both logics falls into an artificial duality of material and ideational factors which makes the comparison of rational cost-benefits factors and ideational factors such as legitimacy and identity incommensurate. In short, ideational and normative factors will systematically appear to be secondary and epiphenomenal. In order to overcome such problems, the chapter proposed in the second part to develop an analytical framework in terms of ‘causal logics’ instead of ‘logics of action’.

Causal logics allow a richer explanation of the process by which political and policy change can come about. Drawing upon Parsons (2007) and Béland (2010), we put forward three main causal explanations. First, institutional and structural explanations, whereby under some constraints and incentives actors will accordingly make political choices (which relates to a logic of position). Second, ideational explanations, or processes through which actors will be influenced by the interpretation of a situation within a given context (‘logic of interpretation’). The key issue is that explanations based on causal logics allow for the analysis of the interrelations between the material context and ideational processes. Ideas are important and politically influential because they interact with ‘institutional forces and political actors’ (Béland, 2009a: 707) and vice versa. The different causal explanations are not competing, as in the fashion of logics of actions, but complementary; the difference is only analytical in the sense that causal pathways and conditions of policy change lay in the process/es.

In terms of a logic of position (actors 'position' themselves in institutional and social environments), institutional explanations refer to those human-made contexts whereby constraints and incentives emerge according to social and political relations. The types of EU governance determine a specific institutional process within the overall framework of EU-neighbour relations at a bilateral and regional level. These processes determine a stable setting of institutionalised factors whereby incentives and constraints are channelled. In such a situation, the chapter argued that the degree of internal EU coherence; consistency and clarity of rules; credibility of conditionality and rewards; and distribution and enforcement costs, frame conditions of EU impact under institutional processes. Structural explanations refer to those constraints and incentives that emerge from exogenous factors. In the context of this thesis, exogenous factors are determined by the regional and international dimension where the EU-neighbour relations are embedded. Structural determinants are not affected by institutional logics; they constitute exogenous factors to the EU-neighbour relations, but they might create constraints or incentives for the adoption the EU-neighbour bilateral agenda. It was argued that regional competition among regional powers and dynamics of social, economic and political linkage of the country with other countries and regions also condition EU impact. Likewise, the domestic environment in terms of the political system, administrative constraints and veto-players as well as path dependence processes might shape the degree of policy convergence between the EU and third countries.

In contrast, in terms of a logic of interpretation, ideational arguments stem from the casual logic of people's interpretation of a situation in order to organise their preferences (Parsons 2007: 98). Ideational factors will have a crucial influence in the shaping of policy preferences when they are consistent in time and/or have independent effects from the institutional and structural processes. In both cases, ideas determine a course of action by narrowing policy choices and alternatives. In that sense, the ideational factors shape the

construction of policy options or reforms, its content and the discursive strategies around which reforms and policy change are formulated. By clearly tracing the aforementioned causal explanations, it is possible to evaluate the sources of EU impact on the issue-areas: the institutional EU-neighbour level; domestic factors; international factor; the degree of influence of ideational factors or a combination of the latter. The next four empirical chapters will show the relative effects of those processes in different contexts of EU governance.

CHAPTER 3 - GOVERNANCE BY CONDITIONALITY:

ECONOMIC RELATIONS AND ACCESS TO THE EU'S SINGLE MARKET

Economic integration lies at the core of the *raison d'être* of the European Union. The common market and its rules form the basic components of the *acquis communautaire* and the glue that holds together the EU member states. Understandably, the economic sphere of the EU's external relations is a cornerstone of cooperation with third countries and it is in this area that the EU has made the biggest effort in promoting compatible rules with neighbours (Dimitrova and Dragneva, 2009: 858). For the latter, access to the single market and benefitting from free movement of goods, capital, services and people with the EU is a crucial element of bilateral relations (Dodini and Fantini, 2006: 511). The EU objective in this area is, according to the European Commission (2005: 2) to provide an 'element of economic integration' in exchange for the adoption of certain norms and rules. In the context of the ENP and EaP, the process is characterised by conditionality linked to the reward of signing a Deep and Comprehensive Free Trade Agreement (DCFTA) that would include trade in services and investment in addition to goods.

As set out in chapter 1, 'governance by conditionality' is characterized by EU internal coherence and a high degree of determinacy and clarity of the rules to be adopted in exchange for the rewards offered, implying the hierarchy of the EU in the approximation process. Incentives in the case of DCFTA are clear and credible but the cost of adopting the EU's *acquis* is considerable. For the implementation of the EU requirements, given the hierarchical position of the EU in the area, normative convergence and the legitimacy of the EU as a reference group and its rules should be strong in addition to positive cost-benefit calculations.

In terms of the implementation of the bilateral agenda of reforms, the impact of the EU has been low in this area since the independence of Georgia, but has increased in recent times. Until the Rose Revolution, the main reason was the existence of domestic veto players that dominated the corrupt political and economic structure of the country during the Shevardnadze administration. During the Saakashvili administration, normative divergence became an important cause of rejection of the EU's conditionality in this area. Other international and domestic factors such as the lack of socio-economic linkage to the EU and domestic obstacles are constantly present but the relative importance of ideas and the lack of EU legitimacy as a model in the economic development of Georgia became prominent between 2005 and 2008. In the long term, 'governance by conditionality' has become effective and the EU has been instrumental in the early nineties and after the August war of 2008 in economically sustaining the country. Clear rewards, linked to domestic economic and regulatory reforms, have pushed the EU agenda once *normative divergence* had diminished and the *corrupt political and economic* structure of the Shevardnadze years had disappeared to a great extent.

This chapter then shows the importance of ideas in understanding the adoption of a certain course of reforms. This is an important finding because it is normally argued that the main impediment for EU impact on the neighbourhood is the lack of enough incentives and conditionality for overcoming the costs of adopting EU rules. In contrast, it is also usually said that the EU as a model of development attracts pro-Western elites in the neighbourhood. This chapter shows how EU conditionality had a limited impact while there was a lack of legitimacy of its rules and its model of development even in a pro-Western environment. In addition, the chapter also sets out the context of the socio-economic and political conditions that provide a baseline for understanding the background of Georgia in the further three empirical chapters.

In terms of the analytical framework developed in chapter 2, the case study shows how ideas shaped policy choices after the Rose Revolution; how the EU had little influence on framing the content of policies and how its policy paradigm was at odds with the economic ideas of the new political and economic elites. As set out in the previous chapter, proving the importance of ideas is a methodological challenge but by framing the analysis through causal logics it is possible to determine the interplay of ideas and material factors. This chapter offers a detailed account of the relative importance of the ideational, institutional and structural causal logics by tracing the course of reforms in the country from Georgian independence until 2009 through the combination of different primary and secondary sources.

The chapter starts by considering the evolution of the institutional setting of the case study between the EU and Georgia since the early nineties. It then sets out the international structural factors, geopolitical pressure and linkage (initially set out in chapter 2) that constrain EU impact and Georgian responses to the EU agenda. It is argued that geopolitical pressures do not play an important role in the case study; in contrast, the level of socio-economic linkage between the EU and Georgia is low and amplifies domestic costs of adopting EU rules. Finally, it examines Georgian responses in relation to the domestic and international factors and EU incentives in terms of the causal logics to evaluate EU impact. The chapter concludes by summarising the outcomes of the analysis.

3.1. EMBRACING EUROPE? INSTITUTIONAL FACTORS IN THE EU– GEORGIAN ECONOMIC RELATIONS

3.1.1. Initial Steps: early economic relations between the EU and Georgia

As seen in chapter 1, the first steps of an EU institutionalised engagement with Georgia did not start until the entry into force of the PCA in 1999. Nevertheless, between Georgia's independence and the entry into force of the PCA, EU regional initiatives in the region were

of crucial importance for the economic survival of the country and for the future geopolitical position of the region. Two main regional programmes, TRACECA and INOGATE, dominated EU policies towards the Southern Caucasus before the PCAs.

In 1993, the Transport Corridor Europe-Caucasus-Asia (TRACECA) was launched, followed in 1996 by the Interstate Oil and Gas Transport to Europe (INOGATE) project. TRACECA emerged as a consequence of the first EU actions towards Georgia which primarily tried to address the humanitarian catastrophe in the country.¹⁸ Once the EU had established a relatively stable structure for delivering humanitarian aid to the Southern Caucasus, the Commission, with the agreement of Azerbaijan and Georgia, started to use the Caucasus corridor as a connection to Central Asia for delivering humanitarian assistance (given the problems in using the Russian route).¹⁹ As a result of this humanitarian corridor, the EU along with the Black Sea, Southern Caucasus and some Central Asian countries, devised a programme for developing economic, trade and transport communications with the goal of creating a 'new Silk Road'.²⁰ Although its potential has never been fully realised, due mainly to political issues between Azerbaijan and the Central Asian countries, TRACECA has been important for Georgia as it was viewed as an important initiative for establishing closer relations with the EU.²¹

INOGATE focuses on fostering technical and financial assistance in the energy sector. Its main goal is to support the integration of oil and gas supplies running from Central Asia to Europe on the basis of common regulations and standards, based largely on EU internal

¹⁸ International assistance made up 76% of state revenues in 1993 and 45% in 1994 (GEPLAC, 1995). The EU's contribution was important: as late as 1996, four years after the recognition of Georgian independence, the EU's food programme accounted for more than 5% of the Georgian GDP (US 3.6%) (see GEPLAC, 1995).

¹⁹ Interview with a former Georgian diplomat, Tbilisi, 27 May 2009.

²⁰ See TRACECA website: <http://www.traceca-org.org>.

²¹ Interview with a Georgian expert, Tbilisi, 28 April 2009.

energy market regulations. Initially, INOGATE had an enormous impact in Georgia on rehabilitating and upgrading energy infrastructure such as the construction of the oil terminal in Supsa. Investments under the umbrella of TRACECA and INOGATE made up almost all of the investments in the first half of the nineties in Georgia and together with humanitarian aid were instrumental in the survival of Georgia as an independent state.²² Apart from the direct and immediate relief provided by those investments, the programmes created the basis for initiating political and economic relations with the EU.

Between 1992 and 1999, relations were characterised by a low level of institutionalisation. The level of economic relations remained low too and political contacts were based on intermittent presidential and Foreign Ministry level relations or technical cooperation on the implementation of TACIS, TRACECA or INOGATE projects.

3.1.2. Reaching an institutional equilibrium: from the PCA to the ENP and EaP

A key aim of the PCA is to lay out the basis for the emergence of a market-based economy in Georgia. For that purpose, the EU fostered the creation of a set of ‘rules of the game’; laws, regulations, practices and norms of behaviour. In the second half of the nineties, the economic authorities of Georgia considered that the country’s interests lay in modernising its legislation in the direction of compatibility with EU standards and practices (GEPLAC, 2000). Therefore, the President issued a strategy for the harmonisation of Georgian legislation with that of the EU in order to comply with the PCA (President of Georgia, 2000), and the Georgian Parliament adopted in 2003 a National Programme of Law Harmonization (Parliament of Georgia, 2003). Although the PCA gives no promise of either closer cooperation or further integration, the scope of legal approximation with the EU in the context of the PCA is rather deep, being aimed at creating a legal environment in

²² Interview with a Georgian expert, Tbilisi, 28 April 2009.

Georgia which is close to that of the EU's internal market (Gogolashvili, 2007a). The PCA does specify a long list of areas of potential legislative approximation with the EU, from laws and regulations governing investments to consumer protection. For several of these areas, the PCA contains mandatory provisions on approximation, but only Art. 42 imposes a time limit, requiring approximation of intellectual property issues by 2002, which is still pending (see GEPLAC, 2000).

Material incentives were linked to the possibility of economic integration with the EU, conditional on the approximation of legislation and adaptation of the economic environment according to the PCA, but the final prospect of a trade agreement of some kind was not defined. This process was accompanied by technical and financial assistance linked to the TACIS programme, whose main goal was to facilitate the transition toward a market economy by providing assistance in the field of legal and regulatory reforms and the approximation of Georgian legislation to that of the EU, as well as institution-building assistance. TACIS was replaced by the European Neighbourhood and Partnership Instrument (ENPI) in the context of the ENP. Excluding regional programmes such as TRACECA or INOGATE, the EC allocated €84 million for Georgia under the TACIS framework from 1993 until 2003, 25% of all EC grants (see European Commission, 2007a). In spite of the apparently low level of assistance in absolute terms, the EU's technical assistance between 1992 and 2000 accounted for 3% of Georgian GDP in 2000 (in Euros, see European Commission, 2001).²³

Although the degree of economic integration and the clarity of rules of the PCA are potentially high, elements of clear conditionality, monitoring and timeframe are missing. Crucially, rewards were vague. As a consequence, the process of convergence on economic

²³ This figure refers to TACIS-only assistance. The EU's assistance grand total accounts for more than 10% of the 2000 Georgian GDP.

issues stagnated once the initial push for reforms lost steam due to domestic factors, as we will see. Nevertheless, the institutionalised framework of the PCA has created a political and strategic partnership infrastructure (Gegeshidze, 2006). Apart from the political character of the Cooperation Council, the PCA created technical sub-committees on trade and economic relations and a sub-committee on Justice, Freedom and Security as well as a parliamentary cooperation committee to supervise the process of convergence established in the PCA regarding economic, political and social issues. In spite of the limitations of conditionality mechanisms, the new institutionalised framework triggered extensive primary legislative harmonisation (Gegeshidze, 2006). Thus, as aforementioned, in 1998 the Georgian Parliament decided that, from October 1999, all new economic-related legislation would have to conform to European standards. The process of accession to the WTO (achieved in 2000) reinforced the process of bringing Georgia's legislation close to the EU (Council of the European Union, 2000; see GEPLAC, 2000),²⁴ although little effort was put into its implementation.

The ENP changed the possibilities of tracking reforms in this sector. One of the main reasons is the will of some member states to ensure the creation of fully fledged market economies in the Eastern Neighbourhood. The Baltic States have been particularly active in promoting market reforms and providing advice as they consider their example an appropriate pathway for former fellow Soviet Republics committed to reform such as post-2004 Georgia (Galbreath and Lamoreaux, 2007; Espona, 2009). On the other hand, the ENP Action Plan (AP) with the EU provides for a clear series of reforms, benchmarks and deadlines, since the AP has a timeframe of five years. More importantly, the EaP offers a clear and credible reward, the DCFTA. To summarise, since the adoption of the ENP AP in

²⁴ Georgia was the second former Soviet Republic to accede to the WTO after the Kyrgyz Republic (1997). Accession to the WTO is a prerequisite for signing FTA with the EU.

2006, this policy area has reached a certain institutional stability characterised by a clear set of rules, benchmarking, timeframe and conditionality.

The possibility of signing a DCFTA with the EU is conditional on the fulfilment of a series of far-reaching technical and political conditions (see table 5). In view of the process of economic reforms and as an intermediate step towards a free trade agreement, the EU granted Georgia a second arrangement of the General System of Preferences (GSP) in 2005, known as Special Incentive Arrangement for Sustainable Development and Good Governance (or GSP+).²⁵ The GSP+ covers 7,200 products free of duty and all the main goods exported by Georgia, excepting wine (subject to a small duty of €0.13 cents per litre) (Delegation of the EC to Georgia, 2007). Valid until 2008, the GSP+ was renewed in 2009 as Georgia ratified the 27 core conventions on human rights, labour rights, good governance and environmental issues required by the GSP+ (23 of them were ratified before 2005, see Appendix I). Their effective implementation will be a yardstick to be taken into account in the DCFTA negotiations.

The existence of the GSP+ implies that Georgia does not benefit from a simple FTA with the EU since it now has virtually tariff-free access to the EU (CASE and Global Insight, 2008). The option proposed by the EC and envisaged by the EaP was to sign a DCFTA. In the case of Georgia, it is acknowledged that the sectors which benefit most from this agreement are those which are subject to non-trade barriers that relate to the EU's single market regulations such as phytosanitary or certification standards (Gogolashvili, 2007b). As a DCFTA also includes services and investment provisions, the most probable welfare benefits to the country will come from the boosting of international investment as a consequence of the lowering of the investment risks and the lock-in effects of reforms leading to a DCFTA (CASE and Global Insight, 2008). According to the DCFTA feasibility

²⁵ Extended to Armenia and Azerbaijan since 2009.

study (CASE and Global Insight, 2008), the economic gains of a deep FTA could be as much as 6.5% of GDP.

Despite the potential benefits of signing a DCFTA, the costs of the required regulatory and administrative adaptation are high. In this respect, the EU offers significant technical and financial assistance in the form of Twinning, Taiex and the ENPI financial instrument. Likewise, the assistance provided by member states such as Germany has been important (European Commission, 2008a). Since 2004 the EU has pledged €650 million in two donor conferences for financial and technical assistance after the Rose Revolution and after the 2008 August war, the equivalent of 5% of the 2009 Georgian GDP.²⁶ After the August war, the EU fast-tracked the establishment of the EaP and the possibility of signing enhanced Association Agreements (AA).²⁷

During the EU–Georgia sub-committee meeting in trade and economic matters held on 27–28 May 2009, the EC made clear that a separate DCFTA would not be possible and might become part of the AA (Maniokas, 2009b). This is an indication of how the EU wanted to link increased contractual relations to the implementation of EU-oriented economic reforms. As the next section will argue, ideological and normative divergence has played a crucial role in the stagnation of the implementation of the economic and trade provisions of the ENP AP. Indeed, the Georgian authorities have always tried to detach the ‘free trade’ negotiations from the ENP process to move forward and prevent delays as a result of the

²⁶ The post-August war Donors Conference held in Brussels and co-organised by the EC and the WB pledged \$4.5 billion for the period 2008–2010, 40% of the 2009 Georgian GDP. The US pledged \$1bn and the EC \$637 M (see appendix II).

²⁷ Negotiations started in July 2010 with the all Southern Caucasus countries.

whole evaluation progress of the AP implementation regarding trade and regulatory issues.²⁸

The following table shows the results of the EC's assessment of the main adjustments needed before starting DCFTA negotiations (table 5). The table gives a sense of the detailed, clear and demanding degree of administrative, regulatory and legal adaptation of the process. This process of convergence is based mostly on the EU's *acquis*, but also refers to international norms such as WTO, IMF or ILO provisions. Therefore, the degree of density and clarity of norms is high, as well as the degree of hierarchy, monitoring and benchmarking. This reflects the high level of conditionality of signing a DCFTA. In this sense, Georgia could stick to a GSP+ and not engage in DCFTA negotiations. However, given the Georgian ambitions of integration in the Euro-Atlantic structures and closer political and economic cooperation with the EU, it is clear that it is necessary to implement the ENP AP in the economic areas and meet the overall requirements of the DCFTA. Despite the adaptation requirements, the EU also recognises the need to adapt the process to the capabilities of the country; it is not a matter of *implementation* of the EU's *acquis*, but of *approximation* of national legislation and practices to the *acquis*.

²⁸ Interview with an attaché at the European Commission's delegation to Georgia, Tbilisi, 05/05/2009.

Table 5: Summary of tasks for obtaining a DCFTA

Main areas where additional progress is necessary	Main task to be undertaken	Examples of types of norms and agreements
Ensuring Functioning of Governmental Institutional Structures	<ul style="list-style-type: none"> Create a special governmental commission Appoint a chief negotiator and a task force from different Ministries and governmental bodies engaged in the implementation of a DCFTA 	-
Strengthening Administrative Capacities of Institutions	<ul style="list-style-type: none"> Ensure that the Ministry of Economic Development has an adequate number of well qualified experts Ensure that members of the task force have sufficient knowledge of the EU and international trade and investment related legislation and procedures. The same refers to other staff in line Ministries dealing with EU affairs 	-
Lack of Involvement of Stakeholders	<ul style="list-style-type: none"> Participation of the business community and affected groups in the preparatory process (by launching regular consultations, public-awareness campaigns, etc., in particular about the opportunities offered by GSP+ and their benefits <i>if accompanied by regulatory adjustments</i>) 	-
Tariff and non-Tariff Barriers	<ul style="list-style-type: none"> Demonstrate ability to prepare all the elements needed for exchange of tariff offers, especially reinforcing the Georgia State Department for Statistics (reduced from 540 to 189 persons in 2007) 	<ul style="list-style-type: none"> Update Harmonised Commodity Description and Coding System (HS 2007)
Technical Barriers to Trade (TBTs)	<ul style="list-style-type: none"> Adopt and implement a governmental programme of adoption of technical regulations in line with the EU <i>acquis</i> in the priority industrial sectors Achieve progress in the establishment of a domestic institutional system in the areas of technical regulation, standardisation, accreditation, metrology, conformity assessment and market surveillance 	-
Sanitary and Phytosanitary (SPS) Measures	<ul style="list-style-type: none"> Start implementing the suspended food safety legislation Prepare a comprehensive strategy of establishment of a solid food safety system and fully implement it 	<ul style="list-style-type: none"> WTO agreement on SPS EU regulations (e.g. 178/2002/EC; hygiene in food processing; traceability; etc.) Interconnection with the EU Rapid Alert System for Food and Feed
Trade Facilitation	<ul style="list-style-type: none"> Ensuring that only eligible products would benefit from trade preferences (i.e. prevent illicit trade from Abkhazia and South Ossetia) Strategic reform of the customs system including administrative capacity building. Approximation of customs legislation and practices with the EU 	<ul style="list-style-type: none"> OECD Model Tax Convention EU code for Business Taxation EU Customs Blueprint
Services and Investment	<ul style="list-style-type: none"> Provide information of rights of entry and investment Approximate accounting and auditing systems with the EU <i>acquis</i> and international standards Ensure non-discriminatory and transparent investment Protection of Property Rights 	<ul style="list-style-type: none"> PCA IMF and WB recommendations for reform of the financial sector
Anti-Money Laundering	<ul style="list-style-type: none"> Adopt EU legislation and the recommendations of the Financial Action Task Force 	<ul style="list-style-type: none"> EU: Directives 2005/60/EC and 2006/70/EC
Intellectual Property Rights	<ul style="list-style-type: none"> Implement PCA and ENP provisions (piracy, counterfeiting, etc.) 	<ul style="list-style-type: none"> PCA and TRIPS (WTO)
Public Procurement	<ul style="list-style-type: none"> Implementation of the EU procurement <i>acquis</i> 	<ul style="list-style-type: none"> Art. 50 PCA
Competition	<ul style="list-style-type: none"> Implementation of competition law and independence and strengthening of the Agency for Free Trade and Competition 	<ul style="list-style-type: none"> General competition law covering all sectors PCA title V

Source: ENP Georgia Action Plan and European Commission Fact-Finding Mission Report (not public).

3.2. THE INTERNATIONAL DIMENSION OF THE ECONOMIC GOVERNANCE OF GEORGIA

After having evaluated the institutional dynamics between the EU and Georgia, this section establishes the international and regional processes that may affect Georgian domestic economic choices. In terms of our analytical framework it evaluates the international ‘linkage’ of the Georgian economy and ‘regional competition’ factors. The objective is to evaluate their possible influence in relation to the incentives and constraints that may generate on the Georgian economic policies in order to establish in the following section whether they affect the influence of the EU on the Georgian responses.

3.2.1. Linkage and regional context of the Georgian economy

Russia’s policies and strategic interests will emerge throughout all the case studies as a potential constraint for Georgian options. In the economic context, some describe Russian economic policies towards the former Soviet Union with the notion of ‘liberal empire’ developed by Anatoly Chubais (2003), a former influential member of the Yeltsin administration. This concept can be defined as how the ‘new [Russian] empire should be based on economics rather than coercion wherein Russian companies...should take over the ownership of strategic companies in the former Soviet republics which...must lead to the re-establishment of Moscow’s political influence’ (Papava, 2009: 6).

Although there is no evidence of the use of economic influence as a conscious tool of Russian foreign policy (Crane et al., 2005; Filippov, 2008), Russian companies have tried to reinforce their economic position in the neighbouring republics (Crane et al., 2005). However, Russian economic influence in the Southern Caucasus is slowly receding (Markedonov, 2009). In the case of Georgia, despite all the tensions that led to the 2008 war over South Ossetia, Russia has remained an important main trade and investment partner (Papava, 2006a; 2009) (see tables 6 and 7). This is an important puzzle that the following

section will try to unravel, but suffice to say that the Russian economic linkages with Georgia have been important since independence, although receding since 2006; however, the EU has not filled the economic vacuum left by Russia. In fact, EU trade turnover with Georgia is the smallest of all three Southern Caucasus republics (see table 8). In other words, despite some may think that Russia aims or is able to shape Georgian domestic economic policies (as the use concept of ‘liberal empire’ indicates), the analysis shows that it does not constrain Georgian economic choices. At the same time, linkage (especially trade, foreign investment, movement of people) with the EU has remained relatively low.

Table 6: Georgian international trade turnover and direction of trade by 1999

International Trade Turnover	1997	1998	Q1-Q2 1999
Total (USD thousand)	1,183,299.30	1,258,921.30	416,346.30
The 10 main partner countries	64.1	73.5	72.9
<i>Russia</i>	<i>16.4</i>	<i>21.1</i>	<i>22.5</i>
<i>Turkey</i>	<i>13.2</i>	<i>11.3</i>	<i>10.6</i>
<i>Azerbaijan</i>	<i>11.9</i>	<i>8.6</i>	<i>7.4</i>
<i>Germany</i>	<i>3.9</i>	<i>7.6</i>	<i>8.4</i>
<i>USA</i>	<i>6.3</i>	<i>6.7</i>	<i>10.8</i>
<i>Great Britan</i>	<i>3.9</i>	<i>6.1</i>	<i>3.3</i>
<i>Ukraine</i>	<i>5.4</i>	<i>3.2</i>	<i>4.2</i>
<i>Switzerland</i>	<i>0</i>	<i>3.2</i>	<i>1</i>
<i>Italy</i>	<i>3.8</i>	<i>3.2</i>	<i>3</i>
<i>Bulgaria</i>	<i>4.7</i>	<i>2.6</i>	<i>1</i>
Others	31.1	26.4	27.1

Source: GEPLAC, 1999 (figures from the Georgian Statistics Office)

Table 7: EU share in Georgian trade since the Rose Revolution (total trade turnover)

Partner Country	2003	2004	2005	2006	2007	2008	2009
<i>European Union</i>	34	32	30	29	28	27	29
<i>Russia</i>	15	14.5	16	14	9.5	6	6
United States	6.6	5.3	5	4	5.5	6	6
Turkey	12	13	12	14	14	15.5	17
Turkmenistan	4.2	6	5	3.7	2.7	1.8	1.3
Armenia	2.6	3.2	2.5	2.5	2.6	2.5	1.7
Azerbaijan	7	7.3	9.5	9	8	10.5	10
Ukraine	7	6.3	7.7	8	10.6	10	8.6
China	1.5	1.3	1.6	2.5	3.3	4	3.5
Exports Total (\$ billions 2010)	0.46	0.65	0.85	0.94	1.3	1.5	1.36
Imports Total (\$ billions 2010)	1.1	1.8	2.5	3.3	5.2	6.5	4.75

Source: International Monetary Fund, Direction of Trade Statistics obtained through the Economic and Social Data Service

Table 8. Trade turnover with major partners in the SC in %

Trade Partner	2005			2006			2007			2008			2009		
	<i>Am</i>	<i>Az</i>	<i>Geo</i>	<i>Am</i>	<i>Az</i>	<i>Geo</i>	<i>Am</i>	<i>Az</i>	<i>Geo</i>	<i>Am</i>	<i>Az</i>	<i>Geo</i>	<i>Am</i>	<i>Az</i>	<i>Geo</i>
<i>European Union</i>	38	41	30	38	45	29	38	28	28	35	53	27	30	41	29
<i>Russia</i>	13	12	16	13	13	14	16	13	9.5	19	3.5	6	23	5.7	6
United States	8	2.2	5	5	2.5	4	5	4.7	5.5	5	11	6	5	7.5	6
Turkey	3	7	12	3	6.5	14	3	14	14	5	2.5	15.5	4	8	17
Armenia	-	0	2.5	-	0	2.5	-	0	2.6	-	0	2.5	-	0	1.7
Azerbaijan	0	-	9.5	0	-	9	0	-	8	0	-	10.5	0	-	10
Georgia	2	3	-	3	3	-	3	3.5	-	2	1	-	2	2	-
Ukraine	5	3	7.7	6	3	8	7	4	10.6	6	1.5	10	5	3	8.6

Source: IMF, Direction of Trade Statistics obtained through the Economic and Social Data Service

Despite the EU being the main trading partner, the indicators of FDI and trade relations show a relatively constant, low level of linkage between the EU and Georgia, which contrasts for example with the economic Westernisation of the Baltic States, former Soviet

Republics and now members of the EU (see Tables 9 and 10). After the entry into force of the PCA and the initiation of the process of harmonisation of trade-related issues, the EU granted Georgia a General System of Preferences (GSP) in 1999. The GSP removed customs duties for some goods, but little was done to diversify export markets and the CIS have remained Georgia's main trade partners. In short, there has not been a considerable reorientation of the economic interests of Georgia towards the EU. Table 7 indicates that the level of trade with the EU has remained at a constant level between 1996 and 2008 at around 30% of Georgian trade turnover. Such a situation is highlighted if we compare it to the realignment process of the CEEC to the EU, including the Baltic States, during the nineties. Their trade has been increasingly oriented towards the EU and the level of FDI is immensely higher than in Georgia (see Tables 9, 10 and 11).

Table 9: Foreign direct investment in Central and Eastern Europe

	Total cumulative FDI, 1989–2000 (millions of euros)		Percentage of FDI from EU, 1999	PHARE program total funding, 1990–1999 (millions of euros)	
	Total	Per capita		Total	Per capita
Poland	31508	814	64	2035	53
Czech Republic	23503	2280	82	476	46
Hungary	21063	2099	64	989	98
Romania	7343	329	57	1191	53
Slovak Republic	3915	726	70	356	66
Bulgaria	3579	441	58	870	105
Latvia	2636	1114	51	251	105
Lithuania	2560	696	72	341	92
Estonia	2093	1450	85	196	140
Slovenia	1659	833	81	194	97

Source: Cameron, 2009: 8

Table 10: The Western realignment of trade in Post-Communist Europe, 1989–1999

	<i>PERCENTAGE OF ALL EXPORTS GOING TO THE EU</i>			<i>PERCENTAGE OF ALL IMPORTS FROM THE EU</i>		
	<i>1989</i>	<i>1993</i>	<i>1999</i>	<i>1989</i>	<i>1993</i>	<i>1999</i>
Czech Republic	32	55	69	35	51	65
Estonia	38	48	63	30	60	58
Hungary	34	58	76	39	55	65
Latvia	38	32	63	30	27	54
Lithuania	38	67	50	30	50	47
Poland	40	69	71	45	65	65
Slovakia	32	30	60	35	28	52
Slovenia	44	62	66	46	62	69
Bulgaria	22	48	55	40	43	51
Romania	31	41	66	7	45	61

Source: Cameron , 2009

In terms of inward flows of FDI in Georgia, despite attempts to initiate a Western reorientation, it was Russia and the rest of the CIS that provided the main sources of investment until 2006; given the dire situation of the post-Soviet space, flows of trade and investment remained very low (around an average trade turnover of 1bn dollars between 96-2003 and less than \$900 million of accumulated FDI in 2001, mainly linked to the construction of the Baku-Tbilisi-Ceyhan pipeline). Table 10 shows levels of FDI in the SC and includes Slovakia to give some perspective. Slovakia is a country with a similar size and population to the SC countries and shares a Communist past; it borders the former Soviet Union and started relatively late on a process of orientation towards the EU (late nineties) (Haughton, 2007). Since 2004, FDI flows have increased notably, but in absolute terms it remains low. Georgian figures contrast with Azerbaijan (that has become a foreign investor itself in recent years) and Slovakia. In addition, the origin of FDI is mostly from, in this order: Turkey, some Gulf countries, CIS countries, particularly Russia, Azerbaijan and Kazakhstan and the US (see Civil Georgia 22/05/2009 and 16/09/2009).

Table 11. Foreign direct investment in the Southern Caucasus (in US dollars at 2010 prices and in millions)

		2002	2003	2004	2005	2006	2007	2008
Armenia	Flow	111	121	248	239	453	661	1,132
	Stock	763	884	1,103	1,361	1,774	2,448	3,521
Azerbaijan	Flow	1,393	3,227	3,535	1,679	(601)	(4,817)	11
	Stock	5,355	8,640	12,196	11,931	11,347	6,598	6,612
Georgia	Flow	160	335	492	453	1,170	1,750	1,564
	Stock	1,051	1,399	1,914	2,380	3,559	5,389	6,919
Slovakia	Flow	4,142	2,160	3,030	2,429	4,693	3,265	3,414
	Stock	8,530	14,576	21,876	23,656	33,613	45,251	45,933

Source: UNCTAD, <http://stats.unctad.org/FDI>

During the nineties, the personal, economic and political ties between the former Georgian *nomenklatura*, who became the new economic elite, and Russia were still extremely important, a factor that prevailed until the fall of Shevardnadze in 2003. But, the vast political capital of Shevardnadze in the world political arena also allowed Georgia to access international channels of financial and budgetary assistance for undertaking market-oriented reforms and to obtain Western political and economic support. In the end, the construction of the BTC pipeline sustained the Shevardnadze regime politically and economically and it geopolitically linked the country to the West (see Cornell and Starr, 2006). According to the former Minister of Finance Onoprishvili, ‘these investments brought no economic trickle down. [...] Georgia's reward for providing a strategic export route to the West for Azeri oil was not dollars, but a diplomatic insurance policy - i.e., Western, especially US, concern for the safety of the pipelines’ (Radon and Onoprishvili, 2003; see also Baran, 2003).

Finally, in terms of the social linkage with the EU is also low. The main bulk of emigration suffered by the country during the nineties was towards Russia; hundreds of thousands of

Georgians migrated to Russia during that decade.²⁹ Since 2006, when Russia eliminated the visa-free regime with Georgia, the main bulk of emigration diverted towards Turkey, although remittances from Russia are still an important source of domestic income (Popescu and Wilson, 2009). To summarise, such a low degree of economic and social linkage hampers the EU's influence in the economic reforms and choices even in the principally favourable circumstances of pro-Western governments (as the next section will show).

3.3. ECONOMIC RESPONSES IN GEORGIA AND CONVERGENCE WITH EUROPE: IDEAS MATTER, BUT HOW MUCH?

It is impossible to avoid mentioning the Soviet era when talking about economic reforms in Georgia or any other post-Soviet republic. In Georgia, the collapse of the Soviet Union brought with it disruption of both the social networks that had been in place for the last 70 years and also the economic, institutional and productive organisation that had been in place within the Soviet state since the late twenties when the Stalinist collectivisations and planned industrialisation started. The main problem during the first years of independence after the dismemberment of the Soviet Union was not the transition from a planned to a market economy, which was itself a Herculean task, but the sudden rupture of the economic and productive networks which had been in place over the previous sixty years (GEPLAC, 1995: 4; Suny, 1998: 489-490; MacFarlane, 2004).

During the Soviet period, Georgia was by some accounts the 'garden' of the Soviet Union (e.g. Suny, 1994; MacKinnon, 2007: 96; Mitchell, 2008). Georgia was the origin of most of the citrus, wine, tea and sweet corn production of the Soviet Union and also had a

²⁹ A total of 1.2 million citizens left Georgia after the collapse of the Soviet Union. This figure includes citizens from other Soviet Republics, mostly Russian and Ukrainian. In 2005, 117,000 Georgians were estimated to be working in Russia. The second most frequent destination for emigrating is Turkey (see Jaroszewicz and Szrepka, 2007).

considerable industrial base. The collapse of the supply and transport chain after the breakup of the Soviet Union meant the disappearance of almost all of the industrial and agricultural export industry. The Soviet Union had also contributed to the maintenance of productive infrastructures such as water pipes and machinery with capital and investment but the newly independent Georgia was unable to maintain this investment and production. The political situation in Georgia and the emergence of civil and ethnic conflicts greatly aggravated the economic breakdown. Importantly, the different groups that dominated the state structures disregarded the economic aspect of transition until the consolidation of the Shevardnadze administration (Papava, 2006a).

The results of that process are still visible. Tea fields in Guria and Adjara in Western Georgia are now abandoned and what were maize fields in South-Eastern Georgia have become deserts with semi-abandoned, scattered villages. Likewise, industrial production has become insignificant. The shadow economy has also traditionally been large since the Soviet times, when the authorities in Moscow turned a blind eye to prevent social unrest (Suny, 1994). Failed privatisation and economic transition has led a Georgian economist to define the Georgian economy as a ‘necro-economy’ or unproductive and non-competitive (Papava, 2006b). Thus, how do we explain the domestic economic choices and the role of the European Union since the independence of Georgia? The following paragraphs map domestic responses in terms of the analytical framework during the Shevardnadze and Saakashvili administrations.

3.3.1. Economic reforms and stagnation 1994-2003

How did the diverse elite and political groups define different economic alternatives of reforms once Georgia became independent? The key aspect of Georgian domestic politics in the early years of independence was that in an environment of chaos, individuals were more preoccupied with strengthening their position than consolidating the power and

economic institutions of the country (Christophe, 2007). Economic reforms started in earnest in 1995 when economic matters were subjected to serious evaluation for the first time.

So appalling was the state of the economy that choices were reduced to urgently stopping hyperinflation and halting the steep productive decline. Previous economic measures had strongly benefited the old *nomenklatura* within the state bureaucracy, such as the process of ‘voucherisation’ that, as in the case of Russia, strengthened the position of the elite. In 1994 there was no national currency and the rouble was still the most widely used currency. In 1995, economic authorities and Shevardnadze decided to fast-track the liberalisation of the economy by carrying out reforms proposed by Western-led International Financial Institutions (IFIs) for two main reasons: First, given Russia’s economic weakness, the only choice available for the economic authorities to obtain funds for avoiding the definitive collapse of the state was to resort to the IMF and Western assistance, which at the same time meant the initiation of shock reforms advocated by the IFI. Second, the new economic authorities in Georgia considered the future of Georgia as an independent state should be directed towards the West.³⁰ Thus, in terms of economic policies, there were both ideational elements and pressing domestic problems that led Georgia to undertake Western-led recipes of reforms. However, given the narrow room for manoeuvre of the government to stop the dire economic situation, it is difficult to establish how important ideas were in those specific economic choices.

There were certainly alternative choices for Georgia in terms of economic and trade policy. An obvious alternative was the pathway followed by other former Soviet Republics, especially Belarus and also Ukraine or Armenia. The Belarusian government opted for a

³⁰ Interview with a Member of the Georgian Parliament, Tbilisi, 01/05/2009; interview with a former senior Georgian diplomat, Tbilisi, 27/05/2009.

mixed model of certain trade liberalisation while maintaining some price and industrial control and close economic and political relations with Russia, which allowed them to obtain cheap commodities. Ukraine and Armenia followed a similar pathway but with deeper market reforms to obtain Western assistance. Belarus and Ukraine never suffered violent conflicts, while Armenia and Georgia did. In all cases, these countries opted to keep to some extent close political and economic relations with Russia. Georgia, on the contrary, followed a different trade and economic approach, with considerable openness and market reforms.³¹

Georgian reformist circles believed the example to follow was the pathway of political and economic reforms undertaken by the Baltic States.³² These circles also thought that Russia deliberately prevented Georgia from joining Western structures by keeping a grip on the conflicts and the security policy of the country. This opinion has been shared among the Georgian population for a long time. Thus, reformist circles had ideational aspirations for joining Europe and for carrying out Western prescriptions and standards of legislation both in discursive terms and in the content of economic proposals. In the words of the Foreign Minister in 1999 during the first Cooperation Council after the entry into force of the PCA:

As far as European integration policy is concerned, the President of Georgia and our Parliament have already proclaimed full integration into European and Euro-Atlantic structures as the strategic goal for the Georgian State...Our relationship with the EU is the main constituent of this policy (Council of the European Union, minutes of the 1st Cooperation Council, 2000).

³¹ By the end of 1995 price liberalisation was total.

³² Interview with a Member of the Georgian Parliament, Tbilisi, 01/05/2009.

The reply from a member of the EC denotes a certain optimistic tone after the process of reforms initiated in Georgia after 1995; the serious internal obstacles that would alienate the reformists and lead to a ‘Caucasus fatigue’ were still to come:

We now have the framework for benefiting as much as we can in deepening our relations, *noting aspirations for the longer term which you have voiced*. In the short term I think we have enough mechanics and beef on the plate (Council of the European Union, minutes of the 1st Cooperation Council, 2000, my emphasis).

Nevertheless, the internal situation of the country impeded a real economic transformation as the economic elites, including former *nomenklatura*, also held ultimate control of the state. In addition, as mentioned earlier, business and economic interests were linked to Russia and the CIS. The EU and other international agents such as the US or IFIs in conjunction with the reformists could never overcome well entrenched domestic interests; reforms remained at a macro level and in terms of an advanced legal system but were never entirely implemented. Despite all the rhetorical and legislative efforts of the Presidency and Parliament (President of Georgia, 2000; Parliament of Georgia, 2003), real will of implementation never existed for reasons of lack of political will and the crumbling dynamics of the Georgian state. As an officer of the European Commission explicitly criticised at the fifth Cooperation Council in 2001:

There is a very serious difficulty for Georgia to move beyond the rhetoric of nice words and nice pieces of legislation. Very little is happening in practice and EU investors are discouraged. Many of them already left the country and there are not so many new ones knocking at the door of an economy largely developed in the shadows of illicit traffics, estimated at 35% of your GDP...³³ *It is sad to say that all what we have seen so far has been a worrying fragmentation within the Government on this issue*, with the resignation of Ministers and other officials in key positions. They were animated by their

³³ Other analyses placed this figure at up to 66% (see Tvalchrelidze, 2003).

commitment to the cause, but apparently current circumstances in Georgia are so complex that it is difficult to move at the expected speed. This is confirmed by the alarming letter that the Chairman of your Parliament addressed to the President of your country (Council of the European Union, 2004, minutes of the 5th Cooperation Council, my emphasis).

The above-mentioned letter was sent by Zurab Zhvania who would later step down as Chairman of the Parliament and General Secretary of Shevardnadze's party and join the opposition to prepare the forthcoming parliamentary elections that would lead to the Rose Revolution in 2003. By the end of the 2001, none of the 'reformers' remained in the executive. The process of alienating the 'reformist group' was a clear indication that the *nomenklatura* and Shevardnadze's close circle feared the possibility of 'reformists' taking over key areas of government and was a sign that, by 2000, Shevardnadze deemed that strengthening the loyalists would ensure their permanence in power (Wheatley, 2005: 117-119). David Onoprishvili, a member of the 'reformist' group and Minister of Finance between 1998 and 2000, summarised the situation in 2003:

Shevardnadze's initial term did bring a liberal foreign investment code and the foundation of a state based on the rule of law ... He lifted Georgia out of civil war in the early 1990's but then held it together by playing one powerful clan off against another. During his 10 years in power, the economy tanked and hundreds of thousands of his ablest countrymen emigrated (Radon and Onoprishvili, 2003).

By 1999, the country entered into a phase of collusion between economic and political interests. In terms of the case study, this is partly explained by the control of the economic structures by former *nomenklatura*. In addition, Shevardnadze's close circle which included members of his own family controlled the remaining important business, mostly telecommunications and energy supply (Wheatley, 2005). The civil service was also filled by people coming from Shevardnadze's region, Guria. Making up 3% of the Georgian

population, they represented 41% of the civil service in 1999 (ICG, 2003: 12). Since 1993, Shevardnadze filled the top posts in the Cabinet of Ministers with his loyalists, many of them former Communist apparatchiks.

Ultimately, widespread high level corruption led to the increasing isolation of Shevardnadze at a domestic and international level. According to Wheatley:

‘Between 1996 and 2001 the different ‘centres of power’ promoted their own interests by changing the law through direct legislative initiative or lobbying, by offering exemptions to clients from the ‘legislative jungle’ that they themselves had created and by suborning the system of appointments to place their ‘own people’ in key positions within the state bureaucracy’ (2005: 129).

The myriad regulations and legislative activity was a crucial factor for fostering corruption and protecting vested interests and, as we shall see, this characteristic of the Shevardnadze period was to have wide repercussions on the relations between the Saakashvili administration and the EU. The reformist group ultimately lost the little influence they had once the country reached a certain macro-stability. The EU itself brought up this process in the Cooperation Council of 2001: ‘our impression is...that a number of reform-minded ministers have resigned and that the debate on the democratic and probably also on the economic reform is resulting in the split of the majority party’ (Council of the European Union, minutes of the third Cooperation Council, 2002).³⁴ The EU even explicitly mentioned that ‘more than 10 years of assistance have not led to the expected results’ in the TACIS Country Strategy Paper of 2003 (European Commission, 2003b: 21). By 2003, as the EU Presidency pointed out, the EU was experiencing ‘Caucasian fatigue.’

³⁴ So difficult had the situation in the country become that a British advisor working for a TACIS project was kidnapped in 2003 and a German member of the Commission delegation was murdered the same year. Some EU citizens were also kidnapped during their business trips in 2001 and 2003.

‘The European Union is concerned...particularly [by] the high level of corruption that affects the Georgian population...The November elections... *It is an opportunity that [the government] must not miss.* The EU will closely follow the election process and *we will be assessing the implications of this for our future support to Georgia*’ (Council of the European Union, 2004, minutes of the 5th Cooperation Council, my emphasis).

3.3.2. Sailing against the wind? The European Neighbourhood Policy and Georgian economic reforms in 2004-2009

The previous section has shown that the main reason for the stagnation of economic reforms was the co-option of the state by interest groups close to the presidency which controlled much of the Georgian economy. It also showed how the EU was aware of the process and repeatedly warned Georgian authorities that higher political and economic support would ultimately depend upon the deepening of political and economic reforms. In spite of the relatively important engagement of the EU in the economic reforms and stability of the country, their impact was hampered by the internal dynamics of Georgia which would lead the country to the brink of collapse by 2003. Undoubtedly, the geopolitical reality, especially the socio-economic linkage of the country to the former Soviet Union, was not conducive in paving the way for EU influence in the economic transformation of the country. The next section traces the process of economic reforms after the Rose Revolution and the role of the EU. It argues that ideas and normative divergence have played a crucial role in economic choices after the Rose Revolution.

Before the 2003 elections, the notion of bringing the country to a ‘European and modern’ way was entering the public debate among the opposition leaders. Nino Burjanadze, the successor of Zurab Zhvania as Chairman of the Parliament, who would later join the Rose Revolution forces, declared that if the situation in Georgia did not change ‘they [Western countries] say they will continue relations with us, but these relations and partnership will not be as comprehensive and deep any more. During my visits to the United States and

other western countries I saw something of a big disappointment [in Georgia]' (Civil Georgia, 22/07/2003). Before the Rose Revolution Zurab Zhvania shared the same opinion, declaring that 'we need a sustained, stable and effective cooperation between the political forces to achieve this goal. [By this] I mean the traditional liberal values....resumption and completion of interrupted reforms in the country [and] intensive processes of integration into the European space' (Civil Georgia, 28/01/2003). The ripe situation for a political change also brought in a radical economic change.

The aftermath of the Rose Revolution opened a new chapter in the institutionalised relations between the EU and Georgia and also brought about important changes in the Georgian economy. In addition to the existing PCA, the inclusion of Georgia in the ENP led to the possibility of setting a new agenda for the establishment of future enhanced relations. As seen earlier, a central element for closer integration with the EU is the prospect of a DCFTA. Ironically, a government committed to economic reforms and rhetorically advocating closer political and economic relations with the EU has turned out to be a rather vocal opponent of the economic agenda of the ENP.

The new Georgian government, led by President Saakashvili and Prime Minister Zhvania with the support of Nino Burjanadze, speaker of the parliament, could finally bring about the economic reforms that Shevardnadze had been delaying since the late nineties. The new administration could not be more different to the previous *nomenklatura* that dominated the power ministries and businesses: 'all are young, highly energetic and lack Soviet habits...or economic links to the old power brokers' (Radon and Onoprishvili, 2003). After a radical reshuffle of the bureaucracy,³⁵ the new administration called to mind those that led the

³⁵ 23% of the public workforce was cut; 30,000 positions, including police and internal security (see Council of the European Union, 2005).

newly independent Baltic States towards the European integration track.³⁶ Regarding the EU, Saakashvili made strong commitments in his two inaugural speeches in terms of the Georgian choice towards European integration (MacKinnon, 2007: 270). For instance, in January 2008 he declared that ‘Georgia is forever yoked to Europe. We are joined by a common unbreakable bond based on culture, shared history and identity and a common set of values...We will continue our progress towards NATO and the EU’ (Saakashvili, 2008).

The executive takeover by ‘reformists’ narrowed the policy choices into liberal-type reforms. The appointment of radical reformists, especially Kakha Bendukidze as State Minister for Economic Reforms, led to rapid reforms that gained IFI and Western praise.³⁷ The new government laid out a series of radical economic reforms: the creation of a unique flat-rate income tax at 12%; a drastic bureaucratic squeeze; the cut-down of the regulatory framework (only 2 regulatory commissions continued to function out of 15) and licences and fees (cut down by 80%, see BBC Monitoring 25/06/2005); a diminished corporate tax of 15% and a liberal framework for fostering the much needed foreign investment. In economic terms there was a feeling of being the ‘European laboratory’ of economic reforms and a conscious purpose of creating a new society (Saakashvili, 2010; see also Asmus, 2010). The mix of radical reforms was designed for boosting revenues, attracting foreign investment and tackling corruption, but also prompted by the belief that reforms *had* to be drastic. As Bendukidze declared in June 2004 ‘the only way to survive for Georgia is to implement fundamental reforms. There are no other possibilities. We can’t wait anymore. Our country is too poor to afford waiting’ (Interview with Channel One TV, 06/06/2004).

³⁶ Interview with a Lithuanian advisor, Tbilisi, May 2009.

³⁷ When Bendukidze was appointed Minister he declared that ‘Georgia should sell everything that can be sold except its conscience’ (BBC, 2004).

Despite the limited room for manoeuvre, the extent of deregulation and persistence of such views are explained to a great extent by ideology. First, some pro-Europeans and especially Zhvania saw in the Baltic model of reforms an obvious track to follow. The accession of the 'Baltics' in the EU gave them the opportunity to punch above their weight, not only through the promotion of their vital interests towards the Eastern Neighbourhood at EU level (see Kratochvíl, 2007; Galbreath and Lamoreaux, 2007; Espona, 2009), but also through assistance and policy-advice mechanisms. The flat-rate income tax, low corporate rates and wide liberalisation are clearly inspired by the Estonian and Latvian experiences as well as the overhaul of the administration, bringing in young Western-educated people. Saakashvili for instance spoke about his 'Estonian mentors' (Saakashvili, 2010) and he appointed the former Estonian Prime Minister, Mart Laar as a personal advisor in 2004.

For other reformists, the aim was to create a limited but effective and well-paid state administration and to increase revenues, following a 'Singapore' model of minimal state with the objective of limiting the 'legislative jungle' created by the previous power groups for their personal interests that, undoubtedly, fostered petty corruption (Wheatley, 2005: 129).³⁸ The death of Prime Minister Zhvania in 2005 meant the disappearance of the politically most important counterweight to the Presidency and its inner circle, which favoured a radical approach to the idea of 'minimal state' and since then, could fully develop their economic agenda. Therefore, the degree of liberalisation has gone far beyond what some reformists consider appropriate.

In particular, since the agreement of the ENP AP in 2006, there has been a political and ideological struggle between the small circle that favours EU-style reforms and the 'libertarian' side that had prevailed in the power circles at least until the August war. The

³⁸ For some analysts, the Singapore model has also consisted in the creation of a more autocratic state (Papava, 2008).

former basically comprises the Foreign Ministry, most of the Ministry for Euro-Atlantic integration set up in 2004, some Members of the Parliament and some economists and advisors. It is undoubtedly a small circle with reduced political influence; a situation aggravated by the general ignorance and lack of awareness of the implications of a process of closer integration with the EU among society, the civil service and policy-makers.³⁹ The ‘libertarian’ side was led by the State Minister for Economic Reforms, Kakha Bendukidze, in office from 2004 to January 2008. Together with Zhvania’s successor, Zurab Noghaideli, Bendukidze, a former tycoon who became a billionaire in Russia during the nineties (see Baker and Glasser, 2005: 372), laid the foundations of the rapid economic liberalisation of the country and the development of a radical ‘minimal state’ strategy.

Saakashvili himself has personified the defence of ‘libertarian’ policies, declaring for instance that ‘governments are stupid [sic]’ and that ‘I believe in markets and a very limited scope for the state’ (Saakashvili, 2010). In fact, his economic policies have been ideologically very much influenced by the example of the deregulatory and extreme liberalisation undertaken by the ‘Anglo-Saxon league’ (his words, see Saakashvili, 2010) in the eighties and nineties, especially New Zealand (Papava, 2008). Recently, in November 2009, Saakashvili presented the ‘Act on Economic Freedom’ to the Parliament. This act implies the introduction in the constitution of a series of changes that would constitutionally guarantee the ‘existing Georgia’s commitment to liberal economy’ (Saakashvili addressing the Parliament, Civil Georgia, 06/10/2009). The amendments would establish the need to hold a referendum in case of a tax increase; a ban on setting new regulatory agencies; no more new licences or permits; expenditures-to-GDP ratio at a maximum of 30%; a debt-to-GDP ratio of 60%; and a budget deficit of no more than 3% of GDP. The result in terms of relations with the EU is that the government’s economic and

³⁹ Interviews with the director of a German NGO and a member of the Georgian Parliament, May 2009. See also Gegeshidze, 2006.

extensive deregulation policies are at odds with the PCA, the ENP AP and the DCFTA. In fact, the Saakashvili administration preferred a simple FTA rather than the far-reaching reforms that a DCFTA implies.⁴⁰

These radical policies can be partly explained by business interests and for reassuring international investors that Georgia was ‘a good place to do business’.⁴¹ However, the extent and depth of them are framed and given content by a strong ideological component. Some of the interviews with Georgian experts and members of parliament, shown that they could not understand how some of the regulations envisaged by the process of DCFTA negotiations in fields such as food safety, an anti-monopoly law and implementation of intellectual and property rights could damage business sectors close to the government. Indeed, the mere passing of the ‘Act on Economic Freedoms’ would prevent once and for all any prospect of signing a DCFTA and closer relations with the EU. Certainly, it will limit the access, trade and investments with Georgia’s closest and largest market; ‘attracting investment is ultimately an important yardstick of the European integration of the country’ and so far, Georgian authorities have had a *laissez-faire* economic and investment policy (Schmidt, 2007: 71). Indeed, whereas the Shevardnadze administration always kept, at least, a façade of legislative efforts in order to adopt EU legislation in order to implement the PCA, the legislative activities in that regard of Saakashvili’s government have stalled until recently (Robakidze, 2007).⁴²

Given the choices in terms of liberal policies in 2004-05 (including the liberal and business friendly ‘Baltic model’), the hegemony of the most radical option is a consequence of

⁴⁰ Interview with a senior officer of the Georgian Ministry of Euro-Atlantic Integration, department of European Integration, Tbilisi, 13/05/2009.

⁴¹ ‘An act of reassurance’, *Investor.ge*, issue 6, December 2009, available at: http://www.investor.ge/issues/2009_6/05.htm, [accessed 8 September 2010].

⁴² Interview with a Member of the Georgian Parliament, Tbilisi, 21/05/2009.

strong ideational factors. The fact is that the resonance of EU-oriented economic reforms and legitimacy of EU rules are low among the higher economic authorities including the governor of the Central Bank and Saakashvili himself. According to an EC consultant, Georgian authorities tend to believe that the EU model conflates with a *dirigiste* French model of state: highly interventionist.⁴³ Saakashvili tends to communicate to public opinion, in a discursive way of legitimising ideological choices in terms of the logic of interpretation of our model, that alternatives to his libertarian policies would mean more ‘socialism’, a discursive reference to the Soviet past:

‘Sometimes socialist ideology - like only the state can save, the state should regulate, the state should interfere - is heard in such countries that I am totally taken aback. *Our experience is that nothing good is happening where there is a state...*[referring to a group of foreign diplomats attending the address] Respected ambassadors are often giving us recommendations on how to manage the economy. We are ready to send to some of them our experts so that to enable them to at least slightly move forward’ (Saakashvili addressing the Parliament, Civil Georgia, 06/2009, my emphasis).

The normative divergence is clearly reflected among high officials in the Ministry of Economy and Development and the Chancellery that share this vision of ‘Dubaisation’,⁴⁴ or in Saakashvili’s words ‘we want Georgia to become the Singapore or Dubai of the region’ (Civil Georgia, 19/04/2007; see also Civil Georgia, 15/04/08) or more explicitly: ‘*Georgia doesn’t need a European model*, we want a Singapore or Dubai model here’ (Wilson and Popescu, 2009: 325, my emphasis). The normative divergence is also reflected in statements by some Georgians officers, who do not feel comfortable regarding the

⁴³ Interview with an attaché at the European Commission’s Delegation to Georgia, Tbilisi, 05/05/2009.

⁴⁴ Interview with a Georgian expert, Tbilisi, 28/04/2009.

approximation component of the PCA, which as it is a Shevardnadze agreement they do not want to respect it.⁴⁵

The extent of the divergent pathway undertaken by the Georgian economic authorities from the ANP AP is quite significant. For instance, Bendukidze's vision of regulation as anti-market led to the practical suspension of the drafted law for complying with EU and WTO food-safety and phytosanitary standards (Transparency International, 2009). In practice, in 2010 Georgia has no food-safety regulations and has the highest rate of botulism in the world. Food poisoning has trebled since 2005, when the deregulatory measures were introduced, and in the words of an attaché of the European Delegation to Georgia 'the phytosanitary situation in Georgia is appalling' (Transparency International, 2009: 5). Other examples of extreme deregulation are the liberal labour code introduced in 2005, with the result that multinational companies such as BP have to apply their own protocols given the '*laissez-faire*' nature of the code,⁴⁶ or the area of competition and intellectual and property rights. This led the European Commission to issue negative evaluations of the economic approximation in the ENP progress reports (2008d; 2009).

Evidence of the influence of normative factors in the economic sphere between 2005 and 2008 is that, once important 'libertarian' figures (especially Prime Minister Noghaideli, his successor Gurgendidze and the Minister of Economy Bendukidze) were replaced after the 2008 war, the European integration process in Georgia gained a new impetus. The appointment of Nika Gilauri in February 2009 as Prime Minister, the fifth PM since 2004, seemed to end with a series of Prime Ministers ideologically committed to a radical view of economic liberalisation. Lasha Zhvania, Minister of Economy appointed by Gilauri in

⁴⁵ Interview with a Georgian expert, Tbilisi, 27/05/2009.

⁴⁶ Interview with an attaché at the European Commission's delegation to Georgia, Tbilisi, 05/05/2009.

December 2008, considered the completion of a DCFTA with the European Union a strategic goal for Georgia; but he himself recognised that the regulatory approach envisaged in the economic relations with the EU in order to accede to the single market and to obtain increased European investment was at odds with the ‘libertarian approach’ that has been dominant in Georgia (Civil Georgia, 21/08/09). The dismissal of L. Zhvania and the appointment of a new Minister of Economy in August 2009, Pololikashvili, very close to Saakashvili and Bendukidze, seem to give the reason to those who claim that Bendukidze is still a very influential and powerful figure in Georgia (Pardo, 2009b).⁴⁷

The normative divergence was also reinforced by the fact that American assistance and advice to the Georgian government were often contrary to the EU agenda, reinforcing a model of market deregulation that saw the EU’s regulations as a burden.⁴⁸ But after the war, the need of the Georgian government for EU support plus side payments in the form of establishing negotiations of visa liberalisation, financial assistance,⁴⁹ and the presence on the ground of EU monitors, has opened up a greater process of convergence where there were previously serious disagreements.⁵⁰ However, by the end of 2009 is not clear that ‘libertarian’ elements within the economic authorities have lost their influence and Bendukidze still seems to remain an *éminence grise* behind the government (Lloyd, 2009; see also Pardo 2009b).

⁴⁷ See also ‘Georgia’s PM Defends Economic Policy’, Financial Times, 04/08/2009.

⁴⁸ Communication from an officer of the EC, DG-Trade, October 2008.

⁴⁹ In October 2008 the EC jointly with the World Bank held a donors conference in Brussels that pledged €3.4 bn in post-conflict support to Georgia. The EC pledged €500 million.

⁵⁰ Interview with an officer of the Georgian Ministry of Energy, 20/05/2010, Tbilisi. Until 2009, Georgia was the ENP country with the least ongoing Twinning projects. Since then, it has jumped to the 6th place (De la Caballería, 2009).

3.3.3. Recapitulation of the empirical findings

The main conclusion to emerge from the preceding analysis is that from a logic of interpretation perspective, policy initiation and the process of giving them content have had a powerful effect in framing economic reforms in Georgia since 2004. But, a pressing question emerges: are those ideological factors a consequence of domestic and/or international pressures and costs/benefits calculations? A straightforward way of refuting strong ideational arguments is to see whether changes in the structural and institutional environment have led to policy or discursive change.

Since the Rose Revolution, the structure of trade and investment has not varied to a great extent from the previous ten years, although the level of FDI has grown considerably since 2004, reaching a peak in 2007 before the war. The Russian embargo of the most important Georgian export products in 2006 did not seem to have an influence in the level of export of those products (Smith, 2007); on the contrary, it is possible that the Russian embargo has led Georgian producers of wine and mineral water (Borjomi) to reorient the exports to Europe without causing medium-term losses (Lloyd, 2009). However, political disputes have not prevented Russian companies, most of them state-controlled, of becoming some of the most important investors since 2004, controlling even strategic assets such as the water and electricity supply in Tbilisi (Papava, 2006; 2008; Closson, 2009).

It seems that changes in terms of Russian pressures have not had a relevant effect in the policy and reform choices of the Georgian government: the ‘libertarian approach’ has been consistent from 2004 until 2008 (Peel, 2007). On the contrary, the Georgian government has become more dependent on Western transfers to avoid the collapse of the country after the war: the 2008 October Donors Conference organised by the EC and the WB, pledged \$4.5 bn, \$500 mn by the EC, for the period 2009-11. This corresponds to 20% of the 2008

Georgian GDP; but, as Appendix II shows, this does not make the EU a crucial donor, so its influence from that side is also limited vis-à-vis the US or other IFIs.

Can the role of veto players and domestic costs of adaptation explain the lack of progress in terms of economic adaptation to the EU? DFCTA requirements clash with the Georgian strategy of ‘minimal state’ and the ideological factors we exposed earlier. Costs of regulatory convergence are important for a country such as Georgia, but we have to take into account that the EU is not asking for a complete harmonisation and implementation of the EU *acquis* and regulatory measures in place within the EU, but an approximation of practices and the layout of a minimum of standards. Implementation of quality standards in line with EU and WTO standards would increase Western investment (Schmidt, 2007) and at the same time implementing some minimum standards of consumer, public health and labour protection without creating barriers for Georgian producers in the Georgian market is an achievable goal (Transparency International, 2009). The association of regulatory practices and corruption among the Saakashvili administration, together with the creation of economic interests since the Rose Revolution that refuse further regulations and competition from the West, prevents further integration with the EU (Papava 2009; see also the Public Defender letter to Saakashvili, Civil Georgia, 14/01/2008). Thus, path-dependence effects since 2004 seem to have deepened a position contrary to the implementation of the economic aspects of the ENP AP.

The removal of Bendukidze from the political scene, and the appointment of a Prime Minister in 2009 with a more pragmatic view about the implementation of the ENP AP, has given a push to the process of integration with the EU. Thus, some recommendations of the EC’s fact-finding mission such as the creation of a task force for the preparation of the DFCTA negotiations have been put in place. This phase of preparations for negotiations has become an essential element of the agenda of the EU–Georgia relations since the end of

the August War. The latter seems to have been the most important structural shock or variation for explaining a change in the Georgian economic position in relation to the EU's agenda of reforms. The wake-up call of the war in terms of the political responses of the US to the conflict was quite disappointing for the Georgian leaders; the role of the EU in stepping in as an mediation force with a monitoring mission, the only one on the ground, has given the EU a higher leverage and lessened the capacity of the Georgian government to manoeuvre. This has not however, changed the 'libertarian approach' that by 2010, according to the Commissioner for Enlargement and ENP Stefan Fülle, still remains an issue of contention between the EU and Georgia (Civil Georgia, 13/05/2010).

3.4. CONCLUSION: EXPLAINING THE OUTCOMES

This chapter first presented the process of institutionalisation of the EU–Georgian economic and trade relations and how the EU defined an agenda for a process of intensification of economic links with Georgia. The main economic incentive relates to the access of the EU's market through the establishment of Deep and Comprehensive Free Trade Agreements and increased economic linkage in the form of more trade and more investment that would follow. This process is subject to a conditional process of domestic adaptation of legislation, administrative strengthening and regulatory approximation with the EU's *acquis*.

Second, we established the main pressures arising from the international context of Georgia, concluding that 'linkage' to the EU has consistently been low while Russia has tried to keep a stake in the strategic economic sectors of Georgia. Both factors explained to some extent the lack of EU influence in the area. Third, we analysed how the Georgian authorities responded to the incentives and assistance for reform laid out by the EU, first during the Shevardnadze administration between 1993 and 2003 and then the responses after the Rose Revolution with the Saakashvili administration. The main finding of the

chapter is that while the domestic context of Georgia and the low degree of linkage explained the lack of EU influence during the Shevardnadze administration, ideological and normative divergence became prevalent after the Rose Revolution and helps in understanding the difficulties encountered by the EU's governance by conditionality.

Despite these difficult domestic conditions, the EU had an important role for sustaining the viability of the Georgian state and its accession to the WTO. However, the EU basically had a donor role until the setup of the ENP Action Plan. When the EU laid out a framework of 'governance by conditionality' linked to the possibility of signing a free trade agreement, we saw how the Georgian economic authorities and key political figures spelled out how their model was the 'Dubaisation' of the country rather than 'Europeanisation'.

This chapter showed how the normative divergence with the Saakashvili administration is not a result of institutional and international determinants; that is, a lack of EU incentives, domestic costs or geopolitical pressures. It is to some extent explained by the recent Georgian past, the inheritance of a dysfunctional and corrupt state and the costs derived from approximating domestic institutions and legislation to those required by the DCFTA negotiations. The unconditional support of the US under Bush Jr. to the Saakashvili administration also gave the Georgian government the possibility of disregarding the EU's agenda. However, the depth of liberalisation and the adoption of an extreme model of deregulation and 'minimal state' is a product of the domestic political elites' interpretation of the reform course that had to be taken after the Rose Revolution, and especially after PM Zhvania's death left all political control in the hands of Saakashvili and his inner circle. Ideational elements explain to a great extent the course of economic policy choices after 2004 as well as their content and, as we have seen above, the discursive justification of them, shared consistently by key policy-makers and the president himself.

The aftermath of the 2008 Russo-Georgian August war changed the structural conditions and the perceived incentives among Georgian elites. Interviews with Georgian and European diplomats as well as Georgian policy-makers and experts point out that Saakashvili and his inner circle realise they cannot rely exclusively on US support for guaranteeing the country's security. The EU's efforts in stopping the war, establishing a monitoring mission and increasing financial assistance have had a considerable impact among Georgian policy-makers and elites. However, we also showed that this process is far from clear and that the pro-libertarian forces are still influential, as the dismissal of a pro-EU Minister of Economy in summer 2009 and the presidential proposal for an 'Act of Economic Freedom' indicate.

The outcome also reveals that despite the relatively low levels of linkage of Georgia with Europe in terms of trade and investments and the divergent opinions about the content of the economic reforms between key Georgian political elites and the EU, there seems to be an increasing awareness among the core group of reformists of the value of implementing EU-induced economic reforms. The key issue is that the EU's engagement, highly institutionalised since 2004-06, has become a powerful foundation when domestic conditions became more favourable to the EU's agenda.

CHAPTER 4 - INTERGOVERNMENTAL GOVERNANCE:

FOREIGN AND SECURITY POLICY COOPERATION AND ITS IMPACT ON GEORGIA

This chapter evaluates the impact of the EU on an area of ‘intergovernmental governance’. Foreign and security policy issues are a prominent case of such a mode of governance in the context of the neighbourhood. We label this area ‘intergovernmental’ for two main reasons: First, despite the existence of some cross-pillarisation and the participation of community resources in the implementation of policies, decision-making is tightly controlled by member states. Second, the previous institutional arrangement touches upon what is traditionally regarded as ‘high politics’ or national security, where states keep a high degree of sovereignty. Regarding foreign and security policy, cooperation between neighbours and the EU revolves around small circles of policy making. In general, actor networks in the area of foreign policy ‘are usually less densely populated’ (Barbé et al., 2009b: 838).

If there is an adjective that is repeatedly used in reference to ‘Georgia’ in international political analyses, it would probably be ‘pro-Western’. This is a common opinion that can be summarised by a prominent American analyst close to the Saakashvili administration regarding the August war: ‘This war was fought to prevent Georgia from going west...[Moscow] feared the impact that Georgia’s pro-Western democratic experiment could, if successful, have in the Southern Caucasus’ (Asmus, 2010: 8). There is no doubt that a common opinion among analysts is that Georgia is a firmly pro-Western country. In addition, it would not be controversial to affirm that such orientation triggered Russian reactions.

In relation to the EU, given the pro-Western Georgian foreign policy, we should expect a high degree of EU impact on this area, hampered only by the geopolitical struggle between Russia and Georgia. Yet, this view becomes more nuanced if we take a closer look. Although geopolitical factors play an important role, ideational factors as in chapter 3 have also prevented EU influence in Georgia in relation to foreign and security policies. In short, *pro-Western does not mean pro-EU*.

In the dimension of foreign and security policy, this chapter considers three main dimensions of cooperation between ENP countries and the EU: alignment with CFSP acts; regional cooperation in terms of conflict resolution and border settlement; and conflict prevention and management. Since its independence, the main rationale behind Georgian foreign and security policy has been to neutralise Russian leverage in the security of the country, primarily linked with the conflicts of Abkhazia and South Ossetia. Strategies to achieve it have varied historically; from a Pan-Caucasian approach of the first President Gamsakhurdia to a close cooperation with the US during the Saakashvili administration. However it was Shevardnadze who linked the country to the West. This chapter will argue that, as we have seen in chapter 3, EU impact has been low but has increased since the August war. The main factors that contribute to this higher impact are the existence of an institutionalised approach offering incentives (EU presence on the ground with the EUMM for instance), hand in hand with political linkage and normative convergence. The first factor came into effect recently with the other two still emerging. During the period 2004-2008, US influence has been important precisely due to the close political linkages and normative convergence. However, in the long term, as in chapter 3, the EU emerges again as an important actor, a pattern that will emerge in the next chapter too.

The chapter starts by considering the institutional setting of the case study between the EU and Georgia. Second, it sets out the international pressures that constrain EU impact and

Georgian responses to the EU agenda. Finally, it examines the Georgian responses in relation to domestic and international factors and EU incentives in terms of the causal logics of position and interpretation to evaluate the EU impact in the case study. The chapter concludes by summarising the outcomes of the analysis.

4.1. EU FOREIGN AND SECURITY POLICY COOPERATION WITH GEORGIA

Foreign policy issues between the EU and third countries are covered under the umbrella of ‘political dialogue’. Adaptation of a third country’s foreign policy to the EU’s CFSP and CSDP assumes alignment with the so-called EU’s *acquis politique*. The latter refers to legal acts, international agreements, CFSP political declarations, actions and strategies agreed by the EU in the context of the CFSP and the CSDP. The *acquis politique* expresses the corpus of declarations and actions that the EU has developed regarding political cooperation and characterises the EU’s normative tradition and value-system as well as its stance in world politics. Given these characteristics, close political cooperation usually only occurs with countries that share the EU’s position in world politics. This also requires a close institutional cooperation; hence, the countries that actively participate in a political dialogue with the EU are candidate countries, EEA and some ENP countries. In terms of the ENP, the Commission proposed in the 2004 ENP strategy paper the aim of establishing with partner countries:

...effective multilateralism, so as to reinforce global governance, strengthen coordination in combating security threats and address related development issues. Improved coordination within the established political dialogue formats should be explored, as well as the possible involvement of partner countries in aspects of CFSP and ESDP, conflict prevention, crisis management, the exchange of information, joint training and exercises and possible participation in EU-led crisis management operations (European Commission, 2004: 13).

According to the previous aim and the *acquis politique* we can consider three main dimensions of cooperation between ENP countries and the EU in terms of foreign and

security policy: alignment with CFSP acts; regional cooperation in terms of conflict resolution and border settlement;⁵¹ and conflict prevention and management.⁵²

First, the ENP recognises the possibility of regular alignment by a third country with the EU's CFSP acts. The Treaty of Maastricht institutionalised CFSP acts in three different levels: CFSP declarations and statements with an informational quality; Common Positions that define the EU view on international matters of geographical or thematic character; and Joint Actions that give the internal legal cover for allowing EU actions or operations in world politics. Convergence with EU foreign policy implies an alignment with these CFSP acts to a great extent, as well as to share the EU's values and political thinking, in order to be regarded as 'an ally of the EU on international issues' (Gogolashvili, 2007b). In the context of the ENP, the only action plans that included this arrangement were those of Ukraine, Moldova and Georgia, while Armenia demanded it after Georgia asked to participate in this area. Georgia together with Armenia and Azerbaijan began the process of alignment in June 2007. The inclusion of Azerbaijan is striking as it never demanded to participate in the foreign policy dialogue with the EU, but this only shows the strong regional component of the EU's foreign policy. This area of cooperation carries special symbolism as only European countries had been invited to join CFSP acts up to that time; for Georgia to be involved in this process is a proof of 'Europeanness' (Gogolashvili, 2007b).⁵³

⁵¹ In the context of enlargement this aspect of political dialogue is framed in regional Stabilisation and Association Process agreements.

⁵² Accordingly, these three dimensions are the most important areas of screening and monitoring when it comes to the accession process, reflected in Chapter 31 of negotiations: Foreign, Security and Defence Policy.

⁵³ This will probably not hold true in the future as the EU is trying to expand the process of alignment with the CFSP to some Mediterranean countries part of the ENP such as Morocco (Kausch, 2009: 176).

Second, regarding regional cooperation, the EU stresses, especially in the context of enlargement, the strengthening of regional cooperation and the settlement of disputes between neighbouring countries. In the case of the Georgian ENP Action Plan, there are only declaratory statements about both issues without any specific mention of timeframes or of measures to be implemented. In relation to regional cooperation, the Action Plan includes vague references to ‘enhance’ the Georgian participation in regional initiatives of cooperation, whereas in relation to the settlement of regional disputes it includes the ‘encouragement’ of the process of improving relations with Russia and cooperation in solving border disputes (European Commission, 2006a: 16). Given the non-existent rules and institutional arrangements from the EU side, in addition to the difficulties of establishing stable regional mechanisms of cooperation given the unresolved conflicts in the wider Black Sea area and the difficult relations between Russia and Georgia, the impact of the EU has been low.

Lastly, the most specific area of foreign policy cooperation between the EU and Georgia, apart from the possibility of aligning with CFSP acts, refers to conflict prevention. On the one hand, the reintegration of the breakaway regions of Abkhazia and South Ossetia is a top priority for Georgia, whereas for the EU to include ENP partners in its policies of non-proliferation and conflict prevention is an important aspect of the CSDP. These two perspectives were included in the Georgia Action Plan in an unequal manner in terms of the Georgian ambitions to obtain greater EU involvement in conflict resolution. Indeed, whereas the Action Plan sets clear and specific norms and arrangements to be implemented in relation to the expected Georgian cooperation in international security issues, it is not that specific in terms of the EU’s commitments to conflict resolution. The former includes the participation of Georgia in signing international anti-terrorism agreements, the exchange of classified information between Georgia and the EU in relation to terrorism, compliance with policy on international non-proliferation of weapons of mass destruction (WMD) and

conventional weapons, as well as cooperation in preventing arms trafficking and arms export. The latter however, puts emphasis on the Georgian side to establish confidence-building and de-militarisation measures, with the EU only committed to ‘contribute’ to the settlement of the conflict in South Ossetia and to respect the territorial integrity of Georgia (European Commission, 2006b: 17).⁵⁴ The following table illustrates the agenda between the EU and Georgia in foreign and security policy issues.

Table 12: Summary of tasks to undertake in the context of the EU–Georgian cooperation in Foreign and Security Policies (continues over two pages)

Area of Cooperation	Action	Financial and Technical Assistance	Types of Norms and Agreements
Alignment with CFSP positions	<ul style="list-style-type: none"> Alignment with CFSP declarations, common positions, joint actions Alignment with hypothetical embargoes 	-	<ul style="list-style-type: none"> EU rules: CFSP acts
Regional Cooperation (Regarding Security Issues)	<ul style="list-style-type: none"> To actively participate in regional cooperation initiatives in the context of the Southern Caucasus and the Black Sea Improve relations with neighbours, particularly Russia and settlement of border disputes 	-	-
Conflict Prevention and Crisis Management	<ul style="list-style-type: none"> Cooperate with non-proliferation initiatives, in relation of both conventional and WMD weapons Cooperation on implementing control of SALW (small arms and light weapons) Possibility of enhanced EU–Georgia consultations on crisis management International agreements on anti-terrorism Resolution of internal conflicts 	<ul style="list-style-type: none"> Financial aid for confidence-building projects and reparation of infrastructures 	<ul style="list-style-type: none"> International norms: e.g. Ottawa convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines, UN resolution on WMD, Anti-Terrorism, OSCE provisions on SALW, etc. Possible participation in EU ESDP missions

Source: ENP Action Plan

⁵⁴ Before the 2008 war, the process of conflict resolution in Abkhazia was managed by United Nations.

As we can see, this policy area has uneven clarity in the rules of the mode of governance, but it is certainly an area with a low density of rules. On the one hand, alignment with CFSP acts proceeds within well-established rules and with a clear EU *acquis communautaire*, in this case the *acquis politique*. On the other hand, references to regional cooperation and dispute settlement are basically normative rather than giving a more or less detailed working plan. Likewise, cooperation with the EU in the area of conflict prevention is limited to the cooperation of Georgia in international processes of arms control sponsored by the EU or IOs, which finds the EU acting as a transmission belt of international norms.

The possibility of participating in CSDP missions is also rather vague in the Georgian Action Plan, contrary to the case of Ukraine for instance, a country with similar foreign policy goals to Georgia, certainly between the Orange Revolution and the 2010 presidential elections.⁵⁵ This is explained by the fact that Georgia sees little value in participating in that framework, which is also economically costly, when it is immersed in the process of acceding to NATO where one of the prerequisites is to acquire interoperability with members and participation in NATO international operations. In the case of Ukraine, the NATO integration process encounters important domestic resistance, whereas CSDP missions are far more politically acceptable. This also reflects the view in Georgia that the EU lacks muscle when dealing with security issues, although at the same time the alignment of the country with CFSP positions also reflects the desire of Georgia to be regarded as a ‘Western’ country.

In this area, alignment with CFSP acts is certainly a unique EU arrangement and cooperation visibly signals the normative association and partnership between the EU and a

⁵⁵ The elections were won by the pro-Russian candidate Viktor Yanukovych.

third country.⁵⁶ It is a paradigmatic intergovernmental cooperation subject to clear rules. The level of institutionalisation and the degree of adaptation is low, hence it is a relatively easy area for neighbours to join and is one of the first chapters to be opened during the accession process (Grant, 2006: 66; Smith and Webber, 2008: 79; Baun and Marek, 2010: 6). EU foreign policy is to some extent an expression of EU common values and therefore, only countries that are deemed to share those values, especially liberal democracy (Grant, 2006: 66), multilateralism and peaceful settlement of conflicts, are considered to participate in the CFSP (Gogolashvili 2007b).

This could be, in principle, a sign of consistent policy in terms of rules as well as a high credibility of conditionality since only countries which are regarded as EU allies and that share common principles, values and world views with the EU would be included in aligning with CFSP acts. In reality, there is an inherent tension in the normative aspect of CFSP cooperation and the interest of the EU in extending the base of its international support. For instance, the inclusion of Azerbaijan in the process, a country with a poor record in the values that the EU attempts to promote, threatens the credibility of EU conditions. Therefore, we can expect that neighbouring countries might use instrumentally their alignment with CFSP acts; Georgia itself has worsened its track-record on those issues. To summarise, political interests and interdependence and energy in the case of Azerbaijan, seem to affect the degree of coherence and conditionality of the EU.

However, it is still a reality that the process of CFSP alignment is tightly controlled by the EU, both in process and outcome. Despite some attempts to make foreign and security issues more inclusive to neighbours (Grant, 2006), the fact is that the extension of cooperation has remained limited and decision-making remains totally in the hands of the

⁵⁶ See Benita Ferrero-Waldner, speech to Brussels Economic Forum, April 2005. Available at: http://www.europa-eu-un.org/articles/en/article_4621_en.htm, [accessed 11 April 2010].

EU, which only allows third countries to align with ex-post decisions. Despite this low degree of institutional cooperation, neighbours such as Georgia may still find this framework of participation attractive; as seen earlier, implementation and administrative costs are low and in the case of Georgia, some Georgian diplomats expected that cooperation in CFSP acts would bring some security guarantees from the EU (Grant, 2006: 66), for example by supporting the creation of a federal state between sovereign entities (e.g. Abkhazia) and a sovereign state (Georgia) (Coppieters, 2007), and hence, the need of international political and financial support to supervise such process. This has not materialised, mainly because some key EU members such as France and Germany do not want to engage in these issues in order to avoid rows with Russia,⁵⁷ but the institutionalisation of a certain degree of foreign and security cooperation has opened the field to the EU for greater involvement in the security issues of the country.⁵⁸ Although not in the scope of this empirical analysis, as it relates to the Georgian conflicts, the EUMM is a reflection of the latter point. Being an unprecedented engagement for the EU in conflict monitoring in the region, the mission visualises the vacuum left by the US and other IOs. It also signals a higher commitment on the ground and both the Georgian population and the government value the presence of European monitors.⁵⁹

In conclusion, this case study deals with a type of governance that affects a narrow policy area governed by intergovernmental structures which affect a small, densely populated network of policy-makers at governmental level. Despite the emergence of a process of ‘Brusselisation’ (Allen, 1998), where the formulation and implementation of CFSP decisions are highly influenced by Brussels-based civil servants and member states’ representatives and the need to resort to Community resources to implement CFSP actions

⁵⁷ Interview with an ambassador of a EU member, Tbilisi, 22/05/2009.

⁵⁸ Interview with an officer of the Georgian Ministry of Foreign Affairs, Tbilisi, 08/05/2009.

⁵⁹ Interview with a Georgian expert, Tbilisi, 28/04/2009.

(Stetter, 2007), the projection of the CFSP decisions towards the neighbourhood is controlled by member states and dealt within small political circles in partner countries. Despite the existence of some conditionality, cooperation is mainly intergovernmental.

The level of institutionalisation is therefore peripheral and included in the general political dialogue of the Cooperation Council. In the case of Georgia, cooperation is limited to joining CFSP acts in a passive way and abiding by the international norms of conflict prevention sponsored by the EU. In principle, this mode of governance entails a high degree of legitimacy and normative convergence between the EU and neighbours. In addition, despite conditionality in taking what it is offered in the cooperation framework of alignment and the non-inclusion of third parties in the deliberative process, we have seen that incentives of the cooperation framework can be attractive for Georgia. Yet, the following section will show how geopolitical competition has had a potential impact on Georgian foreign policy options. On the one hand, Russia feels uncomfortable when former Soviet Republics closely cooperate with Western powers; on the other, Georgia can align with the EU for instrumental reasons to balance the hegemony of Russia in the process of conflict resolution as well as increasing national independence. In addition, aligning with the CFSP is a visible but not costly further step towards implementing the ENP (Barbé et al., 2009b: 838).

4.2. INTERNATIONAL PRESSURES AFFECTING GEORGIAN FOREIGN POLICY CHOICES IN RELATION TO COOPERATION WITH THE EU

This section sets out the international factors that may condition the conduct of Georgian foreign policy. The purpose is to establish the incentives and constraints they place on domestic choices in relation to the EU. Specifically, their variation will give us a first indication of whether they can potentially affect domestic choices. According to our

analytical framework, we frame international factors in terms of linkage and geopolitical factors.

The previous chapter determined how the weak social and economic links between Georgia and the EU had an important effect on the economic policy choices of the post-revolutionary government in terms of diminishing EU influence. This chapter focuses on the possible effects of the elites' links (mainly with Russia, the US and the EU) and their impact on shaping foreign policy choices. This is a necessary exercise because some recent analyses have emphasised the strong personal links between the Saakashvili government and the second Bush administration to explain important Georgian policy decisions (Cooley and Mitchell, 2009: 28). On the other hand, given the obvious links of many in the Shevardnadze administration with the former Soviet Union (Shevardnadze himself was the Foreign Minister for Gorbachev), we need to evaluate these facts to understand the evolution of Georgian foreign policy. In this regard, the Shevardnadze administration is usually considered pro-Western both from Russian and Western perspectives (e.g. Antelava, 2003; Karaganov, 2004; Cornell and Starr, 2006).

In terms of 'regional competition', the most important factor affecting the foreign policy choices of Georgia is the ongoing difficult relations with Russia, which has always tried to prevent the influence of external powers in the Southern Caucasus and also holds the key to the resolution of the conflicts in Abkhazia and South Ossetia. The next subsection establishes the main variation and dynamics of these factors since the early nineties until 2010 and frames the regional context for analysis of the next section in terms of the interplay between domestic responses and the influence of the EU.

4.2.1. 'Linkage' and 'regional competition' in relation to the Georgian foreign policy since independence

It is impossible to detail in a few paragraphs the foreign policies of the main international actors towards the Southern Caucasus and it certainly lies beyond the scope of this thesis. Instead, we will briefly outline their main vectors to evaluate their influence vis-à-vis the EU on Georgian foreign policy choices. We focus here on framing the linkage and main incentives/constraints of Russian and US foreign policies since the early nineties.

There is no doubt that during the nineties Russia was the only relevant international actor in the region. In terms of European security it is commonly agreed that the European countries and the US were much more occupied with the developments in the new Central and Eastern European member states (the EU's neighbourhood at that time) and the Balkans. There was a conscious choice among key European countries such as France and Germany to let Russia have a *droit de regard* in the management of the uncertain post-Soviet political developments in what is now the shared neighbourhood between the EU and Russia (e.g. Rumer and Stent, 2009: 95). Likewise, until the 2004 enlargement the largest EU-15 member states preferred to deal on their own with the Southern Caucasus instead of giving autonomy to the EU in order to manage common interests, both for reasons of gaining individual influence and for avoiding clashes with Russia (Coppieters, 2003). Although some argue that Russia attempts to recreate a realist 'sphere of influence' in the former Soviet Union (e.g. Lukyanov and Tsygankov in Averre, 2009: 1690), Russia's influence is normally channelled through soft mechanisms of power rather than being purely coercive (Wilson and Popescu, 2009). We saw in the previous chapter an example of Russian influence through economic and cultural means.

Another way of keeping influence in domestic policies is by exploiting political links. It is obvious that after the breakup of the Soviet Union, the legacy of social and political

networks remained in place despite the creation of national borders. In the realm of foreign policy, the fact that Shevardnadze was a former Soviet foreign minister begs some scrutiny. In that sense, and somehow counterintuitive, Shevardnadze could better exploit his networks in the West (especially the US) to his advantage, rather than the ones with the former Soviet cadres in Russia (Gordadze, 2009). Indeed, after Yeltsin emerged as the dominant political leader in Russia by the end of 1992, Shevardnadze's influence in Russia was limited to some of his appointees in the Russian foreign ministry, while the new Russian political elite, although former Soviet *nomenklatura*, were generally old political enemies of Gorbachev and especially Shevardnadze (Poch-de-Feliu, 2003; Gordadze, 2009). Despite permanent contacts with the Russian authorities, the Shevardnadze administration could never influence Russian policies towards Georgia.⁶⁰ The contrary happened with the US, as increasing ties with different US administrations have given the country considerable support relative to its size and little strategic relevance for the US (Mitchell, 2009a). Thus, despite trying to exploit some links with Russia in her favour, the Shevardnadze administration finally turned to the US to balance Russian policies.⁶¹

In terms of Russian foreign policy towards the Southern Caucasus and Georgia in particular (Mankoff, 2009: 256), since the breakup of the Soviet Union, Russia has attempted to 'establish a Russian sphere of influence' over the region and the rest of the shared neighbourhood with the EU (Krastev et al., 2009: 6). Since then, Russian foreign policy towards the Southern Caucasus has strategically been dominated by preventing other external powers in influencing the region (MacFarlane, 2008). In that sense, the foreign policy of Russia towards Georgia has not changed since the early nineties; the main change

⁶⁰ We have to take into account that during the nineties the Russian Parliament or *Duma*, was dominated by conservative elements that constrained any intent of rapprochement of Yeltsin towards Georgia (see Filippov, 2009).

⁶¹ Interview with a former senior Georgian diplomat, Tbilisi, 27/05/2009.

is that the international system has become more favourable to Russia since the early 2000s with energy prices soaring, the rise of a multipolar international system (Triantaphyllou, 2009: 226), and with the US bogged down in Iraq and Afghanistan (Bordachev, 2009). Importantly, domestic political and economic conditions also stabilised in Russia at the beginning of the 2000s. However, whereas Russian interests have remained the same, the conceptualisation and framing of the means to carry out the foreign policy goals towards the Southern Caucasus have varied.

Russian political dominance through economic means was accompanied by the aim of influencing the domestic politics of former Soviet republics by using energy dependence, internal political conflicts or by influencing domestic political actors or security services (e.g. Balzer, 2005). In the case of Georgia, Russia has always had a source of leverage over the Georgian government as it holds the key to any possibility of conflict resolution. Although usually overestimated, it is undeniable that the role of Russia in any possibility of reintegration of Abkhazia and South Ossetia into Georgia is of paramount importance. Certainly, ‘a central challenge of any government of independent Georgia is to develop a relationship with Russia that guarantees Georgia’s independence, resolves frozen conflicts and allows for fruitful cooperation’ (Mitchell, 2008: 9). The Kremlin has always attempted to infiltrate or at least control the appointment of certain key governmental posts in the former Soviet republics; doing so with Georgia after the Rose Revolution created important tensions.⁶²

What varies then is not the Russian foreign policy towards the former Soviet space, but the regional and international conditions that allow Russia to effectively project ‘soft’ and

⁶² We will analyse this issue in more detail in chapter 6. We can advance nonetheless here that one of the agreements between Shevardnadze and Yeltsin for obtaining Russian help in ending the internal Georgian conflicts was to negotiate with the Kremlin the appointment of the Georgian ministers of Defence, Interior and Security (Gordadze, 2009: 35).

‘hard’ power. For the analysis then, it is important to retain the Russian constant objective of monopolising political influence in the former Soviet Union vis-à-vis other external actors, particularly in the Southern Caucasus, which is pursued with different instruments depending on domestic and international conditions. It follows that we may expect Russian reactions to Georgian attempts to reorient its foreign policy.

Another key player that may influence Georgian choices at a regional level is the US. The US presence is certainly counterintuitive despite the fact that being the ‘global neighbour’ we may expect an important role of the US in any corner of the globe. In the case of the former Soviet Union as we saw above and also contrary to Russian narratives of the Post-Cold War about continuous stabs of the West on the back of Russia (Wood, 2008; Karaganov, 2009), the US did not have any will of intervening there during most of the nineties; in practical terms it let Russia manage its near abroad. The US policy changed when, first, it became possible to prevent Russia from monopolising the transport of Caspian basin energy resources and second, after the 9/11 events. We will explore the former in more detail in chapter 5 and the latter in chapter 6. Suffice it to say here that the US became the main partner of Georgia from the late nineties onwards. Given the small strategic value of Georgia for the US (Mitchell, 2009a), ideological factors such as the democratisation policies of both Clinton and Bush Jr. or the increased personal ties that emerged between the Saakashvili administration and the neoconservative elements of the Bush Jr. administration became prominent.⁶³

⁶³ Ties between Georgia and the US became exceptionally close during the Bush Jr. second mandate. In 2009, Georgian President Saakashvili declared:

‘We [Georgia] have integrated into U.S. internal politics... I admire American ideas. I used to idealize America under Bush ... Now it is a new time, when pragmatic politics are in charge of ideas. That might spoil the America I know’ (Interview with Newsweek, 11 April 2009, in Mitchell, 2009: 95)

In the words of one expert on American-Georgia relations: ‘for the US in the *late* nineties political support for the [Georgian] government was paramount. By the end of 2000 it was becoming clear [...] that Shevardnadze could not solve Georgia’s problems [...] after he resigned, back we went to helping out the government’ (Mitchell, 2008: 130-131, my emphasis). In the end, the Bush administration offered the Saakashvili government unconditional support (Mitchell, 2008: 131). Links between the Post-Revolutionary government and the Bush administration are crucial in explaining recent Georgian foreign policy priorities. Between 2004 and until Obama became President of the US close personal links between key figures of the Bush administration and the Georgian government have been notorious and even criticised by the Georgian opposition (Civil Georgia, 11/08/2009). Yet, highly personal ties between the US and Georgian leadership has been a constant feature before and after the Rose Revolution.⁶⁴

Among all the key players, the EU is worse positioned in this respect, despite the fact that the first Foreign Minister of Saakashvili, Salomé Zourabichvili, was French-born and a member of the French Foreign Service. Indeed, the Foreign Ministry has been traditionally staffed by pro-EU figures but has little political influence. As seen earlier, Poland and the Baltic countries became strong supporters of the post-revolutionary government and links with the EU increased considerably after the 2004 enlargement. However, given the lack of weight of those countries within the EU and that they support the US security positions regarding Georgia (visible in their support for Georgia and Ukraine in becoming NATO members) (Asmus, 2010), linkage between those countries and Georgia do deviate from other EU members. In particular, it is understood that it is Germany who has the heaviest weight regarding EU policies towards Georgia.⁶⁵ If we consider the close ties between

⁶⁴ See Mark Lenzi and Lincoln Mitchell, ‘Georgia, One Year Later’, *The New York Times*, 06/08/2009.

⁶⁵ Interview with a senior Georgian diplomat, Tbilisi, May 2009.

Germany and Russia, we can better understand the cautious EU approach towards Georgia. In fact, EU policy changes towards Georgia and the Southern Caucasus depends to a great extent on the German stance towards Russia. The speeding up of the Eastern Partnership after the 2008 August war and the push of the Southern energy corridor after the 2006 and 2009 disputes between Russia and Ukraine are prominent examples of this.

In conclusion, we have established the possibility that two conditions derived from the international context might have an influence on Georgian foreign policy choices: 'linkage' and 'regional competition'. The main determinant for establishing a close cooperation between any Georgian government and the EU relies to a great extent on the weight of those conditions for resolving the conflicts and granting Georgian independence. In the following section we will uncover the importance of the logic of position derived from the incentives/constraints posed by Russia and the US vis-à-vis the ideational and incentives/costs elements of Georgian choices for aligning with the EU's foreign policy.

4.3. EU IMPACT ON GEORGIAN FOREIGN AND SECURITY POLICIES

The main driving force for any Georgian leadership since the independence of the country in 1991 has been to consolidate the sovereignty of the country and to build a viable state (Gordadze, 2009). Georgian foreign policy is invariably oriented towards solving the precarious internal and regional situation of the country, especially in the efforts to reintegrate Abkhazia and South Ossetia. This is a defining Georgian policy goal which is at odds with the post-sovereign EU approach towards world politics. As Robert Cooper (an influential pundit and advisor to the former High Representative for Foreign and Security Policy Javier Solana) put it (2003), relations between 'post-modern' entities such as the EU and a world still dominated by traditional or 'modern' approaches to foreign policy create a challenge for the EU. Rhetorical as it seems, it points out a crucial rift between the EU and Georgia since for the latter the difficult quest for creating a sovereign and independent state

represents the mere survival of the country before the possibility of becoming a puppet of foreign powers. We will see throughout the empirical chapters that the Saakashvili administration's state-building project has often clashed with the EU approach towards the country, foreign policy being no exception.

The analysis starts by briefly outlining Georgian foreign policy during Shevardnadze's rule before concentrating on the impact of the EU since 2004. This will help us frame the analysis and establish the international constraints and the path-dependence process initiated in the mid-nineties in terms of the influence of the US in the Georgian foreign policy orientation.

4.3.1. The reluctant EU role during the Shevardnadze years

The role of the EU before 2004 was focused on the economic transition of the country and alleviating its difficult humanitarian situation. In terms of foreign policy, the Georgian government tried, unsuccessfully, to involve the EU in conflict resolution once they established formal relations through the PCA in 1999. During the nineties the EU lacked any willingness to get involved in the region (see Taylor, 1994; MacFarlane, 2002; Cornell and Starr, 2006) and Russia had total freedom of movement and dictated the post-conflict arrangements in Georgia. By 1993, the Russian influence in Georgia was total.⁶⁶

Given these circumstances, the initial aim of foreign policy in Georgia was to collaborate with Russia in the hope that it would help to regain control of Abkhazia and South Ossetia. Despite some authoritative voices that argue that the Georgian people is widely pro-European (Gogolashvili, 2009: 91-92), such a statement needs to be rebalanced in the context of the early nineties. Although Shevardnadze had little choice but to be on good terms with Russia, such a path was perceived as submission by a majority of the population

⁶⁶ Interview with a former senior Georgian diplomat, Tbilisi, 27/05/2009.

in view of the unfavourable terms of the outcomes in both conflicts for Georgia (Filippov, 2009; Gordadze, 2009); it does not mean that that a pro-Western foreign policy was always an obvious path or choice for Georgia. A friendly policy towards Russia was not a decision that would clash with feelings in the country or among former Soviet elites that were now running the country. Even those who were aggressively anti-Russian did not always sympathise with 'the West'. Indeed, the first post-Soviet Georgian president Gamsakhurdia, who was widely popular among Georgians, dreamed of a 'common Caucasian home' (Northern and Southern) that would challenge Russian dominance (Mkrtchyan and Petrosyan, 2009; 61); an idea that resonated well among great parts of the Georgian population. In other words, 'Europe' never featured in public discourse during the nineties.

But, the policy of 'wait and see' with Russia did not pay off any result.⁶⁷ Thus, for Georgia, the only option to create a real independent state was to start modest steps towards the West which would also restore elements of statehood.⁶⁸ The difficulties of this step were illustrated, for instance, on 9 January 1997 by an article in RFE/RL: 'Russian commentators and officials have been almost unanimous in warning that any hand of friendship extended to Georgia from the West would be viewed in Moscow as an unfriendly act.' Following on from this, we can argue that the pro-Western policy set-up since 1995 by Shevardnadze is better explained by instrumental reasons.

By the late nineties, the Georgian government became the highest recipient per capita of US assistance in Eurasia, a fact mainly explained by the reputation of Shevardnadze as a liberal and reformer and the democratisation policies of the Clinton administration that saw in Georgia a favourable environment (Mitchell, 2008). A more obscure interest developed in

⁶⁷ Shevardnadze agreed with Yeltsin that in exchange for the continuation of the Russian military in Georgia and Abkhazia, Russia would facilitate the reintegration of Abkhazia in Georgia (Filippov, 2009: 1831). However, the Russian *Duma* refused to consider the agreements in 1996.

⁶⁸ Interview with a former senior Georgian diplomat, Tbilisi, 27/05/2009.

the late nineties when the US backed the creation of an East-West energy corridor through Azerbaijan and Georgia, bypassing Russia. The US however, was careful to not infuriate Russia regarding the Georgian conflicts and the possibility of establishing a military presence. For the same reasons, Shevardnadze was never successful in involving the EU in any conflict resolution process either. Thus, the former linkage with the US that dated back to the times of the Perestroika, in addition to an increasing US interest in the region, created the conditions for establishing a pro-American foreign policy; we cannot argue that pro-Western identification and domestic policy conditions in Georgia were a given, apart from the understandable reaction against the Russian policies towards the country. A firm pro-Western foreign policy, better qualified as a pro-US policy, is an immediate result of the impossibility of obtaining a collaborative stance from Russia in terms of conflict resolution and Georgia's security. As a consequence, the Shevardnadze administration turned to the 'West' when it found strong support in the US administration (during the Clinton and Bush mandates) that created a path-dependent process in the Georgian policy-making elites in terms of foreign policy decisions.

This is a paradox in the Georgian-Russian relations: former fellow countrymen were increasingly separated by an ocean of misperception and mutual ignorance. In addition to the fact that the new Russian elites disliked Shevardnadze, their perception was that Georgia 'was inevitably Russia's enemy whose elites were invariably Russophobes' (a former Russian ambassador to Georgia in Gordadze, 2009: 45). The international context gave Shevardnadze the opportunity to find alternative external support different to Russia, but at the same time Russia's influence and status in the region would prevent any decisive external influence in the country, acting as a crucial constraint for an independent Georgian foreign policy, a trend that would continue in general terms after the fall of Shevardnadze in 2003.

Contrary to the opinion that Shevardnadze's foreign policy balanced Russia and the West, by 2002 relations between Russia and Georgia reached the lowest point when Georgian foreign policy became overtly and totally oriented towards the West, making accession to NATO a national security objective. This situation illustrates the escalation of tensions with Russia when Georgia overtly opted for a pro-Western course, in this case cooperation with the US and NATO. Contrary to another common opinion as well, the post-Rose Revolution government did not completely lean to the West, but also aimed to extend bridges with Russia. As the future Prime Minister Zhvania declared just before the Rose Revolution: 'I believe that we can establish very successful relations with the new Russian leadership...I highly appreciate President Putin's governing style, who made Russia's state policy, both internal and external, much better organized and firm' (Civil Georgia, 11/02/2003). Due to the strong reliance on the US, the Saakashvili administration ultimately became at odds with Russia, a situation that would lead to open war as well.

As a conclusion, regarding the Shevardnadze years, the impact of the EU in this area during the period was insignificant with two exceptions: First, it helped Georgia to integrate in international institutions such as the WTO and pan-European areas such as the Council of Europe as a way of fostering the Georgian sovereignty and legitimacy as an independent state (see chapter 3). Second, after the creation of formal, institutionalised ties between the EU and Georgia with the PCA, the Foreign Ministry created the department of European integration which would partly staff the future Ministry of Euro-Atlantic Integration created in 2004. Thus, the Shevardnadze administration would create a small stable and committed pro-European elite within the Foreign Ministry and other parts of the post-revolutionary administration (although without significant political power).⁶⁹ Until 2003, the EU was a reluctant partner in terms of the Georgian administration's ambitions of involving the

⁶⁹ Interview with a former senior Georgian diplomat, Tbilisi, 27/05/2009.

Europeans in conflict resolution.⁷⁰ The EU did not show much interest in being involved in the security affairs of the region either, which was a direct result of the aim by the largest EU members to privilege relations with Russia, and therefore, they did not want the EU to have a high profile in such issues in the Caucasus (Lussac, 2010).

4.3.2. EU and Georgia foreign and security policy cooperation after the Rose Revolution: broken expectations

The aftermath of the Rose Revolution promised to open a new period of cooperation between Russia and Georgia. Indeed, the Russian government contributed to the peaceful transition of power from Shevardnadze to Saakashvili and facilitated the restoration of Tbilisi's control over Adjara (Kandiyoti, 2008: 161), an ethnic Georgian autonomous republic that since the early nineties had been acting as a de-facto independent entity. This was a message from the Kremlin hinting that cooperation with Russia could eventually lead to the settlement of the ongoing disputes over the breakaway regions. In exchange, the Kremlin expected the new Georgian administration to part ways from the Shevardnadze administration's clear drift towards the West, especially regarding the withdrawal of the Russian military and the objective to accede to NATO (Tsygankov and Tarver-Wahlquist, 2009: 319). Although officially Saakashvili followed the foreign policy goals set by Shevardnadze (in his appointment speech he talked about integration into NATO in the short term and into the EU in the long term as the main foreign policy goals) (Civil Georgia, 25/01/2004),⁷¹ it seemed that cooperation with Russia was a real possibility. Indeed, when Saakashvili met Putin in early 2004 he humbly declared that Georgia was 'a small country'

⁷⁰ Interview with a Directorate General-External Relations officer of the European Commission, Brussels, October 2005.

⁷¹ See also the Foreign Policy Strategy of the Georgian MFA (2005) and the National Security Concept of Georgia (2005), available at http://www.mfa.gov.ge/index.php?sec_id=8&lang_id=ENG [accessed in March 2010].

that would respect Russia's security interests in the region (Tsygankov and Tarver-Wahlquist, 2009: 320).

Here, it is important to understand the ideational content of the new administration's foreign policy. As in the other case studies, the first impetus was to differentiate the new government from the period when Shevardnadze was in power. As mentioned, accession to NATO was maintained as the main foreign policy goal and likewise, accession to the EU remained a long term objective. The difference was the content and visualisation of these aims. For instance, the new government sought to rebrand the country as European and historically as part of the Black Sea, which in that narrative links the country to Europe, especially when Black Sea coastal countries such as Bulgaria and Romania were about to become part of the EU. As a way of signalling to the world and to its own people this 'rebranding' from a Caucasian to a Black Sea European country,⁷² the Georgian government decided that flags of the European Union 'will fly over all the governmental buildings alongside Georgia's national flag' (Civil Georgia, 19/04/2004).⁷³ The Georgian authorities argued that this decision was 'a sign of the Georgian leadership's willingness to carry out policy in compliance with the EU standards' (Civil Georgia, 19/04/2004). Saakashvili also promised that the country would become a member of the EU at the end of his first mandate, when he would already have reunited the country with Abkhazia and South Ossetia. Despite the obvious propaganda, these moves created huge, unattainable expectations among the population, although they did set the conditions for a national impetus to carry out difficult reforms too. The EU succumbed to the post-revolutionary charm offensive and aimed to have a leading role in the process of reforms. As Javier

⁷² As a consequence, consciously or not, regional cooperation between Georgia and its Southern Caucasus neighbours reached the lowest levels since independence, especially with Armenia.

⁷³ A perfectly legal trick as Georgia is a member of the Council of Europe, which shares the same flag with the EU.

Solana put it: ‘We want our [EU–Georgian] relationship to strengthen and deepen. We will wait for the working plan established by the Georgian government to see how we can help’ (Civil Georgia, 15/01/2004).

In this context, the EU emerged as a potentially important player in the country as the new administration was overtly inviting the EU to play a crucial role in domestic policies. Although there was a sincere pro-EU feeling among some political elites, especially within the Foreign Ministry (who lacked the relevant political power), the process was largely a strategic move. Behind the scenes, the US was the most influential external voice to the new authorities. Thus, relations with Russia immediately deteriorated when Saakashvili tried to emulate the ‘blitz take’ of Adjara in South Ossetia in summer 2004 without consulting the Kremlin and when the Georgian government insisted on the withdrawal of the Russian military from Georgia. Finally, the clear aim of advancing the accession to NATO led to a progressive negative escalation with Russia. It is hardly controversial to argue that the unconditional support of the Bush administration emboldened the Saakashvili administration to disdain cooperation with Russia. The result was that following the NATO summit of Bucharest in April 2008, Russia’s Foreign Minister Sergei Lavrov made clear that ‘Moscow will do all it can to prevent NATO membership to Ukraine and Georgia.’⁷⁴

The role of the EU in this context has been limited, indeed, its approach became incompatible with the Georgian objectives which revolve around the main goals of territorial integrity and complete sovereignty. As seen above, this approach is punctuated by constant tensions with Russia. During the period between the formation of the first Saakashvili government and the dismissal of the pro-European Foreign Minister Salomé Zourabichvili in 2005 and the death of the pragmatic Prime Minister Zhvania in February of

⁷⁴ ‘Russia Again Vows to Block NATO Enlargement’, Newline, *Radio Free Europe/Radio Liberty*, 09/04/ 2008.

the same year, there was discussion about the possibility of some sort of security partnership between Georgia and the EU (Grant, 2006). This would have required the participation of Georgia in the CFSP and CSDP in areas of common interests with an implicit security guarantee, which is what the Georgian authorities at that time would have valued the most from the EU.⁷⁵ This approach could have cooled down the issue of NATO membership and helped to conciliate the Russian attitude to Georgia. Subsequently, the EU decided to offer the Eastern neighbours the possibility of aligning with CFSP acts as well as taking a higher profile in conflict resolution; however, this was without granting Georgia a different security guarantee which could have worked as an alternative to NATO, whose possible enlargement towards Ukraine and Georgia was seen reluctantly by the so-called ‘old EU’ members with the exception of the UK.

Given the intensity of links between the US and the Saakashvili administration (symbolised by the official visit of George Bush to Georgia in 2005 and the constant dialogue with Defence Secretary Cheney and State Secretary Condoleezza Rice, who visited Georgia several times between 2004 and 2008), the EU paled in Georgian eyes. The opinion among Saakashvili’s close circle that the EU was just a ‘talking-shop’ grew considerably.⁷⁶ This opinion reflects both frustration with the EU and also a strong normative divergence. It is quite telling that under similar security conditions, the process of conflict settlement between Moldova and its breakaway region of Transnistria experienced a breakthrough once the Moldovan government declared Moldova would become a neutral country, giving

⁷⁵ On-the-record presentation of Charles Grant, director of the London-based think-tank Centre for European Research, Barcelona, Cidob Foundation, May 2006.

⁷⁶ Confidential communication from an American expert based in Tbilisi, May 2009.

up any ambition of acceding to NATO. In this case, both Russia and the EU stepped up their efforts of conflict resolution.⁷⁷

The EU's influence in foreign and security policy issues diminished from 2005 until the August war and it had been unable to influence important aspects of Georgia foreign policy goals. In this regard, the EU could not have had any influence in preventing the escalation of conflict between Russia and Georgia due to the increased security reliance of Georgia on the US. In addition, the Georgian process of rearmament (we will come back to this in more detail in chapter 6) ignored the EU approach to conflict resolution. As seen in the first section of this chapter, the EU promotes the establishment of security cooperation based on arms control and peaceful settlement of disputes regarding unresolved conflicts and relations with neighbours. By 2007, it was obvious that this approach was failing in Georgia (and by extension throughout the Southern Caucasus). Two facts account for this: First the Georgian rearmament rendered it impossible to control arms or arms trafficking in the country. Second, the EU was promoting medium-term, confidence-building measures towards conflict resolution, especially in South Ossetia, which paradoxically was the conflict where the EU saw the highest possibilities of resolution and where it was increasing its role of mediation.⁷⁸ This approach clashed with the Saakashvili administration's impatient policies towards Abkhazia and South Ossetia (Coppieters, 2007).⁷⁹ As a prominent Georgian scholar put it after the August war:

⁷⁷ We do not argue that such process is a sufficient condition or a prerequisite for conflict settlement. It is in the end a process of confidence building between the conflicting sides and eventually it is down to them to peacefully resolve the conflict.

⁷⁸ Interview with a Directorate General-External Relations officer of the European Commission, Brussels, October 2005.

⁷⁹ A telling example of this is the visit of the negotiating Abkhaz delegation to Tbilisi in 2006 at the only time that Abkhaz and Georgians seemed willing to start a serious process of conflict settlement. That day, President Saakashvili chose to visit a refurbished military barracks instead of meeting the

...since 2004, the Georgian government acted on the assumption that it was possible to solve the most burning issues of Georgia's security...within years...Georgia should engage more with the EU...[and] to abandon short term solutions and instead concentrate on long-term institutional and democratic development...more consistent with the expectations of the EU (Nodia, 2009).

The EU's position towards Georgia has also cooled. Once considered the leader of reforms among the Eastern Partnership countries,⁸⁰ by the end of 2009 'behind the scenes, EU officials make it clear that Georgia no longer enjoys frontrunner status in the region.'⁸¹

It is clear that from a logic of interpretation perspective, ideational claims in relation to the EU, primarily in its discursive form, have not been followed by the content of Georgia foreign policy. Ultimately, from the rhetorical commitment of the early days of the Saakashvili administration in fostering a European integration process, mutual frustration has become evident. In 2005, the influential Minister for Economic Development, Kakha Bendukidze, declared that 'I do not want to be part of the European sclerotic civilisation.'⁸² By 2009, the Georgian government had given up the idea of acceding to the EU, although accession to NATO remains the main foreign policy priority.⁸³

It is also clear that the incentives offered by cooperation with the EU on foreign policy have not triggered a more favourable Georgian position towards the EU and we have seen how cooperation in conflict prevention had little effect. As regards the alignment of Georgia with the CFSP acts, the process of cooperation has been more successful. On the one hand, the process is not costly either financially or in terms of domestic political costs. Moreover,

Abkhaz delegation. A former Georgian Defence minister, David Okruashvili, declared in 2007, (admittedly when he was removed from the government) that the Georgian administration planned to retake South Ossetia by force in 2006.

⁸⁰ Interview with a Senior European Commission diplomat, Tbilisi, 25/05/2009.

⁸¹ 'EU Reviews Cooperation with the South Caucasus', *Radio Free Europe/Radio Liberty*, 26/10/2009.

⁸² Speech by Bendukidze on Dutch broadcaster VRPO, 03/04/2005.

⁸³ Interview with an officer of the Georgian Ministry of Foreign Affairs, Tbilisi, 08/05/2009.

despite growing concerns in Russia about EU policies in the shared neighbourhood (Bordachev, 2004), Russia is not nearly as distressed with EU cooperation in the shared neighbourhood as with the presence of NATO or the US. On the other hand, alignment with CFSP acts is a visible way of showing commitment with the implementation of the ENP as well as obtaining further legitimacy, as Georgia can be seen as an EU ally. However, one wonders about the value of joining EU declarations or common positions; they are mere declaratory statements with little political effect. Indeed, when they could have some consequences, Georgia, as Ukraine, has not joined those acts that concern developments in former Soviet Republics (Barbé et al., 2009b).⁸⁴ In addition, deeper political cooperation in security and foreign policy issues with Georgia and the rest of the Southern Caucasus is unlikely to advance due to serious problems with democratic standards and political liberties in all three countries.⁸⁵

To summarise, alignment with CFSP acts has been partly an instrument of enhancing the 'Western' credentials of Georgia and a way of signalling the transformation of the country since 2004. It is worth noting here that participation on CFSP cooperation was an express desire of Georgia, later extended to the rest of Southern Caucasus countries. This partly reflected the Georgian government's willingness to come closer to the EU, but the EU also signalled its reluctance to differentiate the pro-Western orientation of Georgia from the rest of Eastern neighbours, and therefore, the credibility of the EU as an ally was diminished. Indeed, the EU tries to balance the consistency of the normative approach of political

⁸⁴ In 2008, Georgia aligned with 117 out of 154 declarations to which they were invited to join (see ENP Action Plan Progress Report 2009). Apart from declarations regarding Georgian neighbours, Ukraine, Iran or Central Asia, other declarations which Georgia did not join were due to short notice from the Council to the Georgian delegation to the EU who in turn has to liaise with Tbilisi before joining.

⁸⁵ 'EU Reviews Cooperation with the South Caucasus', *Radio Free Europe/Radio Liberty*, 26/10/2009.

cooperation in terms of values and democratic standards of partners and regional balance regarding the unwillingness to isolate other countries in the Caucasus as well as keeping a political engagement with them. Such an approach is a delicate compromise, unlikely to make the Georgians comfortable with their ambitions. The lack of substance in CFSP cooperation and the pressing hard security issues facing the Saakashvili administration, partly created by the Georgians themselves, led to a disregard of the EU until the aftermath of the 2008 August war.

Before concluding, we need to make some reference to the EU Monitoring Mission in Georgia. The EUMM is not a conflict resolution mission as its mandate is simply to monitor the border of the conflict zones of South Ossetia and Abkhazia to prevent further escalation between Georgia and the breakaway regions' authorities and Russia.⁸⁶ Despite the fact that the mission is very positively regarded by the Georgian population and government, as aforementioned, and it gives the EU an obvious visibility on the ground, it does not have the kind of mandate and political influence that the Georgian authorities wish it had. In this regard, although the war made limitations of relying on the US obvious, it was not clear that by 2010 the Georgian government saw the EU as a strong partner in achieving its goals.⁸⁷ However, the fact that the EUMM is the only international mission currently on the ground, and that all parties regard the EU as an honest broker in the region, makes the position of the EU increasingly important in conflict resolution, not only in Georgia, but also the rest of the region. Likewise, political contacts have also increased as a consequence of the peace agreements brokered by the EU as well as the EaP, which establishes more regular contacts at presidential and ministerial levels. To summarise, whereas US and Russian influence has been based on personal and informal links and subject to contingent circumstances, the

⁸⁶ By the time of writing, the Russian authorities have not granted the EUMM access to the Abkhazian and South Ossetian sides of the border.

⁸⁷ Interview with a Georgian expert and former diplomat, Tbilisi, 28/04/2009.

institutionalised engagement with the EU has led the latter to increase its presence in the long term.

4.4. CONCLUSIONS: EXPLAINING THE OUTCOMES

The influence of the EU in an area of intergovernmental cooperation such as foreign and security policies has been uneven and generally rather low given the ‘rhetorical’ commitments of both the EU and Georgia. The EU has not been able to shape regional policies of conflict prevention and its approach has been at odds with the foreign and security policy goals of the Georgian governments since the early nineties and especially since 2005. This is rather puzzling as the post-Rose Revolution government is normally seen as firmly pro-Western. In the case of alignment with CFSP acts, the most conditional area of cooperation in foreign and security governance between the EU and Georgia, the impact of the EU has been relevant and Georgia started the official process of alignment in mid-2007. This is certainly a contradiction to the overall lack of impact in the case study of intergovernmental cooperation. The legitimacy of the EU’s approach towards conflict prevention and regional security has been low among the power circle of the Saakashvili administration. However, the first section of the chapter determined that adopting CFSP acts, which represent the value system of the EU in world politics and therefore a representation of its *acquis politique*, in principle entails a high normative convergence with the EU. How can this be explained?

Alignment with the CFSP acts does not represent a high domestic cost for the Georgian government. Historically, the Georgian population has become increasingly wary of Russia, thus aiming to obtain Western support either from the US or European countries, in search for security and help with the solution of conflicts with South Ossetia and Abkhazia. In terms of the authorities’ foreign and security policy goals, costs of implementation are low both financially and politically. In contrast, it is a very visible way of signalling compliance

with the ENP and being regarded as an ally of the EU, but it may be an instrumental alignment that it is not necessarily value-based. The analysis of the ideational content of the Saakashvili administration's foreign and security policy has shown that policies regarding the EU as well as the discursive strategies that give meaning to the political strategies have not been consistent with the EU–Georgian agenda of intergovernmental cooperation in this area. Therefore, the apparent contradictory process of aligning with CFSP acts while also not giving the EU much political and normative credit is compatible. In that sense, it fits with the Georgian goals of searching for international support for legitimising its stance towards the reintegration of Abkhazia and South Ossetia and for strengthening its position vis-à-vis Russia.

Both logics of position and interpretation point out the geopolitical and normative struggle between US and Russian influence for determining Georgian foreign policy. First, any attempt by Georgia to have an independent foreign policy has been challenged by Russia if it was not favouring the interests of the latter. But, even when Georgia accommodated Russia (despite some exceptions), cooperation with Russia has always proven difficult. As a result, any Georgian government has oriented its foreign policy towards neutralising Russian leverage. Gamsakhurdia bizarrely attempted a pan-Caucasian approach to face the 'common' enemy. Shevardnadze tried to balance Russian and Western components of the foreign policy, but finally oriented the country towards the US as a result of its important linkages to American foreign policy-making. It was only during the Saakashvili administration that the Western orientation was based on deep normative and ideational factors. The US influence has become notable since 2004/05 due to the process of path dependence initiated since the late nineties by Shevardnadze, which linked Georgian policy-making elites to the US; ideational factors among post-Rose Revolution elites are crucial to understand the latter's reliance on the US.

The increasing dependence of the Georgian foreign and security policy on the US since 2005 inevitably led to an overt confrontation with Russia, especially when Georgia set up a solid pathway of consolidating relations with NATO, strongly supported by the US, in view of future accession. In this scenario, the role of the EU became irrelevant and despite it stepping up its presence in the Southern Caucasus after 2004, the geopolitical dynamics alienated EU–Georgian cooperation in conflict prevention and crisis management with the exception of the EUMM whose effects at the time of writing are still difficult to establish.

In terms of the EU mode of governance in the case study, we can extract some final conclusions. Intergovernmental governance in a country such as Georgia, with a very small power circle that concentrates the effective power, depends very much on personal linkages, as we have seen throughout the chapter. In that sense, personal ties between the Saakashvili administration with both the US and new member states such as the Baltic States and Poland (countries that favour ties with the US in security issues), have been an important trademark of the post-revolutionary government. However, as in the case of governance by conditionality (chapter 3), it may be that in the long term the institutionalised character of the EU cooperation with third countries proves effective. The presence of the EU on the ground with the EUMM combined with higher political contacts and levels of political dialogue envisaged by the Eastern Partnership may potentially increase the EU's leverage in the country and the region. Despite the importance of regional competition, especially during the second Bush Jr. Administration, the EU can still have some influence if an institutionalised approach, increased political linkage and normative convergence exist. Only the first of these is in place to any extent whereas the others may potentially emerge. Undoubtedly, the low density of rules and the difficulties within the Council of the EU on reaching a common approach towards the Caucasus and Russia have led to problems of coherence and enforcing the agenda of cooperation in foreign and security issues with

Georgia. In the end, diverging geopolitical interests between some member states have affected the coherence and normative projection of the EU.

CHAPTER 5 - EXTERNAL GOVERNANCE: EU EXTERNAL ENERGY POLICY AND ITS IMPACT ON GEORGIA

Energy security has emerged in recent years as one of the cornerstones of the EU's foreign policy. The EU is highly dependent on imports of oil and gas, 35% of which comes from Russia. Thus, diversification of energy supplies is a key goal for the EU. At the same time, Russia has become more assertive in its aim of monopolising energy supplies to the West since the late nineties – a situation that has triggered responses from the United States, keen to prevent a Russian monopoly on oil and gas supplies from the Caspian basin. In such a scenario, dominated by regional competition, there would not seem to be much potential for the EU to pursue its goals and interests given its problems to act united when confronted with power politics choices, as set out in chapter 2. In this regard, this case study is arguably the area of cooperation between the EU and Eastern neighbours most affected by structural regional competition. This chapter shows, however, that in the long run the EU has become a crucial partner of Georgia in the field of energy cooperation.

Likewise, the domestic energy sector is generally highly regulated and dominated by a reduced number of domestic suppliers. Thus, the interplay of domestic interest groups, internal tensions within the EU regarding how to pursue an external energy policy towards the Eastern neighbourhood and Russia, and regional competition in order to access the Caspian basin resources, provides a remarkable environment to disentangle the pathway of relative EU impact in relation to domestic and international factors. This chapter will argue that internal EU coherence and increased incentives are playing a major role in addition to US pressures that shaped the regional energy dynamics. However, the key explanatory factor will be the increased path dependence in Georgia linked to the international position of the country as part of the East-West energy and transport corridor. Hence, EU impact is

intimately connected to the linkage of Georgia to Azerbaijan and Turkey in terms of the transit corridor and domestic path dependent processes. Ideational factors do also play a role and explain the maximalist integration strategy pursued by the Georgian government since 2006. Harmonisation with the EU's energy *acquis* responds to rational cost–benefit calculations and path dependence, but framed in integrating the country in the EU's regional energy initiatives, including the highly conditional process of accessing the Energy Community. In that sense, the chapter presents a challenge in terms of tracing different causal logics.

Whereas chapter 3 showed the importance of strong ideational factors in a context of domestic economic reforms after the Rose Revolution and chapter 4 showed the influence of political links and Georgian attempts to balance Russia, this chapter presents a complex set of explanatory factors at different levels. The EU's strategy for achieving energy security has been to pursue the integration of neighbours under a common regulatory framework under international and EU rules. In terms of the institutional causal process, it will be shown that in the long term, EU engagement in the form of external governance has made the EU a 'regional hub,' which has allowed it to tackle distributive and enforcement costs. To summarise, by 2010, the EU has become a crucial regional player in the energy sector.

We shall state briefly what we consider to be the boundaries of the case-study empirical analysis. The EU's energy policy is a vast area that comprises myriad elements around energy supply (coal, nuclear, gas, oil, etc.) that relate to the single market, sector liberalisation and regulatory elements as well as environmental and renewable energy issues. This chapter is concerned with the external dimension of the still nascent common energy policy. Specifically, it considers the relations between the EU and Georgia in the regional context of the EU's external energy policy towards the wider Black Sea region.

Therefore, the impact of the EU in Georgia on this policy area is assessed within those boundaries (references in the ENP AP to domestic energy-related reforms are, at the end of the day, part of the overall EU energy security approach).

The chapter first outlines the governance structure between the EU and Georgia in terms of the EU's regional approach to external energy policy. Next, it considers the factors in terms of regional competition among great powers that surround energy security, which have important consequences for the EU's influence. Lastly, it discusses the impact of the EU and the responses of Georgia in terms of domestic factors, the incentives offered by the institutional setting of the EU and the constraints and opportunities imposed by geopolitical factors. The chapter concludes by offering a summary of the outcomes of the empirical analysis.

5.1. EU EXTERNAL ENERGY POLICY TOWARDS THE EASTERN NEIGHBOURHOOD: A REGIONAL APPROACH

The aim of the EU's external energy policy is to create a transparent, secure and stable regional energy market that guarantees the EU's energy security. To do so, it needs to bring together producing and transit countries with different domestic conditions and interests and which are located in politically unstable regions. As a reflection of the EU's external governance approach towards the sector, the main pillar of this strategy is integration rather than the search for bilateral or multilateral cooperation (Prange, 2007). The rationale of this process is to create a common regulatory framework between the EU and neighbours based largely on the EU's (still unfinished) internal energy market. In the context of the Eastern neighbourhood, this is pursued on the one hand by deepening bilateral cooperation such as the ENP or memoranda of understandings on energy and on the other by creating regional frameworks that foster market integration under the aegis of the EU.

In such a context, this section outlines the incentives provided by the EU and the rules the EU aims to project derived from the institutional framework developed in the context of energy cooperation in the wider Black Sea area. It also sets out the problems that the EU's approach faces in the energy sector, especially the internal lack of coherence and enforcement and distribution costs.

5.1.1. The 'external governance' of energy security in the context of the Wider Black Sea

In relation to the wider Black Sea area, the intensity of integration is to a great extent guided by the ambitions and interests of neighbours which led the former Energy Commissioner to characterise relations in the area as formed by different 'rings of energy cooperation' (Piebalgs, 2006). The EU combines different modes of governance, from conditionality to cooperation. Thus, Ukraine and Moldova are candidates to the Energy Community, a process based on accession conditionality,⁸⁸ whereas relations with Azerbaijan are based on more cooperative arrangements. Given the status of the country as a crucial oil and gas producer for the existence of the East-West corridor, the EU has negotiated a bilateral non-binding memorandum of understanding focused on energy cooperation.

However, 'external governance' is arguably the overarching EU approach to energy relations with the region and it can be understood as a way for the EU and neighbouring countries to cope with interdependence (Dimitrova and Dragneva, 2009). External governance is characterised primarily by close cooperation, the expansion of the EU's

⁸⁸ The Energy Community had the initial objective of creating a regional energy market in South East Europe, with the goal of framing the process of extending the energy *acquis* to candidate countries. EaP partners have the choice to become part of the Community. It is a highly institutionalised area governed by a Ministerial Council, a regulatory Board and a Secretariat in charge of monitoring the implementation of binding regulations.

internal regulatory and legislative arrangements and the non-predominance of conditionality and hence, a less strict convergence with EU rules and monitoring process (e.g. Lavenex, 2004: 695-6). The rules that the EU aims to project in the energy area are uneven in their clarity and density and are embedded in overlapping regional initiatives; the rules become clearer the more the neighbours and the EU are engaged in integrative processes such as the Energy Community.

The overarching and primary institutional arrangement that links the wider Black Sea region with the EU is the Energy Charter Treaty (ECT), of which Georgia is a part.⁸⁹ The idea of a pan-European approach to achieving the objectives of energy sustainability, competition and security emerged in the years after the collapse of the Communist regimes and during the process of consolidating the EU's single market (Westphal, 2006). The ECT, in force since 1998, is a binding treaty under public international law that brings together the former Soviet Republics, the EU and its member states⁹⁰ as well as Japan, Australia, Norway and Turkey. Under WTO principles, the ECT aims to create an open and diversified international energy market with a dispute settlement mechanism and national treatment (treating foreigners and nationals equally) for foreign investment (Westphal, 2006: 54).

The ECT has encountered two main problems: First, as a result of its binding character, Russia has not ratified it since energy exports (apart from being the main industry of the country) provide political leverage in its relations with the EU and post-Soviet republics.

⁸⁹ The Black Sea region is obviously a conceptual EU artefact. It is both a product of the traditional problem-solving regional approach of the EU and the need to have on board the Southern Caucasus, especially Azerbaijan as a producer and transit of Central Asian supplies and Georgia in addition to Ukraine and Turkey as transit countries. See European Commission's website of EU and 'wider Black Sea' relations http://ec.europa.eu/external_relations/blacksea/index_en.htm

⁹⁰ With the Treaty of Lisbon in force the EU attains legal personality and the three pillars structure disappears. The EU as a consequence will be the successor of the former European Communities.

For Russia, implementing the principles of the ECT would mean access for foreign companies to its sources of supply and distribution as well as the observance of non-discriminatory pricing and competition. The Putin administration has done exactly the opposite, rolling back the steps taken in the nineties towards liberalising and privatising the energy market in Russia. In the 2000s, the energy sector has been tightly controlled by the Kremlin (Baker and Glasser, 2005: 272-292; Goldman, 2008; Mangott and Westphal, 2008: 152).

The fact that Russia is not part of the ECT makes the main EU external energy policy goals of diversification and security of supply difficult to achieve. Apart from Russian supplies to Europe, Central Asian energy exports run through pipelines transiting Russia. Given the political and economic clout of Russia over the Central Asian Republics (Stratfor, 2009a; 2009b), the Kremlin has obtained long-term contracts for exporting the main bulk of their gas and oil supply (Jervalidze, 2006; Roberts, 2006: 218) and any move towards independence of their energy policy is closely watched by the Kremlin.⁹¹ Second, the market approach of the ECT did not induce per se greater diversification of energy supplies nor greater openness and transparency in neighbouring countries, which reflects the significant enforcement costs of such an agreement without a clear, central enforcing institution or hegemon.

This situation partly drove the need to reinforce the EU's external energy policy in the 2000s (European Commission, 2006c). With the ECT in force, the Commission devised different regional initiatives towards the wider Black Sea region to integrate the energy market: the Baku initiative in 2004 in the framework of INOGATE; and the Black Sea Synergy in 2007. The main purpose of these regional initiatives was to increase regional

⁹¹ See 'Asia: Burning Sands and Pipe-Dreams; Turkmenistan's Plight', *The Economist*, 12/12/2009; 'Russia Welcomes End to Turkmen Gas Dispute', *Financial Times*, 23/12/2009.

cooperation for implementing new energy corridors, to improve electricity interconnection as well as energy infrastructures and to support market integration among neighbours and with the EU through the implementation of the relevant EU energy *acquis*. At a bilateral level, the ENP established through the Action Plans a far reaching agenda of reform, especially openness of domestic markets and the unbundling of energy production and provision, in addition to the approximation of national legislation with the EU (see Table 13 for the Georgian case). To summarise, the EU sought in the mid-2000s to enforce the market approach of the ECT by stepping up its central role in the creation of a pan-European energy market.

In terms of the clarity and density of the rules that the EU aims to project, they are based on the principles of the ECT plus the projection of EU *acquis* related to the incipient EU energy policy. Apart from the binding character of the ECT, the projection of EU rules in regional initiatives and the ENP is of a cooperative nature and is not binding. Given such a situation, the main challenge the EU faces in the sector is how to make the external governance approach attractive to neighbours to create a relatively integrated and reliable energy market. In addition, the EU approach suffers from an important shortcoming: Since there is no common EU energy policy, divisions between member states' energy interests and the EU's external energy policy may lead to vertical incoherence. The common approach from member states in tending to follow unilateral energy security policies hampers the credibility and coherence of the EU's external governance (Youngs, 2007), especially regarding energy relations with Russia and the goal of diversification.

Two factors affected the previous situation. First, new CEEC members have been internally pressing the EU for a more vigorous policy towards energy diversification to reduce excessive dependence on Russian energy supplies; CEEC leaders frequently assert that Russia poses a threat to the EU's energy security (Monaghan, 2007: 276). This factor

became crucial when Russia cut off gas supplies in the 2006 and 2009 disputes with Ukraine. Second, as a consequence of having little impact in advancing its agenda and a higher internal consensus in pushing for greater diversification of energy providers, the EU has developed a more vigorous policy in terms of incentives since 2006.

The Energy Community extended to the Eastern neighbourhood, as well as the Energy Security Platform in the context of the EaP, are a reflection of the new approach. In the case of the EaP countries, the EU offers the possibility of participating in the Energy Community launched in 2006, which is arguably the most institutionalised arrangement between the EU and its neighbours. The Energy Community had the initial objective of creating an integrated energy market in South East Europe; this was after the EC and the Stability Pact launched the Athens Memoranda on Electricity and Gas in 2002 and 2003 which frames the process of extending the energy *acquis* to candidate countries (see Karova, 2009: 8-18). EaP partners have the choice on whether to become part of the Energy Community. Given its high level of integration, it is likely that only those countries willing to integrate with the EU-sphere will aim to become members. At the time of writing, all littoral Black Sea countries, with the exception of Russia, are part of or are about to become members of the Energy Community: Moldova and Ukraine were accepted as members in December 2009, conditional on the complete harmonisation of their legislation and the set up of independent transit gas operators; Turkey opened negotiations to become a member in September 2009; and Georgia has observer status and is aiming to accede in the long term. Once countries enter the Energy Community, they become part of an integrated energy market regulated by the EU's internal energy market (Prange, 2007).

For its part, the Energy Security Platform aims to develop mutual energy support and security mechanisms with partners to support infrastructure development and to diversify energy routes (European Commission, 2008e). Both the Energy Community and the Energy

Platform aim to establish a higher perspective of integration around EU rules linked to further investments. Therefore, clarity and density of rules increases as well as conditionality and hierarchy.

In terms of the investments and incentives linked to a higher approximation to the EU energy market, the most relevant development is the prioritisation of the Southern Energy Corridor. In this sense, the crucial aspect of increased financial incentives in the context of the EaP and the Baku Initiative is the involvement of IFIs, especially the European Bank of Reconstruction and Development (EBRD) and the EU's European Investment Bank (EIB) with the important coordination role of the EC. The requirements for obtaining assistance from the IFIs are to have clear political support in the partner countries and following this to have direct contact with producers. The role of the EU in bringing together the IFIs, transit countries and producers under a common institutional setting and political leadership is of crucial importance and is a reflection of the EU's external governance in the sector. It is important to note that these new initiatives are a formulation of the Council aim to have a Brussels-centred policy, which explains why the Energy Platform overlaps with the EC regional initiative, the Black Sea Synergy. This includes Russia, a fact that renders any effort of energy cooperation in the Black Sea area ineffective. Such circumstances have led the Council to disregard the Synergy as an appropriate forum to enhance energy sector integration in the wider Black Sea.

The Southern Energy Corridor is the flagship of the new EU approach towards the wider Black Sea region and reflects the above-mentioned pressures to diversify energy routes and suppliers (see figure 2). It was declared one of the six priority axes of energy infrastructures by the European Council of March 2009 (Lobjakas, 2009; see also European Commission, 2007c). It is composed of the Nabucco gas pipeline that would link the operative Baku-Tbilisi-Erzurum (BTE) gas pipeline through Turkey to Austria and to Italy via the ITGY

pipeline, plus the White Stream pipeline that would go from Georgia to Ukraine and Poland. The EU has committed €200 M for the feasibility study of Nabucco.⁹² Despite doubts among some analysts about the possibility of finding actual gas suppliers for Nabucco (Stratfor, 2010b), since Azerbaijan is only able to supply a part of its capacity (Mangott and Westphal, 2008: 162), it seems probable that if the project becomes a reality, further producing countries will also contract supply commitments. At the time of writing, Egypt, Syria, Iraq and Turkmenistan have agreed (although without legal commitments) on supplying the projected Nabucco pipeline. The key issue for producers is the existence of demand for their exports, something that the Southern Energy Corridor to the European market would guarantee.

Figure 2 EU's Southern Eastern Corridor and Russia's South Stream



Source: © Philippe Rekacewicz, republished with permission of *Le Monde Diplomatique*, 2007.

⁹² 'Economic Recovery: Second Batch of 4 bn-euro Package goes to 43 Pipeline and Electricity Projects', *Europa Press Release*, 04/03/2010.

Through these initiatives, the EU is also trying to tackle potential distribution and enforcement costs. In the wider Black Sea region, the EU faces significant distribution costs since producers are relatively distant and there are multiple transit countries. In addition, the main producer countries in the Caspian basin such as Kazakhstan, Turkmenistan and Uzbekistan are autocratic regimes where Russia has strong sources of leverage (see Stratfor, 2010a). Azerbaijan is closely collaborating with the EU in the energy sector under the ENP and a bilateral memorandum of understanding, but by itself it cannot guarantee more than 30% of the Nabucco capacity. The case of Azerbaijan also reflects the non-hierarchical approach of the EU towards this sector, especially when it comes to producing countries: interdependence and EU energy interests in this case lead the EU to have a pragmatic approach towards human rights and democratisation issues included in the ENP Action Plan for Azerbaijan (Nuriyev, 2008). In the case of Georgia, the EU can apply a higher degree of hierarchy and conditionality since the country aims at a greater degree of integration with the EU's energy market.

Enforcement problems are also likely to arise given the different nature of the participant countries in the 'ring of energy cooperation'. Countries with a special interest and desire to become closer to the EU are more willing to participate in the EU's external governance approach. In this case, given the existing institutional arrangements, especially in the context of the Energy Community, enforcement problems are less likely to occur since the organisation, as aforementioned, possesses a central institution with enforcing and monitoring mechanisms (a regulatory board and a secretariat). The main challenge is to obtain the long-term cooperation of the above mentioned producing countries, Azerbaijan, and potentially Turkmenistan, which at the same time are subject to Russian pressures. In that sense, contractual relations can be broken by pressures stemming from regional competition as well as domestic tensions; the regimes of these countries are closed and authoritarian, therefore in risk of political turmoil, and in the case of Azerbaijan with a non-

resolved dispute with Armenia over the Nagorno-Karabakh. In short, domestic and regional conditions are not ideal for ensuring a long-term deal on supply and investment.

To summarise, the EU's approach represents a highly institutionalised setting in energy governance. It provides an inclusionary approach by offering the extension of the institutional and legal boundaries through the Energy Community, a bilateral reform agenda through the ENP and regional framework of cooperation and assistance through the EaP Energy Security Platform. In terms of the incentives for fostering integration and the approximation to its *acquis*, the EU offers increased investment through IFIs and direct financial commitments (e.g. Nabucco) in addition to technical assistance. This institutional framework is a consequence of the 2004 enlargement and the gas disputes between Russia and Ukraine. It also reflects the fact that the pre-2006 market-oriented approach was insufficient and the EU realised the need for taking into account the realities of regional competition (Youngs, 2007; see also Mañé Estrada, 2006).⁹³ When it comes to member states and those countries that are part of the European Economic Area such as Norway, or countries with accession perspectives, integration of energy markets is relatively easy to achieve, internal difficulties in creating a common energy market notwithstanding. These countries belong to the inner circle of the 'ring of energy cooperation' (Piebalgs, 2006). Difficulties appear when countries in further concentric circles do not have a membership perspective and are located in geopolitical areas such as the Southern Caucasus and Central Asia subject to regional competition between external actors. The following paragraphs outline how the specific EU–Georgian bilateral agenda of cooperation in the energy sector aims to confront that challenge.

⁹³ Communication from officer of the European Commission, External Relations Directorate-General, London, December 2008.

5.1.2. The reform agenda between the EU and Georgia

Within the broader external governance approach of the EU in the energy sector, Georgia has an important role as a transit country. Therefore, the EU has always included Georgia in any energy-related initiative or summit. The following table reflects the position of Georgia in the myriad institutional arrangements put forward by the EU.

Table 13: Ordering the different levels of cooperation between the EU and Georgia in the energy area

Bilateral Relations	Regional Level (Black Sea and Caspian Basin)	Pan-European Level
▪ ENP Action Plan Chapters 3 and 4	▪ Baku Initiative/INOGATE	▪ Energy Charter
▪ Some elements in the PCA (especially regarding the establishment of an EU-type Energy Regulatory Agency). PCA refers to the Energy Charter as a framework for energy relations	▪ Black Sea Synergy	▪ Energy Community (currently an observer)
▪ Memorandum of understanding with White Stream	▪ Eastern Partnership Energy Platform	

Source: Own elaboration

The reform agenda between the EU and Georgia has both regional and domestic dimensions, reflecting the EU's goal of creating a pan-European energy market under common rules. Regional cooperation in relation to Georgia stresses the interconnection of the Georgian energy market of gas and electricity with its neighbours (in practice Turkey and Azerbaijan, given the problematic relations with Russia and contractual reliance of Armenia on Russia's energy supplies) and to participate in the EU-led energy projects such as Nabucco, which implies the important process of adoption of the energy *acquis*. As could be expected from the external governance approach, the consistency and determinacy of

rules are uneven, less detailed and clear than in governance by conditionality. However, given the aim of Georgia to become part of an integrated European energy market, the expansion of the EU's regulatory boundary is potentially large. In a second stage, if the aim of acceding to the Energy Community continues after the implementation of the current agenda, energy cooperation between the EU and Georgia would turn into bilateral 'governance by conditionality'.

As seen earlier, consistency and determinacy of the rules the EU aims to project vary with the degree of integration a partner aims to achieve with the EU in the sector. In the case of Georgia, given the country's aim of integrating into the EU energy market and the fact that it is not a producer country, the EU hierarchy is higher and hence there is a possibility of higher consistency in the process. This potentially leads to a stronger enforcing and monitoring capacity of the EU in the implementation process of the reform agenda between the EU and Georgia in the energy sector. The following table illustrates the high degree of determinacy of the reform agenda between the EU and Georgia in the context of the different bilateral and regional agreements. For the aforementioned reasons, despite the consistency and determinacy of the agenda, it is obvious that rule-projection and conditionality are less ambitious and far-reaching than in the case of 'governance by conditionality'.

Table 14: Summary of tasks to undertake in the context of the EU–Georgian relations energy cooperation

Framework of Cooperation	Action	Financial and Technical Assistance	Types of Norms and Agreements
Black Sea Synergy	<ul style="list-style-type: none"> Active Participation in the implementation of the ‘Trans-Caspian Black Sea Corridor’ Start implementation of ‘Black Sea Energy Transmission Line’ (electricity Interconnection, primarily with Turkey) 	<ul style="list-style-type: none"> EC under INOGATE European Bank for Reconstruction and Development (EBRD) 	Relevant EU <i>acquis</i>
Implementation of INOGATE/Baku Initiative Projects	<ul style="list-style-type: none"> <u>Harmonisation of gas and oil technical standards and practices</u> in Eastern Europe and the Caucasus Safety and security of main gas transit infrastructure Support energy market integration in the New Independent States Continue cooperation with the Coordination Office of the <u>Nabucco project</u> 	<ul style="list-style-type: none"> EC under INOGATE 	ECT and Relevant EU <i>acquis</i>
ENP Action Plan	<ul style="list-style-type: none"> Support regional integration with the EU energy market <u>Rehabilitation of domestic infrastructures</u> (North-South gas pipeline and Navtlughi-Saguramo, 50 Km, pipeline) Complete pre-feasibility study of underground gas storage Elaborate and implement a long-term energy policy Explore the possibility for participation in the <u>Intelligent Energy-Europe programme</u> Strengthening cooperation with the <u>European Energy Community</u> to gain full membership Study the feasibility of the harmonisation of Georgian energy legislation with the EU’s energy policy To <u>reform the Energy Regulatory Commission</u> in line with EU practices Improve collection rates, metering and energy price distortions Rehabilitation of Enguri Dam <u>Strengthening hydro-power resources:</u> Feasibility study of Khudoni HPP and initialisation of construction of Oni HPPs Cascade 	<ul style="list-style-type: none"> EC under INOGATE and US “Millennium Challenge Georgia Fund” Changes in Georgian legislation under the recommendation provided by European experts Enguri Dam: EC, EBRD, German Credit Bank for Reconstruction Hydro-power projects: EBRD, Norwegian government 	ECT and Relevant EU <i>acquis</i> and Electricity Directive 2003/54 and Gas Directive 2003/55 in case of the Regulator reform

Source: ‘ENP Georgia Action Plan’ and ‘2009 Georgian Ministry of Energy, Implementation Plan’

5.2. THE INTERNATIONAL DIMENSION OF EXTERNAL GOVERNANCE IN THE ENERGY SECTOR

Constraints and opportunities stemming from the international dimension have shaped domestic choices in Georgia, hence the need to map the extent and variation of geopolitical constraints to evaluate the EU's impact. Counter-intuitively, on some occasions it has been the US and not Russia that has been the main obstacle to EU energy projects to link Caspian and Iranian energy supplies to Europe. Despite the fact that some European oil companies were involved in the construction of the Transcaucasia pipelines bypassing Russia through Georgia, the EU also favoured routes from Iran to Europe through Armenia and did not see any problem in relying on Russian-controlled routes until very recently. The fact is that by the end of the 2000s the EU was supporting the Southern Energy Corridor which relies on extending the US-backed BTE gas pipeline, where Georgia plays a key role as an energy transit country not always supported by some within the EU.

This is a puzzle as we would expect the EU (and member states) supporting more forcibly the diversification of energy routes and suppliers, and therefore favouring and collaborating with the US efforts in this regard; the explanation can be reduced to three factors. The first two were outlined in the previous section: first, the EU approach changed due to the 2004 enlargement; and second, Russian gas cut-offs in 2006 and 2009 led to a more vigorous external energy policy in the Eastern neighbourhood. Thirdly, and the focus of this section, pull factors derived from the policies of Russia and the US have finally shaped EU policies towards the region. In short, the EU has accommodated the geopolitical drivers of the US energy policies in the Caucasus. Also, as we will see in the following section, increased path dependence and linkage with the EU in the Southern Caucasus and between Georgia, Azerbaijan and Turkey in particular have facilitated domestic backing to the Southern Corridor and EU rules.

This section focuses on the international elements of the issue while the next section will trace Georgian responses and the impact of the EU. As the socio-political linkages have been important (although less prominent after the Rose Revolution with Russia due to US pressures), we will elaborate the condition of ‘linkage’ in the next section. Before we move to the conditioning elements of Russian and US policies towards energy in the region, it is necessary to briefly outline the strategic imperatives of the EU in the area.

During the first decade of the 21st century, the EU identified the existence of a ‘trilemma’ of challenges to its energy security.⁹⁴ First, since the late nineties global energy demand has grown considerably. Given the finite reserves of natural gas and oil, global competition for accessing those resources has increased. Second, the depletion of oil and gas reserves in EU member states or quasi-members such as Norway is shifting available energy sources further away from Europe. Specifically, apart from Algeria, the closest oil and gas reserves to Europe are located in the crescent stretching from Siberia, the Caspian Basin, Iran and the Middle East; an area coveted by all major consumers. Lastly, the EU has made itself a champion of combating climate change, an issue which is linked to access to the previous energy sources and the need to reduce fossil fuel consumption. However, even in the improbable case that member states achieve the targets agreed for reducing fossil energy consumption and reach an average of 20% of energy produced from renewable energy by 2020 (Council of the European Union, 2007a), the need to import gas and oil will remain considerable (European Commission, 2007c).

Competition among major powers for the access to the Caspian basin’s energy resources is likely to be high. Given the land-locked nature of many of those reserves, the issue of where the pipelines pass is of enormous importance; as Putin put it ‘you can build a pipeline or

⁹⁴ Panel on European Security Challenges, Halki International Seminars, June 2009; see also Egenhofer and Behrens, 2009.

even two, three or five. The question is what fuel you put through it and where do you get that fuel...There can be no competition when one project has the gas and the other does not.⁹⁵ Confirmation of the Russian objective to control transit routes to the EU was the rapid layout of a Gazprom alternative to compete with Nabucco: the South Stream gas pipeline (see figure 2).

Although the European Commission (2000) started to formulate the EU's external energy policy in its 2000 Green Paper, it was not until the aftermath of the 2006 row over gas prices between Russia and Ukraine that the Council considered it a top priority to consolidate a common external energy policy in addition to the previous practice of integrating energy issues into relations with third countries (Niewiem, 2007). Despite the fact that, since 1992, former Soviet Republics have experienced the energy leverage of Russia and history shows that Russia and the Soviet Union have consistently used energy supply as a political weapon (Goldman, 2008), the 2006 energy cut-off came as a shock (Westphal, 2006).⁹⁶ Since 2006, the EU has made it clear that energy is a central part of all external relations (European Commission, 2006c; 2007b). To summarise, the EU faces a fragile position for obtaining a diversified and stable energy supply (see Table 15) in a context of increasing world demand for scarce resources situated in a contested area of influence, especially the production area in the former Soviet Union where Russia tries to monopolise energy routes and supply of gas and oil towards the EU as well as towards its neighbours.⁹⁷

⁹⁵ Putin's declarations at the South Stream project signing ceremony, 28 February 2008.

⁹⁶ Interview with a German expert, Tbilisi, 13/05/2009.

⁹⁷ 'The Geopolitical Fortunes of Russia and China', *Stratfor Geopolitical Diary*, 16/02/2010.

Table 15: EU-27 imports of natural gas and crude oil in 2006, in percentage

Country/Area	EU Gas Imports	EU Oil Imports
Russia	42	33.5
Norway	24.2	15.8
Algeria	18.2	
Saudi Arabia	-	9.0
Iran	-	6.4
Nigeria	4.8	3.6
Libya	2.7	9.4
Egypt	2.7	
Qatar	2.1	
Total consumption	311 billion cubic meters	4,121 million barrels

Source: European Commission (2009), *EU Energy and Transport in Figures, Statistical Pocketbook*, Brussels.

In this scenario, the importance of the Caspian basin's oil and especially gas reserves are crucial for the diversification of the EU's energy imports. In reality, it is the only region where the EU can further diversify its gas imports; while oil is relatively easy to transport, gas supplies need to be 'compressed' through pipelines and although liquefied gas is an alternative option, it is still more expensive and limitedly available. Under such circumstances, the Caspian basin offers large gas reserves from where it is still feasible to connect its gas production to Europe via pipelines.

The geopolitical repercussions of the Southern Energy Corridor are evident as it bypasses Russia. They also show the EU internal struggles relating to energy security. The EU suffers from a blatant lack of internal coherence in the energy sector when projecting its rules outside its borders (Youngs, 2007): despite a certain density and clarity of rules in the EU's energy *acquis*, member states are reluctant to comply with the liberalisation directives of the sector and access to their market. They also tend to search for bilateral arrangements

with energy producers, prominently in the case of the divide-and-win tactics of Gazprom looking for bilateral arrangements with Germany, France, Italy and other smaller members (see Goldman, 2008). In particular, for some important member states, such as Italy, France or Germany, Russia is seen as a strategic partner in the field. They were not at all convinced until the energy rows between Ukraine and Belarus with Russia, in particular the 2009 clash between Ukraine and Russia, that transporting gas through Georgia and Azerbaijan is the most reliable option (Lussac, 2010).⁹⁸ Indeed, before the 2004 enlargement, member states tried to monopolise relations with the Southern Caucasus and were reluctant to give the EC a relevant role in the region (Helly, 2003), which in turn affected very negatively the EU's governance in energy issues as it requires a regional approach. Since 2004, the Visegrad group, formed by the Czech Republic, Hungary, Poland and Slovakia, represents an opposite view and has recently lobbied for the final construction of Nabucco as they see the diversification of energy supplies from Russia as a strategic goal (Lobjakas, 2010).⁹⁹ Therefore, the 2004 enlargement and the energy rows of 2006 and 2009 between Ukraine and Russia have been decisive in reinforcing the role of the EC and the profile of the EU's external governance in the region regarding energy security.

As table 16 shows, important member states' energy companies are close partners of Gazprom and are therefore not very keen on the Nabucco project. Companies such as ENI, Eon or GDF-Suez collaborate with Gazprom in different energy projects, South Stream among them (Paillard, 2007). As part of this less hierarchical nature of external governance, energy multinationals are key actors because of the need to count on their capital to realise the important investments required in the energy sector.

⁹⁸ The 2008 August War between Russia and Georgia put into question the reliability of the BTC and BTE (Blank, 2009: 430); the BTC was closed during the conflict.

⁹⁹ See 'A Slight Thaw'; *Financial Times*, 04/12/2009; or *The Economist*, 06/03/2010.

Table 16: Black Sea and Caspian Basin existing and projected pipelines for supplying Europe

Pipeline	Source of Energy and Main Provider	Main Sponsors	Capacity	Status
Baku–Novorossiysk pipeline	Oil, Azerbaijan	Socar (Azerbaijan), Transneft (Russia)	Current supply: 80,000 bpd	In use since 1997
Baku–Supsa Pipeline	Oil, Azerbaijan	Georgia, Azerbaijan, Kværner (Norway)	145,000 bpd	In use since 1999
Baku-Batumi (Georgia) Railway	Oil, Azerbaijan, Kazakhstan, Turkmenistan	Russian Empire-USSR	Variable , around 120,000 bpd	Operative at non-regular basis
Baku-Tbilisi-Ceyhan BTC	Oil, Azerbaijan, Kazakhstan	Georgia, Azerbaijan Turkey, US, consortium led by British Petroleum	1 million bpd	Linefill started in 2005
South Caucasus Gas Pipeline, (Baku-Tbilisi-Erzurum) BTE	Gas, Azerbaijan	Georgia, Azerbaijan Turkey, US, consortium led by British Petroleum	20bcm/year	In use since 2006, supplying Turkish market
Blue Stream	Gas, Russia	Gazprom (Russia), ENI (Italy): Offshore Botas (Turkey) and Gazprom	16bcm/year	In use since 2003, supplying Turkish market
Nabucco	First stage: Gas, Azerbaijan and potentially Turkmenistan	EU, consortium of 6 companies ¹⁰⁰	31bcm/year max.	Feasibility study finished
South Stream	Gas, Russia, Central Asia	Gazprom, ENI: Offshore (and GDF-Suez 10%). Plus transit countries companies	63bcm/year max.	Feasibility/ environmental studies in process
White Stream GUEU (Georgia-Ukraine-EU pipeline)	First stage: Gas, Azerbaijan and potentially Turkmenistan	Azerbaijan, Georgia, Ukraine. EU and US (but no financial commitment)	32bcm/year	Feasibility/ environmental studies in process

Sources: BP webpage: www.bp.com; Starr and Cornell, 2005; Pamir, 2007; Cornell and Nilsson, 2008.¹⁰¹

The table also illustrates the importance of the region in terms of energy transit and the geopolitical struggle around it. While Russia aims to control energy supplies and transit

¹⁰⁰ BOTAS (Turkey), EAD (Bulgaria), MOL, (Hungary), OMV (Austria), RWE (Germany), Transgaz (Romania).

¹⁰¹ See also ‘EU secures Turkmenistan gas deal’, *BBC World*, 14/04/2008, <http://news.bbc.co.uk/1/hi/world/europe/7347051.stm> [accessed 18 August 2009].

routes driven by a mix of economic and geopolitical interests (e.g. Monaghan, 2007; Rosner, 2007; Götz, 2008), the US is mainly driven by the political aim of preventing it in the case of the Caspian transit routes (Cornell and Starr, 2006). In that sense, the US, especially the Clinton administration, promoted and backed the construction of the Baku-Tbilisi-Ceyhan (BTC) pipeline, despite it running through the turbulent Georgia of the early 2000s (Cornell and Ismailzade, 2005; Baran, 2005:107; Winrow, 2007), which was at that moment close to becoming a failed state (Rotberg, 2003). The central role of the US in leading the project is demonstrated by increased training of the Georgian armed forces and the US training a special surveillance unit for the pipeline (Winrow, 2007). Apart from diminishing the Russian grip on the transit routes, the US has been especially aggressive in preventing any possible deal with Iran. As the next section will show, this policy has clashed with EU and Georgian projects.

In conclusion, the EU's ability to put forward its agenda in energy issues relating to the wider Black Sea area and the Caucasus may be hampered by two main factors. First, regional competition may obstruct EU attempts to establish a coherent and widely accepted external energy policy among EU member states (Nuriyev, 2008). It was only as a result of constant rows between Russia and its neighbours that the Council decided in earnest to implement the Commission's plans such as the Southern Energy Corridor. In this case, the energy interests of many new members and their distrust of Russia reinforced the process. This is a key development within the EU. Before the 2004 enlargement, the EU-15 was made up by states that, with few exceptions such as Sweden, prioritised relations with Russia over development in the Eastern neighbourhood. Since 2004, most of the new CEEC member states, led by Poland, are often indisposed towards Russia and prioritise engagement with the Eastern neighbourhood (especially Ukraine). Second, the EU has accommodated US policies in the region. In both senses, the EU has mainly reacted to the regional dynamics with the recent exception of pushing its agenda on the Southern Energy

Corridor. In this scenario, the position of Georgia has become strategic with the need for the EU to promote its stability and reliability as a transit country. The following section will investigate whether under such conditions the EU has had an impact on shaping domestic responses in Georgia.

5.3. GEORGIAN RESPONSES AND EU IMPACT

The main incentives for Georgia, derived from its participation in the EU's external energy governance, are threefold: First, given that integration into the European Union is one of Georgia's foreign policy goals (Gochitashvili and Krakauskas, 2006: 59), approximation of the domestic energy sector to the EU's energy policy is of extreme importance since it is the sector where convergence of Georgian and EU interests is most evident.¹⁰² However, given the perception among some EU member states that Georgia is unstable and unpredictable, the position of the country as a reliable energy transit country is disputed, especially after the 2008 August War. In that regard, approximation of the energy sector with the EU's energy market is of primary importance for Georgia to secure its position as a transit country and increase revenues from transit fees, especially with the debate on alternative routes of supply for the Caspian and Iranian gas resources towards the EU and Turkey.

Second, the realisation of the Southern Energy Corridor would not only attract investment to Georgia but would also strengthen the position of the country in terms of energy security as it would obtain further free supplies of gas.¹⁰³ This process would give the country a premium in international ratings to attract investment and to borrow more cheaply. Lastly, the normative issue of becoming part of a European sphere and intensifying relations with the EU plays an important role in the ambitious harmonisation strategy of the energy sector

¹⁰² Interview with an officer of the Georgian Ministry of Energy, Tbilisi, 20/05/2009.

¹⁰³ For instance, after the conclusion of the BTE and the North-South Russia-Armenia gas pipeline, the country enjoys 5% and 10% respectively of free gas supplies.

with the EU according to the ENP AP and the goal of acceding to the Energy Community. Under these circumstances, the following section traces Georgian responses to the EU's external governance in the context of domestic and international dynamics from a historical perspective.

5.3.1. The energy sector during the Shevardnadze years: 'a corridor through thorns'

At the time of the disintegration of the USSR, gas supplies to Georgia came through a diversified pipeline system from Azerbaijan, Iran and Central Asia via Russia. After an opaque deal, following the collapse of the USSR, all of the gas supplies to Georgia were coming from Turkmenistan, exclusively provided by the Russian supplier Itera (Jervalidze, 2004b; 2007). Difficult relations between Azerbaijan and Iran prevented the use of Iranian supplies to the CIS and there was no pipeline grid between the Caspian and Georgia. In addition to the incentives created by the collapse of the USSR and given the lawless situation in Georgia between 1992 and 1995, criminal deals characterised the international gas contract between Georgians, Turkmen and the Russian provider, as well as internal distribution (Jervalidze, 2004a). Linkage between former Soviet social networks in the energy sector was an important feature until 2006 when tensions between Russia and Georgia escalated.

On the one hand, former pan-Soviet networks facilitated transnational opaque and highly beneficial deals and on the other, domestic arrangements between different stakeholders created 'an unwritten but understood set of rules that served those in power and sustained the livelihoods of the rest' (Closson, 2009: 763); at a domestic level, failure of the energy sector was not a failure of development but a tool for reinforcing those operating within an alternative system of networks (Closson, 2009: 763). Any possibility of reforming the

energy sector was doomed to failure given the state capture by interest groups. As a Georgian energy expert has put it:

Georgia's energy and gas sector is managed by old Soviet technocrats that have been in shadow business with similar Russian groups. They have neither modern knowledge nor vision on the development of Georgia's gas sector without involvement of the state Russian companies...as a main lobbyist group for the emergence of the Russian state companies in Georgia [it] has been motivated by corporate interests (Jervolidze, 2004a).

The only project that could bypass these networks was the ambitious BTC due to the personal control by Shevardnadze and the politico-financial support of the US.

The relevance of the Georgian position in the Eurasian energy market is undoubtedly linked to the construction of the BTC and the ensuing layout of the parallel South Caucasus gas pipeline BTE. From the outset, the BTC was partly a political project initially promoted by Aliyev, president of Azerbaijan, Shevardnadze and the Clinton administration in the late nineties (Cornell et al., 2005; LeVine, 2007). The immediate trigger for the BTC was the practical impossibility in undertaking the Russian project to transport the Azeri oil export production through the Northern Caucasus to the Black Sea port of Novorossiysk, due to the Russian loss of control over Chechnya during the nineties. Given the ongoing conflict between Armenia and Azerbaijan over the Karabakh, the only option available was to construct the pipeline through Georgia to the Turkish Mediterranean port of Ceyhan. For Turkey, this was also a preferable option not only because of the transit fees but also because of the limits posed by the congested maritime traffic through the Bosphorus strait (Yakobashvili, 2008: 91; Özdemir, 2008: 102). Despite the fragility of the Georgian state and the instability of the country, with US support Shevardnadze was able to bring the Azeri and Turkish governments together.

The BTC has had an enormous impact in Georgia. First, at a regional level, it was a cornerstone for the strategic partnership between Azerbaijan, Georgia and Turkey that

created from scratch political contacts at all levels, as well as the trade, transport and energy interconnection between these countries (Cornell et al., 2005). As chapter 3 showed, by 2008 Turkey was the main trade and investment partner in Georgia. This is partly as a direct consequence of the BTC and the BTE. The high degree of linkage between Georgia and Turkey is represented by the existence of a FTA between both countries, the BTC and BTE, the construction of the Kars-Tbilisi-Baku railway (see Lussac, 2008), a projected interconnection of electricity grids as well as the increasing shift of Georgian emigration from Russia to Turkey. This is of very high importance in EU–Georgian relations because it also links Georgia to Europe since it becomes a key transit country in the East-West routes. Although some commentators downplay the strategic significance at an international level of Georgia as a transit country (Mitchell, 2009), the fact that 5% of all European oil imports go through Georgia indicates the significance of the Southern Caucasus corridor. In the case of the BTE, gas from Azerbaijan supplies the Turkish domestic market but if Nabucco becomes a reality, the role of Georgia as a gas transit country will also be linked to Europe.

Second, the BTC increased the economic independence of Georgia at a moment when all gas supplies came from Russia. This situation became obvious when the gas and electricity supplies from Russia were mysteriously interrupted in January 2006 after a series of explosions on the Russian side of the border with Georgia. Since then, forced to diversify (and to a great extent thanks to the BTC, the BTE and the interdependence between Azerbaijan, Turkey and Georgia), the latter is not dependent anymore on Russian supplies. The East-West corridor has therefore diminished the political leverage of Russia in the region.

In such a scenario, highly influenced by regional competition as aforementioned in terms of the pressures from the US and Russia, we would expect the EU role to diminish. However, the EU has had an increasing major presence in the region and particularly in Georgia. The

TRACECA and INOGATE projects in particular have had an important significance in Georgia (Papava, 2005).¹⁰⁴ As seen in chapter 3, investments coming from those programmes made up most of the international investments in Georgia during the nineties. In particular, INOGATE was instrumental in rehabilitating the Supsa oil terminal and although the EU did not have a direct involvement in the construction of the BTC, INOGATE was a key cornerstone for the construction of the pipeline in terms of providing technical assistance. The BTC consortium, thanks to the existence of INOGATE, was organised around EU energy market rules as well as international law (Papava, 2005). It is important to stress that the PCA in its art. 96 states that the ECT is an intrinsic part of the partnership agreement between the EU and Georgia. Given that the participants of BTC and BTE are members of the Charter, there was the contractual obligation of setting the project in terms of the ECT. Georgia's international economic function as well as its economic development ultimately rests upon the framework of the TRACECA and INOGATE projects (Papava, 2005: 86). To summarise, these projects and BTC anchored Georgia in the Western energy markets and created a certain linkage between the EU and Georgia, despite the fact that the EU role was reduced to providing an internal legislative framework in addition to the Energy Charter.

Until recently, cooperation remained at a technical level and the EU kept a low geopolitical profile in the area until 2006. The EU and Georgia lacked a bilateral institutionalised setting for energy issues until the ENP. At a regional level, the EU's role within INOGATE was explicitly designed to provide technical support. Thus, EU interventions in the Georgian energy sector were channelled to assist the country in its specific energy crisis and then driven by humanitarian considerations. EU rules and the ECT might have been an important

¹⁰⁴ Interview with a Georgian expert, Tbilisi, 28/04/09.

element in the legal aspects of the construction of the BTC and BTE, but domestic reforms in Georgia became a difficult process due to vested interests during the Shevardnadze years.

The degree of corruption in the energy sector was reflected in the constant blackouts and energy shortages (Phillips in Lynch, 2006: 22). The former Minister of Fuel and Energy was finally arrested in 2004 and accused of corruption. This instability has rendered the country susceptible to geopolitical pressures from external powers regarding energy (Lynch, 2006). Distrust was also common among external actors, particularly between the US and Russia, and the EU was not willing to have a role in such a situation. For example, by the end of 2003 the attempts by Gazprom to take over Itera in Georgia were a source of serious US concern (Lynch, 2006). The agreement between Gazprom and the Shevardnadze government specified that both parties intended to use the two North-South pipelines for transit purposes (Jervalidze, 2005). Bendukidze himself declared in 2004 that Gazprom's grounds for controlling those pipelines was to transport gas to control Iranian gas supplies to Turkey and the EU (Socor, 2005). Finally, US pressures have brought to a halt the intentions of transiting Iranian gas through Georgia towards the Russian grid.

This example reflects the unwillingness of the EU to get involved in political struggles in the region. Thus, the Iran/Armenia/Georgia/Ukraine grid was a preferable option for the EU as it would ensure stable and diversified gas supplies to Armenia and would allow the closure of the old Armenian Nuclear Plant which was situated on a highly seismic area. The EU also preferred this option so as not to further alienate Armenia from the Southern Caucasus energy routes, but given the strong US support for the East-West energy corridor, the EU refrained from any confrontational policy. Fears of relying on an unstable country and region were also putting off any real attempt from the EU's side to promote energy links with the area. Until the energy crises of 2006 and 2009, Russia was considered a key energy partner which was stable and reliable. Nabucco was just a last-resort option that only

had serious European backing once the other options were off the table. Paradoxically, the EU is benefiting from the US-supported BTE, which has become a foundation for the most strategic energy project supported by the EC.

Since 2006, the EU's role has become more intrusive and assertive although it is trying to foster incentives in the form of investments and diversified access to its energy market. In the case of Georgia, the costly adaptation of becoming a member of the Energy Community is partly explained by the aim of becoming part of the inner circle of the 'ring of energy cooperation' to demonstrate the 'Europeanness' of the country. Accession to the Energy Community by far exceeds the minimal needs of adaptation for becoming a credible and reliable energy transit country; for instance, it could just implement the overall energy-related reforms agreed on the ENP AP. However, the drive behind the Georgian maximalist integrative desire is as much a product of ideational factors as of structural pressures. The paradox is that the apolitical engagement of the EU's external energy policy (at least at first sight) has created long-term conditions of impact on Georgia. The following section unravels this puzzle.

5.3.2. Energy cooperation during the Saakashvili administration: a link to the West

The impact of the EU has increased considerably since 2006. In contrast to the reactive policy of the nineties and early 2000s, the external governance approach has created a strategic framework to foster EU interests with incentives to most of the wider Black Sea countries. In the case of Georgia, the level of cooperation and linkage with the EU has increased considerably thanks to the ENP and EaP framework. Whereas the ENP established a reform agenda based on steps to be taken by the Georgian government, with the Commission evaluating the process and giving some technical support and some financial assistance from INOGATE and IFIs albeit on a small scale, the post-August war

and the January 2009 Russo-Ukrainian crisis increased the EU's commitments. In May 2009, the EU organised a Southern Corridor energy summit where the EU showed an unprecedented level of ambition, putting on the table concrete plans of investment and security of market for suppliers (Lobjakas, 2009).¹⁰⁵ According to one EU official the EU 'will commit whatever political, economic or—if needed—financial support necessary' (in Lobjakas, 2009).

The previous section showed the regional implications of such an approach and the impact the EU is having on shaping energy cooperation in the wider Black Sea area. At a domestic level, but related to the external governance approach, the EU has set in motion a series of important reforms in Georgia. One of the core elements of external governance in the energy sector is the role of the EC as a regional core. The leading role of the EC has allowed the emergence of a range of important instruments to foster the projection of the EU's internal energy market in the region. First, following the trend of INOGATE it promotes best practices and policy coordination. With the ENP (in practice, available since 2008), there is the possibility of launching Taiex and Twinning programmes. In the case of Georgia, the long process for setting up a Twinning programme and the little value that some politicians see in it has slowed down the establishment of such programmes in the Ministry of Energy despite the value that civil servants give to them.¹⁰⁶

Regardless of this problem, the cooperation between the Ministry and the EC has been intense and the process of harmonisation is ongoing with the assistance of the EC.¹⁰⁷ Since

¹⁰⁵ Participants in the summit included the President of the EC, the head of government of the presidency, the head of governments of Azerbaijan, Egypt, Georgia, Iraq and Turkey as well as representatives of Kazakhstan, Turkmenistan and Uzbekistan.

¹⁰⁶ Interview with an officer of the Georgian Ministry of Energy, Tbilisi, 20/05/2009.

¹⁰⁷ The main tools of technical assistance are based on socialisation mechanisms that put emphasis in transfer of policy templates through workshops in Tbilisi or Brussels or expert advice (see 'Eastern

2008-09, there exists a clear reform programme (see Table 13) to be implemented by the end of the ENP AP in 2011. An important ongoing reform under this programme is the adaptation of the Energy Regulatory Commission towards EU standards as well as the liberalisation of the producing and supplying ends of energy production ('unbundling' in EU's terms). Therefore, from 2008 the impact of the EU on shaping domestic reforms is important, although the main driver of the EU–Georgian agenda is the adaptation of the Georgian energy sector to the regional dimension of energy security. This requires legislative and regulatory changes which are underway and the upgrading of facilities to ensure the reliability and security of the energy sector, which is assisted by INOGATE, IFIs and the US 'Millennium Challenge Fund'. The electrical connectivity between Turkey and Georgia also requires the adoption of common standards, transparency and regulatory convergence which are based on the convergence with the EU internal energy market.¹⁰⁸

At a regional level, linkage has also increased. With the EaP, the Energy Security Platform has set up ministerial level meetings once a year and the EU and Georgia have established a sub-committee for energy issues in December 2009. In this context, the EU is also involving IFIs such as the EBRD and the EIB for the financing of regional energy projects;¹⁰⁹ the Nabucco Consortium has asked the EIB for up to €2 billion.¹¹⁰ These factors represent a move from the ENP initial approach, based on documents agreed with partners and their follow-up, towards higher political and financial engagement. This regional

Partnership, Platform 3-Energy Security. Core objectives and Work Programme 2009-2011', http://ec.europa.eu/external_relations/eastern/platforms, last accessed March 2010).

¹⁰⁸ Interview with an officer of the Georgian Ministry of Energy, Tbilisi, 20/05/2009.

¹⁰⁹ Energy projects make up 56% of the EIB operations in Eastern Partner Countries (see EIB factsheet, www.eib.eu, [accessed 9 February 2010]). See also 'EIB Says Prepared to Help Finance Nabucco Pipeline', *Reuters*, 23/07/2009.

¹¹⁰ 'Nabucco Seen Asking EIB for up to 2 billion Euro', *Reuters*, 05/02/2010.

framework is creating some problems with Russia as it is concerned with other external actors taking the lead in energy projects in its near abroad.

Therefore, the impact of the EU on the Georgian energy sector has been important since 2006, but only after a series of shocks that turned Georgia towards the EU. Despite the strong interest of Georgia in cooperating in relation to the Southern Energy Corridor, the EU has preferred to put an emphasis on the convergence of energy legislation and regulatory practices of Georgia with the EU to advance the previous aim. This could have led to diverging interests and normative difficulties for implementing the agenda of cooperation and reform due to issues of lack of legitimacy of the EU practices as seen in the ‘governance by conditionality’ case study. In fact, the first political decisions regarding the domestic energy sector were certainly different to the final outcome of the process of cooperation with the EU. What explains this change in the Georgian approach?

In the radical privatisation programme of 2004, Bendukidze envisaged the privatisation of the Georgian energy enterprises including the main gas pipeline grid, considered by the Georgian Constitution as strategic. It was only after political pressure from the US that the Georgian government gave up the idea of privatising the gas pipeline grid. This had profound and immediate consequences between Georgia and Russia in 2006 when the gas supply to Georgia was cut off after a row over the gas price. As mentioned earlier, until that moment as a result of the gas supply deals of the early nineties, Georgia had only one source of gas: Turkmenistan through the Russian-based gas trading company Itera, later taken over by Gazprom. It is normally argued that the cut-off was the Kremlin’s retaliation for the pro-Western orientation of the country (e.g. Asmus, 2010).

However, it is difficult to understand how a premeditated Russian cut-off of gas supplies to Georgia could have benefited the political leverage the Kremlin had with Georgia when the BTE had the potential of supplying the Georgian domestic market. In addition, gas supplies

to Armenia, the main Russian ally in the region, run through Georgia and it is difficult to see why the Kremlin would 'shoot itself in the foot'. Moreover, outside Tbilisi, the domestic impact in Georgian households of gas cut-offs was small as 67% of Georgian households' heating material comes from wood and only 11% from gas (Kochladze, 2009: 14). It is more plausible to understand the developments of Russo-Georgian energy quarrels as a product of struggles between interest groups and the failure to hand over the Georgian gas pipeline grid to Gazprom.

Before the 2006 crisis, Gazprom's objective in the North-South pipeline was to upgrade it from the current 9.5 bcm/year to at least 18 bcm/year. In 2003, the joint consumption of gas in Georgia and Armenia was 2.5 bcm/year. Given that, during Soviet times, the peak of consumption in Georgia and Armenia reached 11 bcm/year when both countries had a far larger population than in 2010 (and very low-efficiency usage), it is inconceivable that the upgrade was directed towards the regional market (Jervalidze, 2004b). On the contrary, it aimed to monopolise gas supplies towards Turkey and Europe from Iran to the detriment of other alternatives (Jervalidze, 2007). Gazprom's South Stream initiative after the projection of the BTE and the final push to the EC-sponsored Nabucco indicates that the whole struggle lies in monopolising further deliveries from the Caspian and Iran towards Turkey and Europe (Pamir, 2007: 261). Indeed, the EC's agenda in relation to diversifying energy routes and cooperating more closely with Caspian basin countries (despite human rights and democratic conditions in those countries), pushed forward by the Directorate General (DG) Energy and DG-External Relations (Lussac, 2010), has moved forward when the traditional German and French reluctance in that regard diminished. As developed in the previous section 5.2, German, French and Italian energy champions collaborate closely with Gazprom, and Germany and Italy are important importers of Russian gas. Hence, it was not until the aforementioned Russo-Ukrainian rows over energy that the EU was not given an explicit and strong role in order to support the layout of the Southern Energy Corridor. It

was then that vertical coherence was overcome (some reluctances from important member states'), which allowed the EC to become an important player in the region in the sector.¹¹¹

Therefore, the close cooperation between Georgia and the EU, including the willingness of the former to enter the Energy Community is not a *direct* consequence of institutional developments in the external governance approach of the EU, but a result of domestic factors and pressures from regional competition. The initial policy option of the post-Rose Revolution government was a compromise with Gazprom; the EU favoured the pipeline from Iran through Georgia and Ukraine for obtaining gas and to prevent the isolation of Armenia. US pressures stopped that from happening and increased Russo-Georgian tensions, already high as a result of the Abkhazia and South Ossetia conflicts (e.g. Kandiyoti, 2008: 173). Direct clashes between the Kremlin and the Georgian administration deteriorated so badly that in the end it reached personal levels (see Tsygankov and Tarver-Wahlquist, 2009).¹¹²

The 2008 August War was an extremely important turning point for the final push of the energy agenda between the EU and Georgia. For Georgia, the aftermath of the war narrowed policy choices in terms of succumbing to Gazprom or enhancing cooperation with the EU to reinforce the transit role of the country. After the war, the West pledged \$4.5 billion for the country and the EU stepped up political involvement through the EaP and the EIB. In the case of energy, the Georgian government has sped up the implementation of the reform agenda with the EU in an arduous effort to show the credentials of being a reliable

¹¹¹ Interview with an officer of the Georgian Ministry of Energy, Tbilisi, 20/05/2009.

¹¹² Personal animosity between Saakashvili and Putin is well known and it is an important factor in the pre-August War escalation. Saakashvili used to call Putin 'Liliputin' and it has emerged that Putin threatened to 'hang Saakashvili by the balls' in a meeting with Sarkozy while discussing a peace deal (see Luke Harding, *The Guardian*, 14/11/2008).

partner that it is worth investing in; promoting the EU agenda is mainly a domestic calculation aimed at gaining back the sympathies of the markets, the EU and the US.

The key issue for understanding the impact of the EU is that despite the structural pressures on Georgian choices and the domestic linkages with Russia which seemed to confer a secondary role on the EU, it emerged as a crucial point of reference for Georgia once choices narrowed. Thus, the institutionalisation of the EU's engagement around the 'external governance' approach laid the foundations for the impact of the EU. In addition, increasing path dependence of the Georgian energy sector, linked to the role of the country as a key transit country in the East-West corridor, helped to frame the ideational push for adopting EU rules.

5.4. CONCLUSIONS: EXPLAINING THE OUTCOMES

Contrary to the expectations of the analytical framework, the EU has had a considerable impact on an issue-area strongly influenced by geopolitical pressures. The empirical analysis of the external governance of the EU in the energy sector has shown the diffuse and complex causal processes that explain the pathways of EU impact on Georgia and the broader regional context in such a complex area. Thus, this case study is of important value because it illuminates different facets at different points in time of the logic of position and interpretation and crucially, their interconnection. From a logic of position perspective, institutional and structural factors fed back to each other. The EU faced potential problems stemming from all three determinants of EU impact from a logic of position perspective: First, vertical incoherence between EU-level goals and member states' policies has been a constant problem; second, linkage of domestic actors with former Soviet networks shaped domestic policies which created strong domestic path-dependent inertias until 2006; and third, US and Russian geopolitical goals in the region influenced both domestic and EU reactive policies.

However, this scenario changed after 2006 due to two main factors: First, the EU internally overcame its vertical incoherence to a great extent when Russia cut off gas supplies over disputes with Ukraine, which tilted the balance in favour of increasing efforts to diversify energy suppliers and routes leading to a more forceful support of the Southern Energy Corridor. Second, US pressures to prevent the Russian attempts to monopolise Caspian energy supplies have had the double effect of creating a path dependence process in both Georgia and the EU in terms of the Southern Energy Corridor. In the case of the former, despite some hints from the post-Rose Revolution government at collaborating with Russia on some energy deals, the US pressed for reinforcing the energy corridor transiting the Southern Caucasus. In the case of the EU, it built upon the US-backed plans to establish an alternative route to Russia. Thus, Georgia has been 'locked-in' by path-dependent processes derived from the East-West corridor and increased linkage to the West and Turkey in its role as a transit country.

The choices for the Georgian government narrowed following the breakdown of the Russo-Georgian personal networks in the energy sector and governmental quarrels between Georgia and Russia, and after the enormous shock of the 2008 War; external governance became a powerful mode of governance to foster the EU's interests. In a hypothetical scenario of no external governance it is difficult to see how the EU could have had any impact. The institutionalisation of the EU's engagement in the energy sector through external governance has given the EU an important role as a 'regional hub' in an area with potential distributive and enforcement costs. This approach put forward a regional reform agenda with different degrees of ambition: from a memorandum of understanding with Azerbaijan to the accession in the highly conditional and institutionalised Energy Community of Ukraine and Moldova, with Georgia and Turkey as observer members with possibilities of accession. Thus and importantly, contrary to the expectations of the

‘regional competition’ condition, the EU has had a considerable impact on an issue-area strongly influenced by geopolitical pressures.

From a logic of interpretation perspective, although domestic choices are heavily influenced by the incentives offered by the EU and the regional-level pressures derived from competition between Russia and the US, ideational components explain the maximalist approach of Georgia. Indeed, once path-dependent process and structural factors narrowed the choices available, ideational elements informed and shaped the extent to which the Georgian government should pursue relations with the EU in the energy area. Thus, the Georgian government opted for taking the most ambitious agenda of integration illustrated by the goal of accessing the Energy Community, which requires a strong normative convergence and implies the hierarchical role of the EU.

To summarise, to advance the political and economic agenda of the EU on energy security, the external governance approach has been a necessary condition. Within this approach the key factors have been the expansion of EU energy rules and standards based on an increasingly dense and clear *acquis* within a highly institutionalised setting, as well as the coordinative regional approach of the EU with a pragmatic and inclusive regional leadership. However, it is important to stress that the external governance approach is not per se a sufficient condition for EU impact at least in a scenario of high geopolitical competition such as this case. The EU-supported Southern Energy Corridor builds upon the East-West oil and gas pipelines pushed by the US to prevent the Russian monopoly over the Caspian basin supplies. The EU participation in those projects was rather passive given the perspective of isolating Armenia. If the EU-sponsored Southern Energy Corridor is possible, it is mainly because of the path dependence processes set off by the BTC and BTE with the support of the US in inextricably linking the international position of Azerbaijan and especially Georgia with their transit role between Central Asia and Europe.

The main difference between the Russian, US and EU approaches is the high degree of both the institutionalised and the legal scope of regional and bilateral relations in the sector of the EU. Once geopolitical tensions diminish or, as in this case, narrow domestic political choices, the EU's external governance approach proves extremely effective. The following chapter will show that in a scenario with similar challenges, the lack of consistent and clear rules and the existence of a looser institutional framework affect the credibility of the EU's governance and the possibility of any meaningful impact.

CHAPTER 6 - COOPERATIVE GOVERNANCE: SECURITY

SECTOR REFORM

A distinctive characteristic of the EU as a political project is its foundation values based on peace, liberty and cooperation. Historically, democracy and the rule of law have been added to the values that the EU is founded upon (Duchêne, 1973). Such values have become constitutive elements of the EU's political identity and they underpin the principles of the EU's foreign policy (Lucarelli, 2006: 8-13). In particular, the aftermath of the Cold War left an immense ideological and political void in world politics that Western powers hurried to fill with the expansion of their values of liberal democracy and economic development based on market economies. During the nineties the EU rapidly developed a political corpus of values and principles where it aimed to promote peace, security and economic development in third countries. In the context of enlargement, those principles were enshrined in the 'Copenhagen criteria' for membership. Consequently, the political characteristics of partner countries are an important yardstick for the EU to establish closer relations. Ideally, democracy and the rule of law together with the economic sphere (see chapter 3) constitute the key areas where the EU considers and evaluates the possibility of upgrading political and contractual relations, (inconsistencies notwithstanding). Security Sector Reform (SSR) becomes a cornerstone in such considerations.

This chapter examines the impact of the EU on SSR, which, as set out in chapter 1 is a conceptual policy framework that refers to the reform of the areas related to a state's security in a broad sense. SSR refers to all activities leading to developing a more effective and efficient security sector broadly understood (Bernabéu, 2007: 80). This is intrinsically linked to the concept of good governance, and it therefore alludes to the necessity of reforming not only the armed forces and intelligence services, but also the judiciary, police

or border management in order to increase the accountability of the security framework, and then, achieve better governance, democracy and economic development (Wulf, 2004). The concept, thus, refers to a shift from an exclusive focus on ‘governments’ to ‘governance’ (Bernabéu, 2007: 80-81), which fits well with EU approaches to governance. In general terms, the EU’s governance in this broad policy area is characterised by the existence of a mix of international and EU norms and rules in addition to bilateral assistance programmes. It is also characterised by inter-pillar responsibilities and hence the Commission and the Council have a division of labour not always conducive to a coherent EU policy. In relation to Georgia, the EU explicitly stresses its important role in fostering reforms in the judiciary and border management (Council of the European Union, 2007b). This chapter will look at EU involvement in both areas and also in the reforms of the Ministry of Interior. The analysis will finish by giving some references to defence reforms as a counterfactual area of non-EU intervention.

One of the main problems the EU has in fostering SSR in third countries is the lack of an internal coherent and clear corpus of rules. As mentioned, despite being an ideational constitutive element of the EU as a political system, democracy, the rule of law and by extension SSR, are based on loose and inconsistent norms and rules. Likewise, vertical and horizontal incoherence are likely to arise given the lack of clear institutional competences, authority in terms of the rules to be promoted, enforcement, monitoring and diverging political interests between member states. In this regard, given the open framework of cooperation in SSR, evaluation criteria are susceptible to political interpretation. For instance, a prominent Estonian MP declared in 2006 that ‘protecting the *fledgling Georgian democracy* is vital for the survival and emergence of the democratic value system in the territory of the former Soviet Union’ whereas Freedom House consistently notes the

worsening of democratic conditions in Georgia since 2005.¹¹³ In that sense, this is a key difference to the ‘governance by conditionality’ access to the internal market.

This chapter argues that the impact of the EU in SSR has been uneven and severely hampered by these inconsistencies. From an institutional causal logic perspective, EU incoherence and the lack of clear rules as well as a weak process of conditionality linked to clear and credible rewards are crucial factors for understanding the lack of EU influence. Indeed, the impact of the EU on border management has been high because those obstacles have been historically overcome. However, institutional factors are part of the explanation; institutional and structural domestic factors have been the prominent causal logics for understanding the difficulties of low EU impact. But, as in the area of economic reforms (see chapter 3) and to a lesser extent in foreign and security policies (see chapter 4), the EU’s difficulties in triggering reforms according to its rules and policy paradigms are heavily affected by normative and ideological factors. If ‘Europeanisation’ vs. ‘Dubaisation’ was a metaphor for the normative divergence between the EU and Georgia in the economic sphere, an ‘Atatürk’ model of centralising and strengthening the state has clashed with the EU’s agenda.

Indeed, the immediate ideational referent of the post-Rose Revolution government was to overcome the fragility and corruption of the Georgian state that characterised the Shevardnadze administration. The underlying logic in all SSR areas was to build a new, strong and functioning state. In that sense, building an open liberal democracy was relegated to second place. In fact, this is one of the main puzzles at sector level. Since rule of law and political criteria are important constitutive elements of the character of the EU

¹¹³ Posted in the website of the Estonian Embassy in Washington:

http://www.estemb.org/news/estonian_review/aid-2731 [accessed in April 2010, my emphasis];

Freedom House, *Nations in Transit Reports 2009*:

<http://www.freedomhouse.org/uploads/nit/2009/Georgia-final.pdf> [accessed in April 2010].

policy and clearly stated factors in the ENP for establishing closer relations with the EU (European Commission, 2004: 3), we should expect a greater emphasis in the conditionality aspects of SSR.

As in the previous case studies, this chapter first gives the background of the degree of institutionalisation of the ‘cooperative governance’ approach towards Georgia as well as the reform agenda set between Georgia and the EU. It follows by mapping structural factors in terms of regional competition that may affect domestic responses, especially the importance of US engagement in the security sector of Georgia. It then moves on to discuss the impact of the EU on SSR and on some specific areas of the security sector: judicial and law enforcement; border management; police; and defence. It traces the responses of Georgia in terms of domestic factors, the incentives offered by the institutional setting of the EU and the constraints and opportunities of structural factors in those areas. The chapter concludes by offering an explanation of the outcomes of the empirical analysis.

6.1. THE INSTITUTIONALISATION OF THE EU APPROACH TOWARDS SSR IN GEORGIA

In the field of SSR, the EU has developed a greater and more comprehensive conceptual corpus than the majority of its member states and other international organisations (Sherriff, 2007). The EU has been involved in a number of SSR areas in third countries, including police, military operations and efforts to strengthen the rule of law and reinforce judicial and penitentiary systems, however it has not developed a SSR framework until recently (Law and Myshlovska, 2008: 3). The EU first mentioned SSR in its security strategy issued in November 2003, identifying SSR as one of the core areas where the EU could play a value-added role (Council of the European Union, 2003). The security strategy led to the Council and Commission issuing policy concepts to develop how they could engage with SSR in their different policy responsibilities (see Council of the European Union, 2005b;

European Commission, 2006a). Both concepts have been influenced by the EU and member states' activities and experience, but they draw heavily upon the OECD-DAC (2005) guidelines for SSR. This shows the role of the EU as a transmission belt for international norms.¹¹⁴

The EU's activities in SSR cut across different policy-making procedures and institutional competence and they can operate under either Council or EC responsibilities. With the development of the CSDP since 1999, the EU has set up mechanisms and tools under intergovernmental procedures (former 2nd pillar) for conflict resolution and peace-keeping operations. The scope of intervention under the CSDP as well as decision-making remains tightly controlled by the Council and operations are launched on an *ad hoc* basis, with member states providing personnel and most of the budget. In principle such operations are undertaken when the UN or partner hosts (countries or regional organisations) request EU assistance.¹¹⁵ The first civilian CSDP operation was deployed in Georgia in 2004, the EUJUST-Themis rule of law mission for the reform of the judiciary.

The EC puts democracy and human rights at the centre of its development cooperation programmes and human rights clauses are present in all EC bilateral agreements as is the case with the PCAs. In all these agreements, one of the most important components of the assistance programmes is the reform of justice and border management (Buxton, 2008: 30). In the case of the CSDP, the focus is on short-term missions with an exit strategy that establish blueprints for reform in different areas of immediate post-conflict scenarios or stabilisation and transition assistance such as demilitarisation, border management, rule of

¹¹⁴ It also shows the mutual policy and ideational transfer between Western IOs and their members. Notice that 15 EU member states and the Commission participated in the drafting of the OECD-DAC's SSR concept.

¹¹⁵ See Menon (2009) for a critical overview of the ESDP ten years after its inception and the myriad operations launched since 1999.

law or crisis management.¹¹⁶ Table 17 overviews the division of labour envisaged in the Council and Commission SSR concepts. We have to bear in mind that with the increasing importance attached to Justice and Home Affairs, which in the recent years has moved from pure intergovernmental decision-making to a mixture of intergovernmental-communitarised process depending on the policy context, SSR operations can have a hybrid nature. Indeed, in fields such as judicial reform in Georgia both the EU Special Representative Office (EUSR) (Council of the EU) and the Commission Delegation are assisting the Georgian authorities. It is obvious that the overlap of spheres of engagement, institutional coherence and coordination problems emerge as potential obstacles for the impact of the EU.

Table 17: Spheres of EU involvement according to the Council's and Commission's SSR concepts – Functional separation

	Council	Commission
Conceptual Framework	<ul style="list-style-type: none"> ▪ Broad in nature and generic in SSR principles ▪ <u>Scenarios of engagement</u>: immediate post conflict management; transition and stabilisation phase (supporting new institutions and authorities); and stable post conflict scenarios (assisting the development of democratic institutions) 	<ul style="list-style-type: none"> ▪ Document more specifics in the spheres of possible EU involvement ▪ <u>Areas of engagement</u>: Any aspect of SSR related to the EU's external relations
Common Ground	<ul style="list-style-type: none"> ▪ Relate to the external action of the EU ▪ Holistic approach based on the OEC-DAC concept ▪ Context of intervention: fragile countries; countries in transition; post-conflict countries ▪ Envision the integration of SSR into national development plans 	

¹¹⁶ Civilian missions with a focus on democratisation, police and rule of law (mainly the judiciary) reforms were a demand from the Scandinavian member states for the setup of an ESDP, which was initially dominated by a military dimension initiated by the Anglo-French summit in Saint-Malo in 1999.

<p>Functional Separation</p>	<ul style="list-style-type: none"> ▪ Crisis Management Operations (<u>time-limited operations</u>) ▪ <u>Engagement in areas of CSDP competence</u>: Reform of security forces; police reform; justice and rule of law enforcement; border and customs sector ▪ In countries/regions with a <u>EU Special Representative (EUSR)</u>, the EUSR ensures coordination and monitoring ▪ <u>Tools</u>: Based on advice and assistance to local authorities after an invitation by a host partner or the UNSCR. 	<ul style="list-style-type: none"> ▪ <u>Long-term perspective based on EC policies</u> (First Pillar activities) ▪ <u>Main areas of support within EC policies</u>: Reform of civil management bodies, justice reform, law enforcement, limited support to the areas of army integration and regional capacity building ▪ <u>EC</u>: Regional initiatives such as the ENP and their financial instruments (e.g. ENPI), Pre-accession assistance, Development Cooperation, Stability Instrument (before Rapid Reaction Mechanism)
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Sources: Council of the European Union, 2005b and 2006; European Commission, 2006a; Law and Myshlovska, 2008; Pardo, 2009a

6.1.1. The Cooperative agenda between the EU and Georgia from a SSR perspective

SSR is a conceptual artefact designed to create order in the myriad assistance programmes and activities related to a holistic understanding of the security sector. As such, despite the Commission's recommendations for integrating SSR in revisions of the ENP, the EaP in its current format as well as its prospective AAs do not make direct mention of SSR (Hiscock, 2008: 208). However, the Action Plan (AP) for Georgia, the ESDP Mission EUJUST-Themis and the EaP put a strong emphasis on criminal justice reform, border management reform, the rule of law and institution building,¹¹⁷ key elements of the EU's approach to SSR. Indeed, the Commission's SSR concept paper reviews past activities in Eastern Europe, including Georgia, within the areas of Justice Reform and Law Enforcement; access to justice; reforms in the ministries of Justice or Interior; human rights promotion; and minority rights, as SSR related assistance. Despite efforts for rationalising activities

¹¹⁷ Interview with a senior Commission diplomat, Tbilisi, 25/05/2009. See also Communication from the Commission to the European Parliament and the Council, *Eastern Partnership*, COM(2008)823: http://www.eeas.europa.eu/eastern/index_en.htm [accessed in September 2010].

grouped as SSR, the fact is that they still remain scattered in different policy frameworks, budget lines and different rationalities that makes it difficult to establish a coherent institutionalised agenda of relations in the areas comprised within SSR. The following table illustrates this situation.

Table 18: Summary of tasks to undertake in the context of the EU–Georgian cooperation in SSR

Cooperation Framework	Action	Financial and Technical Assistance	Types of Norms and Agreements
PCA	<ul style="list-style-type: none"> ▪ Strengthening the rule of law ▪ Prevention of illegal activities and illegal immigration 	<ul style="list-style-type: none"> ▪ Drafting legislation, improving the works of courts, improving the human resources management (TACIS and ENPI) ▪ Assistance to the Parliament 	<ul style="list-style-type: none"> ▪ <u>Vaguely defined</u> ▪ <u>International norms</u> (Council of Europe, etc.) ▪ <u>Bilateral Cooperation</u>
ENP Action Plan	<ul style="list-style-type: none"> ▪ <u>Judiciary</u>: Reform the judiciary system in line with European standards according to the strategy developed with the EUJUST Themis mission ▪ <u>Border Management</u>: Develop a border management strategy with the EUSR Support team. Fulfil commitments on border management reforms (increase budget, integration of the border guards into the Ministry of Interior (MoI), reform of the MoI). Increase professionalism and inter-agency coordination ▪ <u>Police</u>: Implement international conventions on cooperation in criminal and civil law. Cooperation with EUROPOL ▪ <u>Strengthen democratic institutions and human rights</u>: Separation of powers, torture, discrimination, probation, prisons, etc. 	<ul style="list-style-type: none"> ▪ ENPI, Stability Instrument (before Rapid Reaction Mechanism), ESDP 	<ul style="list-style-type: none"> ▪ <u>International norms</u> (Council of Europe, ILO, European Charter of Human Rights, The Hague Convention, etc.) ▪ <u>Bilateral cooperation</u> ▪ <u>EU <i>acquis</i> and Political Criteria</u> (mainly on border management: European Four-Tier Border Security System under JHA)
ESDP	<ul style="list-style-type: none"> ▪ <u>Civilian Rule of law Mission EUJUST-Themis</u> 	<ul style="list-style-type: none"> ▪ 10 EU judges. ESDP budget: €2 M 	<ul style="list-style-type: none"> ▪ <i>Ad hoc</i> cooperation
Takeover of OSCE mission	<ul style="list-style-type: none"> ▪ <u>EUSR Border Mission</u> 	<ul style="list-style-type: none"> ▪ Monitoring of possible incidents in the Russo-Georgian border ▪ Assistance to Georgian border police reform 	<ul style="list-style-type: none"> ▪ ENP Action Plan and European Four-Tier Border Security System

Source: ENP Georgia Action Plan (European Commission, 2006b) and PCA-Guide (GEPLAC, 2000)

From this table, we can conclude that SSR activities are not only distributed between different EU institutional frameworks, be that the EC, the intergovernmental CSDP or a mix of both, but also the takeover of a OSCE mission as in the case of the EUSR border mission following its closure in 2005. The EUSR border mission set up a programme for assisting the Georgian Ministry of the Interior in the implementation of an integrated border control system. The mission is not part of the CSDP as the EU kept a low profile in order to prevent tensions with Russia. This point exemplifies the obstacles within the EU regarding the reluctance to carry out overly ambitious SSR initiatives in the region that have the potential to anger Russia (Hiscock, 2008: 209). The table also shows the *ad hoc* character of many of the EU activities in SSR and the low degree of clarity in the norms and rules that characterise 'cooperative governance'.

In general, the EU has until recently acted more as an international donor in assisting the Ministry of the Interior, Parliament and the Judiciary. A higher degree of institutionalisation has grown in the so-called cooperation area of Justice, Freedom and Security, regarding rule of law, border management and migration issues. In addition, with the launch of EUJUST-Themis and the focus on institution-building, the reform of criminal justice has become a centre piece for the assistance programmes of the EU not only in relation to SSR but in evaluating the overall democratisation process of Georgia.

Thus, until the 2008 establishment of the sub-committee on Justice, Freedom and Security, the only bilateral institutional arrangement between the EU and Georgia where those issues could be discussed was the PCA Cooperation Committee, but obviously without the possibility of focusing on a particular issue given the general character of the Cooperation Committee in the monitoring of bilateral relations. The late setup of the sub-committee, two years after the agreement of the AP, is puzzling since rule of law and democratisation are at the top of the bilateral agenda and are the main priority of the AP. As the presidency put in

the 2006 Cooperation Committee ‘The EU attaches paramount importance to the reform of the judicial system as the means of entrenching respect for the rule of law in Georgia’ (Council of the European Union, 2007b: 26). The setup of the sub-committee probably reflects the need to structure a more robust monitoring of AP commitments since Georgia aims to sign a mobility partnership with the EU in order to ease visa requirements, a negotiation that put some pressure on strengthening cooperation with the EU in border management and migration issues.¹¹⁸ Hence, this area has triggered a denser and more conditional institutional cooperation as it affects EU regulations in the area of JHA, regarding movement of people.

We can see then that cooperative and assistance arrangements become more conditional types of governance, and denser in terms of rules, when politically sensitive issues are concerned. Since movement of people is characterised by a high degree of EU *acquis* to have common regulations and rules in this area, migration issues affect border management in relation to customs, data, agency coordination, etc., to control illegal activities of trafficking of any kind. This entails for example, close collaboration with the European Four-Tier Border Security System.¹¹⁹ It is not surprising then that one of the most intense activities of the EU in the Georgian SSR since 2005 has been the border management area.

The other cornerstone of the EU’s involvement in the Georgian SSR is the reform of the judiciary, specifically criminal justice reform. In this area both the Commission and the

¹¹⁸ Improving migration management by increasing customs and border surveillance in addition to signing readmission agreements are prerequisites for a visa facilitation agreement (Barbé and Johansson-Nogués, 2008: 86).

¹¹⁹ This concept includes four different levels of the European Integrated Border Security: internal (intra-EU cooperation), at the border (surveillance and border checks), across the border (cooperation between authorities at the border) and beyond the borders (visa practices, liaison officers, etc.). See FRONTEX webpage: http://www.frontex.europa.eu/origin_and_tasks/origin/ [accessed in May 2010].

Council are involved, but the backbone of the EU–Georgian cooperation was laid out by the EUJUST-Themis mission. The mission was set up in July 2004 after pledges from the Georgian government to receive support from the EU in the process of state-building after the Rose Revolution. The mission consisted of posting 10 judges at the Ministry of the Interior, the General Prosecutor Office and the Supreme Court over one year to issue a strategy of reform that would serve as a main blueprint for the Georgian authorities for the reform of the judiciary. It was clearly not what the Georgians expected from the EU. Rather, the new Georgian administration wanted more political support and security guarantees in the process of conflict resolution (Zourabichvili, 2007), as we saw in chapter 4. One year later, Saakashvili himself was overt in criticising the EU declaring that ‘Georgia had received lots of promises from the EU, but little had materialised.’¹²⁰

However, the EU takes the outcome of the mission very seriously and considers the resulting strategy of reform and its implementation a sign of the degree of commitment from the Georgian government to the reform of the judiciary towards a true model of independent judiciary. Hence, the EU watches developments in the area closely as an important yardstick for the democratic record of the country. The mission has also provided expertise for reform as well as valuable people-to-people contacts between EU and Georgian judiciary (Helly, 2006).¹²¹ The Commission is also closely involved in following up the reforms envisaged by EUJUST-Themis and also undertakes reform projects in the judiciary, reform of the probation system, prevention of torture and access to justice and institutional reform of the ministries of Justice and the Interior; areas that complement the strategy of criminal justice reform.

¹²⁰ ‘Georgia Calls on Europe for Coherent Policy’, *Financial Times*, 20/09/2005.

¹²¹ See Howorth (2007) for a very brief and critical overview of the mission.

6.2. INTERNATIONAL PRESSURES IN THE GEORGIAN SECURITY SECTOR

The main characteristic of the international dimension of the security sector of Georgia is the presence of multiple international actors acting in some way or another in the area. In fact, before the 2004 enlargement and the Rose Revolution, the EU could not see how it could make a difference towards the regional security as the South Caucasus was seen as ‘crowded with different kinds of international actors’ (Lynch, 2003: 17). The unresolved post-conflict situation and the internal situation of the country obviously contributed to this ‘overcrowding effect’. The following table shows at a glance the most relevant security actors since the early nineties in Georgia.

Table 19: Strengths and weaknesses of security actors’ approaches in Georgia

Actor	Strong points	Weak points
UN	Holistic approach to SSR and global authority. Mission in Abkhazia (UNOMIG) came to an end in June 2009	Authority questioned by the Georgian Government (inability to solve the conflict). Lack of funds and leverage (Russia’s veto power)
EU	Holistic approach and it is a prominent donor. Some possibility of leverage in the neighbourhood: ENP and Eastern Partnership incentives, but a very vague prospect of future accession. Source of legitimisation for reforms and domestic actors’ empowerment	Possibility of a lack of coherence between the Council (ESDP) and Commission (EC) policies. Low political profile. Hesitancy for a clear support for Georgia and more commitment in the Caucasus (fear of jeopardising relations with Russia)
NATO	Focus on defence reform but with strong leverage: accession conditionality (democratisation, civilian control of armed forces and peaceful settlement of the conflicts)	Limited scope
United States	Strong commitment to strengthening Georgian military and counterterrorism units. Presence in the field	Not seen as an impartial actor in the region; possibility of tensions with Russia in the Caucasus
OSCE	Articulated the first comprehensive approach to the SSR with a Code of Conduct. Mission in South Ossetia was finally closed down in June 2009	Weak implementation. Lack of political will among some members and limited resources. Russian leverage and veto power
CIS	Lack of SSR approach. Georgia quit the CIS during the 2008 August War with Russia	CIS peacekeeping missions in Abkhazia and South Ossetia were, in practice, Russian missions. Russia recognised the independence of Abkhazia and South Ossetia in August 2008 and therefore claims that the conflicts have definitely been solved

Source: Pardo (2009a) adapted from Law (2007)

A crucial factor for security governance in Georgia until the mid-2000s was the influence of Russia over Georgia's internal affairs. As a result of the Russian support to Shevardnadze in brokering a ceasefire in Abkhazia and neutralising the Zviadist armed groups (followers of the deposed first president Zviad Gamsakhurdia), Georgia joined the CIS. The most relevant issue was that in practice Georgia's security and sovereignty depended on Russia. Georgia became part of the CIS Collective Security Treaty (CST) and Russia kept four military bases in the country as well as the control and monitoring of the external borders of the country until 1999. It was only through small steps towards the West that the Georgian government could reverse that situation,¹²² culminating in 1999 when Georgia quit the CST; a process guided more by a logic of position rather than ideational to regain a certain degree of sovereignty. This process created a security vacuum that was filled first by the US. In this case, the post-9/11 'War on Terror' increased the attention of US policy-makers in the broader Middle East Area as 'the' strategic region and for guaranteeing US security.¹²³ Since then, US policy has shifted to deeper military engagement (Lynch, 2003: 18).

The ensuing geopolitical struggle between Russia and the US in the Southern Caucasus that some have identified as a 'new Cold War' (MacKinnon, 2007) has influenced the region and especially Georgia in important ways. First, the Georgian administration has been able to count on important financial assistance in the security sector, which in the case of the Saakashvili administration has had the effect of the possibility of diverting enormous funds towards the military. As we will see, this situation has had consequences via the conscious underfunding of some security centres with the hope that it would be filled by international donors. Second, in view of such a situation and especially Russia's posture towards Western engagement in the region, the EU's approach in the security sector has consciously been

¹²² Interview with a former Georgian senior diplomat, 27/05/2009, Tbilisi.

¹²³ A geostrategic scenario already contemplated by the former advisor to US President Jimmy Carter, Zbigniew Brzezinski (1997).

with a low profile and focused on rule of law elements. Finally, US engagement in the country has had an important ideological component: apart from geopolitical interests, the Bush Jr. Administration has made a regional banner of post Rose Revolution Georgia in its world democracy-promotion efforts (Mitchell, 2009). For instance, George Bush in an official visit to Georgia in 2005 qualified the country as a ‘beacon of liberty’.¹²⁴ In defence matters, in 2002 the US offered Georgia the 2002-2004 ‘Georgia Train and Equip Program’.¹²⁵ This agreement was updated two years later and named ‘The Georgia Sustainment and Stability Operations Program’.¹²⁶ On 29 October 2004, Georgia became the first country to agree an Individual Partnership Action Plan with NATO thanks to the US backing.

Historically, structural factors have narrowed the number of actors in the country. The main incentive for the Georgian government to reform the security sector towards Western standards was provided by close cooperation since the early 2000s with NATO, whose leaders agreed that Georgia ‘will become a member of NATO’ in the Bucharest summit of April 2008, although without specifying a concrete timeframe.¹²⁷ The US and other NATO member states have been active in assisting Georgia in adapting the military to NATO standards. This process has had two main consequences. First, we will see in more detail in

¹²⁴ See ‘Bush: Georgia “Beacon of Liberty”’, *CNN International*, 11/05/2005;

¹²⁵ The US deployed 200 troops and trained 2,000 Georgians for anti-terrorism and counter-insurgency operations in the Pankisi Gorge bordering Chechnya. The programme also provided \$150 M for border equipment and 10 Huey helicopters. See ‘Georgia: US Opens New Front in War on Terror’, *The Guardian*, 20/03/2002. The EU provided €2 M in border equipment during the same period.

¹²⁶ Half of the US assistance in 2006 was devoted to security and law enforcement: \$60 out of \$115M. See World Bank: <http://web.worldbank.org/wbsite/external/countries/ecaext/georgia> [accessed in January, 2008].

¹²⁷ See NATO webpage: http://www.nato.int/cps/en/natolive/topics_38988.htm [accessed in April, 2010].

the subsection devoted to defence reforms that the militarisation of Georgia and the intra-EU incoherence in that process has affected the overall process of SSR in Georgia. Second, the Georgian desire for acceding to NATO has led Russia to be overly aggressive in trying to prevent that process. The aftermath of the August war reflects those tensions and has effectively left the EU, via the EUMM, as the only guarantor of the monitoring of cease fire agreements on the ground.

To summarise, the plethora of international actors present in Georgia since the early nineties have narrowed to the current situation of three main actors able to influence developments in the Georgian security sector, broadly: the US (bilaterally and through NATO), the EU and Russia. These actors have tried to influence domestic developments in Georgian security and in the following section we will see to what extent their policies have influenced domestic choices and policy content.

6.3. GEORGIAN RESPONSES AND EU IMPACT

The substantial overhaul of the security sector in Georgia after 2004 needs to be understood in reference to the disastrous security situation of the country since the early nineties. To trace the influence of the EU on SSR in Georgia, it is necessary to understand the main traits of the security sector before the Rose Revolution. The participation of the EU in SSR before the Saakashvili administration was basically confined to institution-building programmes and a timid involvement in supporting the Georgian border guards in the early 2000s. It is not until after the Rose Revolution that the EU has had a relevant impact on Georgian SSR. To understand this process and the factors that have facilitated and hampered the EU, we need to understand the dynamics of the SSR since the early nineties.

6.3.1. Security sector governance in Georgia before the Rose Revolution, 1990-2003

During the nineties, applying any notion of security sector governance in a weak and war-torn state like Georgia is perhaps going too far (Lynch, 2005). In this period, the security sector was in the hands of contending actors. First, the first post-independence president Gamsakhurdia kept the old Soviet institutions, simply renaming them, and also created the National Guard (Demetriou, 2002).¹²⁸ Rival paramilitary forces emerged, counterbalancing rival groups as the situation of the state deteriorated. The most powerful paramilitary group was the extremely nationalist Mkhedrioni which reached 8,000 members, more than the National Guard. They brutally intervened in the South Ossetian and Abkhazian conflicts and contributed to the overthrow of Gamsakhurdia.¹²⁹

During Soviet times, the union-level Interior Ministry had a Republic-level counterpart (Wheatley, 2005: 20). This situation made the Georgian Ministry of the Interior (MoI) the only institutional support to the newly independent authorities to maintain internal control. In Georgia, control of the MoI signified the ability to consolidate power both vertically and as a way of reducing the power of paramilitary groups (see Table 20). Gamsakhurdia failed in both aspects as he finally lost control of the National Guard which allied with the Mkhedrioni to depose him; wisely, Shevardnadze assumed control of the MoI before becoming president, a move that allowed him to consolidate power and become the most powerful player in Georgian politics by mid-1995 (Wheatley, 2005: 89). Although he was able to disarm some of his rivals' paramilitary forces, especially the Mkhedrioni, Shevardnadze could never impose the authority of the central government in the country

¹²⁸ The National Guard was a fusion of different paramilitary groups and militias close to Gamsakhurdia (see Darchiashvili, 1997).

¹²⁹ The Mkhedrioni were led by Jaba Ioseliani, one of the Military Council leaders. He was imprisoned in 1998, accused of terrorism and conspiracy.

and had to reach some compromises with local ‘warlords’ to preserve his power. The result was that the Georgian administration, state agencies, political leaders, criminal clans and warlords were intertwined and drove the process of corruption, criminalisation of politics, business and clan formation in what Davit Darchiashvili described as close to a ‘mafia-dominated state’ (2003; 114). The following table illustrates the different security actors operating between 1990 and 2003.

Table 20: Security sector actors in Georgia 1990-2003¹³⁰

Actors	1990-1993	1994-1999	2000-2003
Paramilitary Forces	Mkhedrioni; National Guard; Zviadists;	Rests of Zviadist and Mkhedrioni; Adjara paramilitary forces; paramilitary forces in Gali (Abkhaz border)	Criminal groups; Adjara paramilitary forces; paramilitary forces in Gali; Chechens rebels in the Pankisi Gorge
Ministry of Defence		Armed Forces; National Guard; Assault Brigade; National Security Special Services;	Armed Forces; National Guard; Assault Brigade; National Security Special Services
Ministry of Internal Affairs Ministry of State Security	Interior Forces	Police; Police Special Unit; Interior Forces Internal and external intelligence services	Police; Police Special Unit; Interior Forces
Border Management (independent body)		Border Guards	Border Guards
Judiciary	Pre-Independence judges and appointment system. Attempt of reform in 1998-99		High levels of corruption

Source: Pardo, 2009a; ISAB, 2005

In brief, between 1990 and 2003, different security actors coexisted in Georgia: paramilitary forces and uniformed groups subordinated to different ministries. In addition, Russia continued to station troops in Georgia until 2007 and the Republic of Adjara was semi-independent from the central government until Saakashvili retook the control of it in 2004. The inaction of the Shevardnadze administration in this area was also notable

¹³⁰ Abkhazian and South Ossetian security actors are not included.

(Darchiashvili, 2008). The situation started to change after the Rose Revolution and the ambitious reform programme of the new government, elected in the presidential and legislative elections of 2004.

6.3.2. Security Sector Reform in Georgia after the Rose Revolution and the impact of the EU

The vigorous reform of the security sector since 2004 can only be understood as a radical reaction to the previous situation. Indeed, this has been one of the main issues of contention between the EU and Georgia. In relation to state security, the priorities of the post-revolutionary government focused on promoting a traditional concept of state security based on territorial sovereignty and state monopoly of violence (Di Puppò, 2009). This might be a truism from a Western European point of view but in Georgia it was a pressing priority if the country was to have any chance of survival and, in fact, territorial integrity has never been achieved.

As we saw in chapter 2, the immediate ideational reference for initiating a process of state-building was the ‘Singapore’ model of a minimal but highly effective state. As such, the new Georgian administration expected the EU to support the strengthening of the state and territorial integrity. The EU’s approach was much more cautious however; despite the interest of the EU in supporting the new Georgian government in its reforms, it was not clear how the latter would evolve. After the death of Prime Minister Zhvania in 2005, who was the only real counter-power to Saakashvili (Wheatley, 2005), the EU and leading member states in the area started to be suspicious of the real democratising will of the

government.¹³¹ Then, the EU–Georgian agenda of reform is hampered both by domestic obstacles in terms of a logic of position and also by normative issues.

The impetus of the young and dynamic post-Rose Revolution government, undoubtedly energetic between 2004 and 2005 in this area, led to an impressive strengthening of the state given the appalling point of departure, as outlined in the previous section. The control of territory and monopoly of violence extended throughout Georgia with the exceptions of Abkhazia and South Ossetia. In 2004, the de-facto independent and Georgian-ethnic autonomous republic of Adjara was reincorporated into the control of Tbilisi. In addition, the reform of the police and the elimination of petty corruption have been widely regarded as very remarkable given the difficult point of departure (Nodia, 2009). Another important change refers to the institutional reform of the ministries in charge of the security sector and the rationalisation of the uniformed forces. During the Shevardnadze rule there were seven main elements of uniformed forces, and security reforms reduced this to three: Ministry of Defence, Ministry of Interior and the Special Service for the Protection of the State (ISAB, 2005: 31). The Ministries of the Interior, Justice and Defence have generally undertaken numerous efforts to adapt to European standards (ISAB, 2005). However, neglect of the rule of law came as a price to the objective of building a viable state. The perception among the population that they are governed by the ‘rules of the rulers’ instead of the rule of law is still pervasive (Boda and Kakachia, 2005). The following table contrasts the main reforms in relation to the previous table 20.

¹³¹ As an official from the EC Delegation to Georgia put it: ‘the EU was funding Zhvania, not Saakashvili’. Interview with a member of the EC delegation in Tbilisi, 06/06/2009.

Table 21: Security sector actors in Georgia 2004-2009¹³²

Actors	2004-2009
Paramilitary Forces	-
Ministry of Defence	Armed Forces, Intelligence Service, National Guard
Ministry of Internal Affairs	Police, Border Police (same status and legislation as Police), Interior Troops (Special Forces)
Border Management	Integrated into the Ministry of Internal Affairs
Judiciary	Judges appointed by the High Council of Justice (2007)

Source: Pardo, 2009a

The Saakashvili administration's heavy-handed tactics were often criticised but given the appalling situation of the security environment, international actors such as the EU and the US considered those tactics as the lesser of two evils. Since late 2005, disagreements between the EU and Georgia have become an important issue in the field of SSR and especially the rule of law. The cheerful and optimistic statements that characterised the Cooperation Committee between the EU and Georgia in 2004 and even 2005 have become more sober and critical since 2006. For instance, regarding the reform of the judiciary and human rights issues, the Presidency represented by Minister of Foreign Affairs of Finland, Tuomioja, stated in 2006 that:

We would like once more to draw your attention to the issue of human rights in Georgia, in the law enforcement and penitentiary system. At the latest Cooperation Committee we were informed of a number of measures that have been put in place for coping with this long standing problem [...] however we note that several human rights organisations are still reporting on violations of human rights of detainees (Council of the European Union, 2007b: 26).

The normative divergence between the EU and Georgia is partly due to the value that the EU places on predictability and legal certainty in the economic, political and judicial environment (Di Puppò, 2009: 112), whereas the Saakashvili administration is characterised

¹³² Abkhazian and South Ossetian security actors are not included.

by improvisation and a rapid and forceful solution to a given problem, which impedes planning and the creation of a stable political framework.¹³³ This has led to a normative divergence in that the government tends to disregard the EU's preference for long-term strategies of reform, preferring a top-down hands-on approach towards fast reforms.¹³⁴ The Saakashvili administration often depicts itself as undertaking a crusade for the creation of a strong Georgia following the model of Atatürk and referring to Georgian 'medieval glories', such as when Saakashvili mentions the example of King David the Builder (Freizer, 2004; Mitchell, 2009b: 179),¹³⁵ who symbolises the highest point of Georgian strength and past glory.¹³⁶ Some Georgian officers have even publicly raised this parallelism in meetings with EU representatives which did little to decrease the feeling within the EU that Saakashvili was taking an authoritarian path,¹³⁷ especially following mention of Atatürk and the 'Singapore model', which are not precisely good examples of separation of powers.¹³⁸ It is noticeable that the modernisation efforts of Saakashvili are at odds with EU preferences which in turn makes EU prescriptive policies in some fields of SSR divergent with the ideational elements of the Georgian administration. In the following sections we outline the EU's impact or lack thereof in different areas of SSR before concluding with a general perspective on the case study.

¹³³ Interview with an attaché at the European Commission's delegation to Georgia, 05/05/2009, Tbilisi.

¹³⁴ A long-time observer of the South Caucasus defined Saakashvili as 'a man in a hurry' (Thomas de Waal, *The Caucasus and Central Asia: Theoretical, Cultural and Political Challenges*, 3-4 July 2009, Caucasus and Central Asia Research Group Conference, University of Birmingham).

¹³⁵ See for instance 'Saakashvili Takes Oath on Tomb of King David the Builder', *RIA Novosti*, 24/01/2004; 'Saakashvili's Task: To Be the Builder', *The Moscow Times*, 23/01/2004.

¹³⁶ Obviously these images do not evoke any comfort in Abkhazia and South Ossetia.

¹³⁷ Interview with a Member of the Georgian Parliament, Tbilisi, 21/05/2009.

¹³⁸ See Freedom House, Singapore Country Report, 2009:

<http://www.freedomhouse.org/template.cfm?page=22&year=2009>

Judicial reform and law enforcement

The judiciary has traditionally been seen as one of the most corrupt institutions in the country, ‘best avoided at any opportunity’ (Transparency International, 2007:1). Shevardnadze made substantial reforms in 1998 when the entire corps of judges (appointed in the Soviet era) was sacked and new judges were appointed. This followed legal examinations which after a couple of years themselves became a source of corruption: in 1998 only 10-15% of the applicants passed the exams while in 2003 the percentage was 90%, a clear indication that well-connected applicants and/or paying a bribe could obtain the exams beforehand (Transparency International, 2007). At the same time, the salaries of judges remained low and had been unchanged since 2000, meaning that the corruption was less a sense of breaking an oath and more something of mere necessity. By 2004, the situation and reputation of the judiciary was appalling.

This area encapsulates EU efforts to assist Georgia in its process of reform. In the EU’s view, the ENP ‘should provide for *consolidating Georgia’s democratic institutions*, strengthening the rule of law and supporting market economy and regulatory reforms’ (European Commission, 2006b, my emphasis). The emphasis reflects the view within Europe during the first years after the Rose Revolution that Georgia was on the way to becoming more democratic, a reflection of the considerable initial expectations in both the EU and the US for the Saakashvili administration (Helly and Gogia, 2005). Therefore, EU efforts in assisting judicial reform have been significant. Since the mid-nineties the EC has been implementing some bilateral institution-building programmes through TACIS to reinforce the capabilities of the ministry of justice, but it was acting more as a donor rather than participating in an overall strategic programme for the reform of the judiciary. This situation changed with the deployment of the EUJUST-Themis mission. Earlier, it was mentioned that the Georgian government expected more from the EU at that stage but the

mission has become one of the most important yardsticks for the EU to evaluate the progress of Georgia in the rule of law; since the political will was rather weak for moving towards a totally independent judiciary, the commitments derived from the mission have acted as an important way of putting pressure on the Saakashvili administration.

In February 2005, the Georgian Parliament approved the obligations of the recipient country: to implement the Strategy for Criminal Law Reform, which is the direct result of the EUJUST-Themis mission. The Strategy is a multifaceted reform process that consists of both the reform of the Criminal Law and the reform of different institutions in the legal system (Dolidze, 2007: 6), although more comprehensive regarding the Reform Strategy of the Georgian Prosecutor's Office. Now, the Strategy is the guideline document for the reform of Criminal Law and the president approved it in July 2005 (Dolidze, 2007). The EU impact of the mission has been, therefore, to provide a clear blueprint of reform and the yardstick for evaluating Georgian reforms in this particular are. Thus, both the Parliament and the president have committed to implementing the Strategy. A different thing, as we elaborate in this section, is the willingness of the government to really implement the judiciary reforms.

This process illustrates an intrinsic tension of the EU's foreign policy in terms of horizontal coherence between the Council and the Commission. EUJUST-Themis was a CSDP mission with a focussed sphere of action which eventually entered in the ENP AP as part of the reform agenda between the EU and Georgia, where the Commission carries on the main bulk of the reform's monitoring process. However, the follow-up to the mission is now partly assessed by the Commission on the ground as well as by the Council via periodic reports. Reform of the judiciary within the ENP framework possesses a hybrid nature. This situation has created cooperation problems between the Council and the Commission (Helly, 2006, 94) and is potentially a source of horizontal incoherence between EU

institutions. The Commission does not have a political mandate and tends to approach its activities on the ground via a project-based nature; on the other hand, the EUJUST-Themis mission had a stronger political profile, not least because of the profile of the mission leader, Sylvie Pantz, which allowed a 'hands-on approach' when dealing with the Georgian authorities (Di Puccio, 2009: 115). Likewise, the result of the mission's Strategy was based on the personal background and expertise of the members of the mission together with the Georgian officials' feedback.

The Strategy then is an *ad hoc* document based on member states' practices and the agreement of reform objectives between Georgians and mission members; hence, the Commission's reform projects might be disconnected from the Strategy's goals and the Council's evaluations. Lack of horizontal coherence is a potential difficulty which leads to contradictory messages to the Georgian authorities which might obviate the EU's efforts. Saakashvili himself bluntly put it to A. Merkel when he told her that German projects for training judges in the framework of EU programmes were ineffective (Asmus, 2010: 121). This highlights Saakashvili's tendency to disregard EU projects.

Despite the EU's efforts and certain advances, the reforms have not fulfilled initial expectations. Since 2004, apart from the EUJUST-Themis mission, the EU has supported Georgian reforms in this area via different instruments. Under the rapid reaction mechanism, the EU dispatched some experts to the Ministry of Justice and has issued different recommendations for reforming the ministry. The EC has also allocated funding in three main areas of institutional reform: penitentiary and probation reforms, including funding for the rehabilitation of some prisons; the organisational reform of the ministry of justice; and parliamentary and electoral reform. The code of imprisonment was also reformed with the Council of Europe's assistance following EU recommendations, which reflects an internationalisation of norms. These activities are mainly a reflection of the EU's

role as a donor rather than a proactive security actor. However, the EU has had a relevant role in pressuring the Georgian government to speed up the reform of the judiciary and to abide with its commitments with the EU. Thus, the EU has been instrumental in achieving some independence of the judiciary, especially in the reform implemented in 2007 when the president relinquished his prerogatives for chairing the Council of Justice; hence judges are appointed without political interference, at least in principle.

However, the most important changes that would create the conditions for an independent judiciary are still in the pipeline, especially legislation regarding the creation of a jury system, the reform of the prosecution powers and the reform of the Criminal Law.¹³⁹ The latter two reforms are precisely envisioned in the EUJUST-Themis Strategy and even the opposition would regard them as a breakthrough if implemented (Transparency International, 2009). Their introduction is planned for 2010 but these reforms have been discussed and drafted since early 2004. This leads to the belief that the political will does not exist to undertake the necessary reforms that would ensure no political interference in the judiciary. Indeed, it seems that reforms since 2004 are cosmetic changes to appease Western allies and donors. According to a prominent Georgian lawyer, ‘it is clear that the authorities care more about refurbishing the courts with modern office equipment than about any other component of the judicial reform’ (Chkheidze, 2007: 9). Despite the modernisation of the judiciary and the improvement of salaries, training and the appointment process, the executive appears to keep some control of the judiciary through the prosecution office and disciplinary proceedings that are still not transparent (Fuller, 2010: 225). Thus, although levels of corruption have diminished, political pressure on

¹³⁹ A Soviet legacy, the prosecution office enjoys wide powers in Georgia. In 2008, the then human rights Ombudsman, Sozar Subari, defined the Prosecutor General as a ‘monster’ and the ‘true ruler of the country.’ The latter’s office was merged with the Justice Ministry, creating the functions of Justice Minister and Prosecutor General, appointed by the Prime Minister but the president can dismiss him. The new chief prosecutor is not accountable to Parliament (Fuller, 2010: 226).

judges has increased (Transparency International, 2007).¹⁴⁰ This situation allows the executive to shape the political process and judicial protection for the government elites.

To summarise, domestic conditions in terms of veto players and the political system of the country are key factors to understanding the limited impact of the EU. The crucial issue is both the political will for preventing deep reforms that would thwart the executive's ability to shape judicial decisions and also the fact that the political content of the limited judicial reform is ingrained in the ideational process of the security-accountability dilemma. Given the overwhelming Parliamentary majority of Saakashvili's National Movement, control of the judiciary is not a key factor in terms of incentives for staying in power; hence political costs of judicial reform are not decisive. As we have seen, the reform track of the post-Rose Revolution is not short of achievements and administrative costs of reforms, corruption or previous clientelist networks are not obstacles to reform.¹⁴¹ The key issue is that for the current government, 'law and order' as well as state-building, rely on 'efficient and loyal law enforcement agencies' (Di Puccio, 2009: 111). But still, the need for Western financial and political support including the EU, has prevented the Georgian government from becoming more authoritarian.¹⁴²

In the case of judicial reform, we can draw a parallel with Georgian cooperation with NATO. The EU can be accused of lacking credible conditionality for reforming the rule of law area in Georgia, but accession to NATO is a strong possibility for Georgia. A clear prerequisite for becoming a NATO member is reforming the rule of law within the broad security sector reform towards NATO standards. In the case of Georgia, the alliance has

¹⁴⁰ Interview with a diplomat of an EU member state, Tbilisi, 22/05/2009.

¹⁴¹ For an official account of the reform track in the judiciary sector see Supreme Court of Georgia (2007).

¹⁴² Interview with an attaché at the European Commission's Delegation to Georgia, Tbilisi, 02/06/2009.

repeatedly stressed the need for a more independent judiciary, but according to Tornike Sharashenidze, director of Georgia's NATO Information Centre, 'judicial reform constitutes perhaps the biggest NATO membership-related challenge for Georgia at present.'¹⁴³ This indicates that even under conditions of important and credible rewards, external carrots have not been able to trigger deep reforms in this area.

Border Management

An indispensable feature of a state's territorial control and internal security is the control of its borders. Georgia has suffered extensive and serious problems since the early days of independence when it comes to the management and control of its borders. The most well-known obstacle has been the existence of the separatist regions of Abkhazia and South Ossetia whose border demarcation with Georgia has been under the control of Russian peace-keepers (before the August war) and subjected to demilitarised buffer zones that hamper effective border control on both sides. As important is the reluctance of the Georgian government to conduct standard controls in border crossing points between these regions and Georgia since it considers them to be integral parts of Georgia (Welt, 2010: 77). Despite generally unverified accusations from Tbilisi that these breakaway regions are sanctuaries of crime and arms trafficking, the grey zones between the regions and the rest of Georgia have been an important source of contraband goods for several years, especially South Ossetia (Wolff, 2009; Welt, 2010: 71).

Additionally, other important issues have traditionally made Georgia a hotspot in terms of porous and uncontrolled borders: First, Russian border guards controlled the international borders of Georgia until 1999. Second, once Tbilisi retook control of border control, the dire state of the country limited the funds and equipment available for the border guards;

¹⁴³ 'Georgia: NATO Membership by 2009?', *Eurasia Insight*, 27/02/2007.

most of them being conscripts without any training.¹⁴⁴ Third, years of limited government attention have allowed a highly corrupt border control in terms of customs and crime. Fourth, the inadequate control by the central government of the areas along the mountainous regions bordering the Russian Caucasus created a haven for crime gangs and Chechen guerrillas, which on some occasions triggered Russian incursions into Georgian territories as well as air strikes in the early 2000s. Last but not least, Georgia has only settled its international borders with Turkey, while border demarcation has not yet been agreed with Armenia, Azerbaijan or Russia, meaning potential tensions could arise from such a situation, partly due to the existence of important Armenian and Azeri minorities in the bordering areas (see Appendix III).

The previous issues sounded alarm bells in Europe and the US in the early 2000s, in the case of the US as a result of the ‘War on Terror’ after the 9/11 attacks and in the case of the EU to improve the porous situation of Georgian borders and to diminish tensions between Georgia and Russia. Since then, border management has become an important area of EU involvement. However, we can observe an internal tension in the EU’s approach: on the one side, Council-controlled missions are very wary of Russia’s reactions and so it aims to have a low political profile; on the other, the Commission has a more technical role focused on the implementation of the Action Plan. The limitations of such an approach are evident and the EU has tended to put more attention on its security interests (Barbé and Johansson-Nogués, 2008: 91). However, the goals mutually set by Georgia and the EU in the ENP Action Plan around border management have largely been achieved although it has not been a smooth path.

¹⁴⁴ Western assistance was critical in the creation of a Georgian border guard in terms of equipment, particularly in the case of the Coastal Guard (interview with a former senior diplomat, 27/05/2009, Tbilisi).

Despite the rhetorical commitment of the post-revolutionary Georgian government to make protection and efficient management of borders one of their priority sectors (Dorokhina, 2007: 108), the Georgian government has been slow in implementing reforms in this area making the role of the international community a crucial factor. This situation can be explained by two main domestic factors linked to a logic of position: First, it is possible that the lack of investment in border management obeys a rational calculation based on expectations that external donors will fill the investment gap since scarce domestic resources for SSR were directed towards police and the armed forces (Welt, 2005: 518). Indeed, the 2006 budget allocated 34 M GEL (\$20 M approx.) to the protection of borders, of which 28 M GEL go to cover salaries and only 4 M GEL are left for procurement of equipment, transportation, etc. while the US border security assistance to Georgia reached \$49 M between 2002 and 2004 (Welt, 2005: 507).¹⁴⁵ Other prominent donors of equipment have been Germany, Switzerland, Turkey, UK and Ukraine (Dorokhina, 2007: 108); the EU itself provided €4 M in equipment between 2001 and 2003. The US recognised this problem and cut off the fuel supplies to the Georgian Coastal Guard in 2004 as a wake-up call for the government to commit more funding (Welt, 2005: 518).

Second, the institutional division between border protection and the customs department has created a consistent lack of coordination and institutional competition (Welt, 2005: 519); a situation that the ENP AP aims to tackle. The main source of the problem was the trade-off between creating better conditions for trade together with the need for income coming from customs duties and the security issues linked to tighter controls and inspection. Given the urgent need for the post-revolutionary government to increase income and improve the business climate, the security issues of border control were deprioritised. The EUSR Mission aimed to integrate both branches and reduce tension in the reform strategy.

¹⁴⁵ 29% of the broader Export Control and Related Border Security Assistance programme total aid in the former Soviet Union (see Welt, 2005: 507).

The most important issue for the limited stature of the border protection department has been a political and personal rivalry between the government's inner circle and the head of the department until August 2008, Bitsadze, appointed right after the change of government in 2004. The latter is the husband of parliamentary chairwoman Nino Burjanadze, who despite being part of the triumvirate that led the opposition during the Rose Revolution has always been a direct political rival of Saakashvili. The only one of Saakashvili's ministers who has preserved his position since 2004 is Vano Merabishvili, minister of the MoI, who together with the first Defence Minister Irakly Okruashvili side-lined Bitsadze (Welt, 2005: 519). Some indication that this explanation is relevant is the resignation of Bitsadze after Burjanadze stepped down as speaker of the Parliament in 2008. The border protection department has suffered from a conscious lack of funding from the government's side.¹⁴⁶

The EU's role however has been important but mainly on the managerial and organisational side of reforms. Following the ENP Action Plan, the Georgian Border Guard has been transformed into a Border Police integrated into the MoI and has become an integral part of the police ranks. A border police school has also been set up within the Police Academy and different member states have provided training and equipment for police border officers. Germany has had a special role in advising and assisting the government in passing new laws on border standards and establishing a new border police structure (ISAB, 2005). The EUSR, Peter Semneby, confirmed his satisfaction with the mission in the Cooperation Committee of 2006:

‘I would briefly also like to mention the successful cooperation that we have in the field of border management where the team working directly with me, the EUSR Border Support Team in Georgia, has virtually completed the work on legislation and standing operative procedures for the border police, [...] now we are moving into the fundamentally important work on border security strategy’ (Council of the European Union, 2007b: 26).

¹⁴⁶ When he resigned, Bitsadze accused the government of halving Border Police funding (see *Civil Georgia*, 29/10/2008).

Previous reforms and the strategy which was agreed the following year have developed a greater integration of the customs and security aspects of border management, reducing the previous trade-off between the two. Thus, the role of the EU and member states in the context of the ENP Action Plan goals has been important and instrumental in improving border management.¹⁴⁷ Regarding the reforms in this area, Inita Paulovica, Deputy Head of UNDP Georgia, recently declared that, ‘Georgia has made notable progress in recent years in reforming its border management agencies and improving legislation, document control, customs inspection, infrastructure and working conditions of the personnel.’¹⁴⁸

Despite the above-mentioned internal obstacles, border management is a clear area of EU impact. Three main factors account for this: First, the department of border guards, now Border Police, has been actively involved in the process of reform, from the inception of the ENP Action Plan to the implementation of reforms (Dorokhina, 2007: 108). Second, the EU gives a high priority to the external dimension of border control; hence EU interests are high in this field. However, those interests often clash or are of little importance to some neighbouring countries (Barbé and Johansson-Nogués, 2008). Since 2008, the domestic conditions for reform in Georgia have improved; turf battles diminished with the resignation of Bitsadze, while the engagement of the Georgian government in signing a mobility partnership conducive to a visa facilitation process with the EU has increased the conditionality element for adapting border management towards EU standards. Thus, the EU has added an important incentive for the improvement of border management. Lastly, the implementation process has been less costly thanks to the involvement of international

¹⁴⁷ Interview with an attaché to the European Commission’s delegation to Georgia, 05/05/2009, Tbilisi.

¹⁴⁸ ‘EU, UNDP promote Integrated Border Management in the South Caucasus’, *UNDP, Newsroom*, 29/03/2010.

donors, the US specifically, but also close cooperation between the EU and the UN,¹⁴⁹ whereas the size of reforms and the degree of institutional and administrative adaptation is less clear than in conditionality and external governance. Thus, potential problems of EU institutional incoherence are less problematic and at the same time the yardsticks for evaluating success are less strict. All in all, despite clear deficiencies in equipment and funds, the border police is clearly a more efficient, professional and better equipped unit since 2005.¹⁵⁰ International donors and particularly the EU and the US have been instrumental in overcoming domestic obstacles for reform.

Police and Ministry of Interior

Since the early 2000s, the EU has developed abundant expertise in police reform throughout a series of ESDP Police missions. However, its engagement in police and internal affairs-related reforms in Georgia has been superficial although it has had some impact. On the other hand, reforms in police and the MoI encompass the main successes and failures of Georgia's efforts on SSR since 2004.

A recurrent problem of Georgian policy-making is the lack of medium and long term planning.¹⁵¹ The EU, as in the fields of judiciary and border management, has tried to introduce some strategic view to regulate the process of police reforms according to what it

¹⁴⁹ The EU and the UN have recently developed a programme for supporting an integrated border management system in the South Caucasus. Despite the regional scope, the EC gives priority to bilateral and national components, whose objectives are to develop EU principles of operational techniques. The EC has committed €6 M to the programme. See *Georgia Times*, 08/04/2010 and Appendix I to the EC Contribution Agreement with an International Organisation, ENPI/2008/159-096. The programme is a multi-donor action, but operationally led by the EC.

¹⁵⁰ For instance, as result of more border control and fight against corruption, human trafficking and the role of Georgia as a transit country for illegal immigration from China, Afghanistan or India, have been reduced (Kukhianidze, 2007).

¹⁵¹ Interview with a Head of Unit, Georgian Ministry of Euro-Atlantic Integration, Tbilisi, 13/05/2009.

considers to be EU standards. In the field of policing and state internal security, there is no specific *acquis* that the EU can refer to apart from some common characteristics based on cooperation between EU police services and ministries of the interior. According to the report issued by the EU's policy advisor for the reform of the Georgian MoI, the EU member states' police are people oriented (do not serve ruling elites) and pay special attention to human rights protection. EU police forces overall respect the principles of rule of law and the decisions of courts. Furthermore, all police tend to represent their societies and are subjected to different types of internal and public control (Krunic and Siradze, 2005: 2). Therefore, EU activities in this field have focused on advising the MoI in developing a strategy for approximating the Georgian internal security forces closer to previous standards. As in the previous cases, but exacerbated in the case of police due to widespread corruption, the point of departure was extremely problematic.

During the Shevardnadze years, policing activities and internal security were decentralised across different areas as a way of preventing one security centre prevailing over the rest. The post-revolutionary government has achieved internationally praised success in rationalising and improving the situation of internal security (ISAB, 2005).¹⁵² In 2004 the MoI incorporated the border guards department and the state's security minister, transferred internal troops to the Ministry of Defence and created a new patrol police with higher salaries and modern equipment. Indeed, the entire police force was dismissed and the patrol police was created almost from scratch.¹⁵³ The simple fact of introducing a certification

¹⁵² See for instance a recent statement by US President Barack Obama, 'Obama Appraised Reforms in Georgia', *Georgia Times*, 08/04/2010. See also European Parliament (2007).

¹⁵³ Before the reforms, the traditional way of obtaining a job in the police was by paying a bribe, whose price varied according to the expected 'inflow' of cash coming from the new position. For instance, a placement in one of the crossing points in the cease-fire demarcation between South Ossetia and the rest of Georgia could cost up to \$10,000. This remarkable sum of money in Georgian standards would be paid off in a few months.

process and an exam for joining the new patrol police meant that thousands of former police officers lost their jobs.

Two factors are important for understanding the rapid and successful process of reforms: First, the former security cadres were members of the former *nomenklatura* and linkage through the different security centres with Russia was important. Indeed the Kremlin used to supervise the appointment of the ‘right’ persons in some of the key security positions. In that respect, the post-revolutionary government purged the MoI and appointed new ‘de-Sovietised’ and westernised ‘cadres’. Saakashvili finished with the previous ‘de-facto’ Russian supervision over ministerial appointments;¹⁵⁴ a contributory factor to the ensuing tensions between Saakashvili and Putin.

Second, as a result of the reform impetus after the Rose Revolution, assistance from international donors rocketed; for example the \$1.5 billion pledged in the June 2004 donors conference. The EU has been keen to coordinate support for police reform and to channel donor support in this field through the OSCE (Hiscock, 2008: 213). The latter suffered a progressive process of weakening as a consequence of Russia’s attempts to neutralise Western activities in the country that culminated in the closure of the border mission and monitoring operations in 2005 and 2009 respectively; despite maintaining a low political profile, the EU has filled that vacuum (Hiscock, 2008: 213). Despite the necessary role of donors, including the EU, in creating the financial and organisational conditions for the success of the rapid police reforms, the driving force has been the domestic impetus and determination for the reform of the internal security of the country. The key element of the process of reform in this area is the shared commitment to reform by the actors implicated.

¹⁵⁴ James Sherr, on-the-record presentation of book ‘The Guns of August’, July 2009, Chatham House, Royal Institute of International Affairs, London.

Government, civil society, international donors and the police force itself have recognised and participated in a comprehensive reform of the MoI (Boda and Kakachia, 2005).

However, once the pressures for reform faded and the state's security stabilised, the shortcomings of the process started to emerge. The constitutional amendments of 2004 created a super-presidential system where the president is given extensive powers. As a consequence, he can easily dismiss the parliament and the cabinet.¹⁵⁵ As has been common in most of the former Soviet Republics, separation of powers in Georgia has proven difficult and in practice there is no division of authority or power in Georgia.¹⁵⁶ Indeed, after the death of Zhvania, Georgia has witnessed an increased concentration of power in the hands of a small 'inner circle' (Bertelsmann Foundation, 2009: see also Jones in Tudoroiu, 2007: 324).¹⁵⁷ Among them, the Minister of the MoI, Ivane Merabishvili, is possibly the most powerful insider after the president and the longest serving member of the cabinet (ICG, 2008: 6). An old and close associate of Saakashvili and a member of the influential Liberty Institute, he was the key figure in building the ruling National Movement party and one of the main organisers of the march that led to the Rose Revolution (Wheatley, 2005: 186).

As a consequence, in practice Merabishvili and the president control all the security institutions from the army to the police (Civil Georgia, 28/08/2009) and the MoI has become a sort of 'super-Ministry' with responsibilities far outside its competences, such as

¹⁵⁵ See Transparency International Georgia Report on 'Division of Authority in Georgia', part of the project 'Monitoring Georgia's International Commitments', available at: <http://www.transparency.ge/en/reports?page=1>

¹⁵⁶ See Transparency International Georgia Report on 'Division of Authority in Georgia', supra 40.

¹⁵⁷ Saakashvili's inner circle is deemed to be formed by about half a dozen influential officials: Deputy Foreign Minister Giga Bokeria; Tbilisi Mayor Gigi Ugulava; former Security Council Chief Kakha Lomaia; the head of the parliamentary committee on security and defence Givi Targamadze and his deputy Nikoloz Rurua; the Justice Minister Zurab Adeishvili; and the Interior Minister Ivane Merabishvili (ICG, 2008: 6). Former minister Bendukidze is still an important background influence.

the construction and management of the Internal Displaced People's new settlements after the August War or the setup of the satellite First Caucasian Channel among others (Civil Georgia, 07/04/2010). Given these circumstances, Merabishvili is often accused by Rights Groups and opposition of using the security forces for political purposes.¹⁵⁸ In 2007, the Georgian Ombudsman accused the MoI of 'sheltering a punitive group that stands above the law and that can liquidate any given individual if doing so is considered expedient' (Fuller, 2010: 226).

An ideational logic has an important influence in rationalising the concentration of power. The ideational process is clearly rooted in the twin processes of reacting in a radical way to the previously ineffectual rule of Shevardnadze's and to the will of strengthening central power. The assumptions were based on the creation of a new, strong Republic but this process has often been void of policy content and tending to a short-term, problem-solving way of doing politics, a characteristic of Saakashvili's way of governing. In contrast, the discursive strategies have been rich and powerful. In addition to evoking legendary figures such as David the Builder or a state-reformer such as Atatürk, the government quickly justified the concentration of power in the hands of the president and its harsh anti-organised crime methods as a way of combating exceptional circumstances that threatened the survival of the state and Georgian society itself (see International Crisis Group, 2008). In short, state building would come first, then democracy (Mitchell, 2009b:179). This discourse has been adapted to convince people of the irresponsibility of the opposition that, according to the government, may jeopardise the process of reforms. In addition, the government also uses the alleged Russian threat and policies as a powerful excuse for the

¹⁵⁸ See 'Murder puts Spotlight on Georgia's Interior Ministry', *Civil Georgia*, 03/09/2006; or 'Faded Rose: Can Georgia's Democratic Dream Be Revived', *Radio Free Europe/Radio Liberty*, 03/08/2009.

shortcomings of the rule of law (Zourabichvili, 2009).¹⁵⁹ This discursive trend, plus the strengthening of the internal security centre around the MoI has often led to normative divergence with the EU, even after the establishment of the EUMM. For instance, in a recent interview with the Russian daily *Kommersant*, Merabishvili declared that ‘I would say, [there is a need to listen to the Europeans] almost never’ (Civil Georgia, 07/04/2010).

Defence

Although the EU set high expectations of its prospective role in defence issues during the inception of the CSDP, its record in this field has been rather limited (see Menon, 2009). Neither Georgia nor the EU have shown any interest in cooperating in this field and Georgia has not even hinted at any willingness to participate in the possibility offered by the ENP framework of being involved in CSDP missions. There has been no EU participation in the deep and accelerated process of reform of the Georgian armed forces since 2004, nor the sense that it has been able to influence the Georgian administration in reducing the swelling military budget (see Table 21). As such, the EU demanded in 2006 that Georgia ‘freeze its military budget since the country’s more urgent needs lay in the spheres of health care, social welfare and small business support’ (Areshev, 2010); not only did this not happen, but expenditure in defence reached record levels in 2007, almost 10% of the GDP. Concern about previous use of international budgetary support for funding the rearmament process led the EU to introduce a ‘defence clause’ for the money pledged at the post-war donor’s conference.¹⁶⁰

¹⁵⁹ See also ‘Faded Rose: Can Georgia’s Democratic Dream Be Revived’, *Radio Free Europe/Radio Liberty*, 03/08/2009.

¹⁶⁰ Interview with a staff member of Transparency International Georgia, Tbilisi, May 2009. For instance the \$40 M pledged by the Ukrainian government in the donor’s conference did not attach any conditionality; as a direct transfer to the budget it can be used for rebuilding the military.

The main reason for the lack of influence in this area is that as a bloc the EU has not been able to exert any credible pressure due to diverging views and interests between member states. This has been aggravated by the fact that some member states have been active in assisting Georgia in the modernisation of the army. Countries such as Lithuania, Latvia or Poland have been keen to support Georgia in this field. On the one hand, these countries are wary of Russia's policies towards the post-Soviet space, on the other they deem that their experience of NATO accession can be useful for a country with which, especially in the case of the Baltics, they share strong historical links.¹⁶¹

In contrast, the role of NATO member states (in particular the US, France and Turkey) in the field of military cooperation has been quite notorious (Cornell and Starr, 2009: xii-xiii). Although US military support has been less prominent than commonly stressed by some analysts and international press, it is still very important. American military cooperation was already a pre-Rose Revolution trend, although this has intensified since 2004. The American army has focused on training and been reluctant to supply the Georgian army with offensive weaponry. In total, before the August war, the American had partially trained three Georgian brigades, the 1st, 2nd and 3rd the latter operating in Iraq at the beginning of the war, out of a total of five brigades and eight battalions that made up the land army in 2008 (Cornell and Starr, 2009: xii-xiii). The training had the main goal of developing interoperability with NATO armies in international peace-keeping missions with a focus on counter-insurgency operations (Vendil Palin and Westerlund, 2009).

At the same time, the Saakashvili administration made the reform and build-up of the army a centrepiece of its state-building strategy. We have to bear in mind that for a decade

¹⁶¹ Interview with a Lithuanian advisor, Tbilisi, May 2009. The Presidents of the Baltic States and Poland also risked their lives when they flew to Tbilisi after the Russian army invaded Georgian territory in August 2008.

Shevardnadze underfunded the army as a way of weakening an institution he did not trust and which during his presidency was involved in some mutinies.¹⁶² It is also important to point out that the Georgian military build-up can be regarded as part of a regional security dilemma where militarisation had been an important trend during the early 2000s (Eivazov, 2004) (see Table 22). We need to remember, as mentioned in the section on border management reforms, the potential threat to the regional security of the pending border issues between the three Southern Caucasus countries.

To summarise, if we have to accept the post-revolutionary government's arguments about the need for modernising the Georgian army then the EU has been unable to shape a more moderate army rebuilding. Such a situation is the consequence of three main vectors: First, some NATO members and the US have been keen to strengthen the Georgian army. That the August War was something they thought they could have avoided is indicated by the current restraint in supporting Georgian military rebuilding (Blank, 2009).¹⁶³ Second, some EU member states have contributed to the lack of political influence of the EU arising from the difficulties of achieving vertical coherence between the EU and member states policies, a situation which can have serious consequences. Third, the prominence of regional insecurity dynamics has eventually taken prominence over Western strategic considerations.

¹⁶² See 'Zviadist Mutiny Fails, but Armed Diehards Remain at Large', *Eurasia Daily Monitor*, Jamestown Foundation, 21/10/1998; 'Georgians Worry that Mutiny is Portent of Wider Instability', *Eurasia Insight*, 06/01/2001.

¹⁶³ According to an influential Russian advisor to the Kremlin '[after the war] the Americans are not giving one dollar of military assistance', see 'Russia Reclaims Influence, US Doesn't Object', *Time Magazine*, 23/04/2010

Table 22. Defence expenditure in the Southern Caucasus (Constant \$ from 2005)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Georgia											
% GDP	0.6	0.7	1	1.1	1.4	3.3	5.2	9.2	8.11	3.5 ¹⁶⁴	4 ¹⁶⁵
Budget in million \$	27.2	34.5	49.3	57.7	80.6	214	363	720	651	530 (\$ from 2009)	440 ¹⁶⁶ (\$ from 2009)
Armenia¹⁶⁷											
% GDP	3.6	3.1	2.07	2.7	2.7	3	3	3	3.18	-	-
Budget in million \$	94.3	91.5	90.5	104	115	141	166	195	217	402 ¹⁶⁸ (\$ from 2009)	314 ¹⁶⁹ (\$ from 2009)
Azerbaijan											
% GDP	2.3	2.3	2.2	2.4	2.6	2.3	3.4	2.86	2.68	-	-
Budget in million \$	172	160	172	215	260	305	625	680	697	1500 ¹⁷⁰ (\$ from 2009)	-

Source: SIPRI, The SIPRI Military Expenditure Database, www.sipri.org/databases/milex

6.4. CONCLUSIONS: EXPLAINING THE OUTCOMES

This chapter has examined the impact of the EU on an area characterised by cooperative arrangements instead of a coherent institutionalised framework of relations with a set of incentives linked to a reform agenda and clear benchmarks. The selected case study was Security Sector Reform which represents a cooperative type of governance in EU–Georgian

¹⁶⁴ Own estimation from the 2009 budget; see ‘Revised 2010 Draft Budget’, *Civil Georgia*, 06/11/2009. Exchange rate of the Georgian Lari remained stable during 2009 at a 1.65/dollar rate.

¹⁶⁵ ‘Air Forces to Become part of Land Forces’, *Civil Georgia*, 10/10/2010.

¹⁶⁶ ‘Revised 2010 Draft Budget’, *Civil Georgia*, 06/11/2009.

¹⁶⁷ Armenia also obtains weapons and equipment from Russia that are not reflected in the annual budget as a consequence of their military agreements.

¹⁶⁸ Khachatrian (2009).

¹⁶⁹ Khachatrian (2009).

¹⁷⁰ Khachatrian (2009).

relations. As a result of the lack of clear, internal, institutional competences, the EU's actions in SSR in Georgia have been undertaken by both the Commission and the Council via a mix of decision-making procedures, creating a far from coherent situation. A specific institutional framework for SSR had been non-existent until the setup of the sub-committee on Justice, Freedom and Security in late 2008. Thus, most EU interventions in the analysed period have been from a donor perspective and approach. Enforcement problems have been prominent given the weak incentives and conditionality for implementing the reform agenda. However, the EU's 'cooperative governance' has also encountered legitimacy problems that have led to a normative divergence in most of the areas of SSR; generally, domestic factors have dominated the course of Georgian SSR.

On the whole, the impact of the EU on the Georgian SSR has been low, but to differing degrees throughout the analysed areas. Judicial reform remains the main challenge for the EU in terms of efforts in the area, lack of advances in the separation of powers and the establishment of an independent judiciary. In this case, structural and ideational domestic factors account for the limited EU impact. Since the Rose Revolution, Georgian politics have seen an unprecedented concentration of powers in the hands of the president and key judicial institutions such as the General Prosecutor are closely linked to him. Therefore, the executive retains an important influence on the judiciary that it has been reluctant to relinquish. In addition, we have shown that the Georgian executive and the EU have important normative divergences when it comes to the organisation of the state. This also explains the lack of influence of the EU on the Ministry of the Interior, headed by a close associate to President Saakashvili. In both cases, the Saakashvili administration has aimed to build a strong and effective centralised government to regain control over the whole Georgian territory and the monopoly of violence. This is a clear reaction to Shevardnadze's notable disregard in this matter. This strategy has clearly been at odds with the EU's approach.

In the case of border management, however, the EU's influence has been prominent. Along with the judiciary, this is an area where the EU has been deeply involved in Georgia. Despite the pervasively cautious EU attitude towards Russia in the region, the EU has filled the vacuum created by the progressive closure of the UN and OSCE missions in Georgia. The EU has become the guarantor of the monitoring of the 2008 ceasefire agreements and took over the border support mission of the OSCE in 2005. The Commission and the Council, sometimes in joint missions with the UN, have actively supported the reform of the border police which has seen an important and comprehensive overhaul. Three main factors account for the EU impact: First, the border police itself have been keen to obtain Western support for the reform. Second, the area does not have a prominent political relevance for the Georgian government, which has directed most of its funding efforts towards defence and police reform, with the hope that international donors would fill the gap. Third, since 2008 the Georgian aim of obtaining a mobility partnership with the EU leading to better travel conditions affects the key area of movement of people. Therefore, conditionality and institutionalisation have increased with the establishment of the sub-committee on Justice, Freedom and Security as well as the clarity of rules as they affect a regulated intra-EU area. Border management and control of migration becomes a cornerstone of the process, pushing the enforcement of EU rules in the area.

Regarding the last area analysed, defence, we used it as an example of where the EU and Georgia have not collaborated, although the EU has been warning the Saakashvili administration of the perils of swelling expenditure in the armed forces. In that sense, the EU has proven ineffectual in decreasing the regional tensions in the Southern Caucasus, showing at the same time its lack of political influence in the strategic decisions of the Georgian government, especially in the period between 2005 and the August War. Yet, the lack of EU's influence on this process is affected by vertical incoherence. The involvement of some EU member states in the reorganisation of the army and its strengthening has

created internal incoherence between EU and some member states policies. The rearmament of the Georgian army and its reform to support the goal of acceding to NATO has been framed not only in the context of reintegrating Abkhazia and South Ossetia, but also in the Saakashvili government's state-building process and the will to strengthen the state. It was precisely the involvement of NATO and the US and the focus of the Georgian government on hard security that in the end created an escalation of events with Russia that led to the war in August 2008. It is paradoxical that it has been the EU that has taken the responsibility for the post-conflict management, but this area shows the devastating effects that security dynamics may have in the region.

To summarise, under conditions of 'cooperative governance', the impact of the EU has been irrelevant apart from the efforts of modernising Georgian institutions. In that sense, the EU has had a prominent role as a donor, but not in the process of shaping or influencing government policies. As in chapter 3, with the case of 'governance by conditionality' in the economic area, normative divergence and ideational factors have also been prevalent. This is another counterintuitive result as we might expect a higher legitimacy and resonance of EU policies in Georgia. Therefore, the 'normative power' in the area of SSR and the rule of law, with the crucial aspect of democratisation, has shown its limitations. This is a result of both a domestic cost-benefit calculation in relations to the EU's incentives and also of the urgent needs of Georgia in 2004 and the ideological views of the government. If, in the economic area, this was encapsulated by a 'libertarian' ideology, the state-building view can be framed in an 'Ataturk' and 'Singaporisation' view. Both are obviously a simplified depiction of intra-governmental tendencies in Georgia but they reflect a serious normative divergence with the EU. With the emergence of an institutionalised framework that has put forward an agenda of incentives and reforms, the EU has increased its profile in SSR, although the impact has revolved around border management, which is nonetheless a

technical area. This latter development, together with the EU Monitoring Mission and the total reliance on Western assistance, has limited the autocratic trends in Georgia.

CONCLUSIONS

OVERVIEW OF THE THESIS

This thesis developed an understanding of the nature and impact of the EU in neighbouring countries without perspectives of membership. It accomplished this through the development of an analytical framework supported by original empirical research on the impact of the EU in Georgia. In developing an analytical framework, the thesis progressed two areas: first, it conceptualised EU foreign policy as ‘institutionalised engagement’ and established a continuum of types of governance to set out the empirical case studies. Second, it set out an analytical framework to analyse EU impact in the neighbourhood by using the literature on ‘Europeanisation’ in EU candidate countries as a point of departure, but expanding its scope by including the context of third-countries responses and the international dimension in the analysis.

The first step was necessary to capture the nature of the EU as an international actor in its neighbourhood. Chapter 1 conceptualised EU external relations as a process of ‘engagement’ that leads to different degrees of institutionalised relations with partners. The concepts distil the basic characteristics of the EU’s relations with third countries: an institutionalised policy engagement with third countries on a broad range of subjects ‘with the aim of affecting far reaching economic, political and social change in targeted countries’ (Magen, 2007: 375). The following stage was to trace from a historical perspective how the EU has built an ‘institutionalised engagement’ with Georgia as a country included in the EU’s European Neighbourhood Policy and the Eastern Partnership, both regional-level projections of the EU’s ‘engagement’. It was concluded that the EU’s regional and bilateral initiatives towards the region provided a relatively stable institutional and policy transfer framework. Next, the thesis built a continuum of ideal types of EU governance towards its

neighbourhood that created the building blocks for the selection of empirical case studies for analysing EU impact. The argument supporting this was that the EU establishes relations with third countries around institutionalised relations and political engagement to varying degrees according to different governance conditions and subject areas. Therefore, the thesis adopts a policy-level approach to analyse the influence of the EU on the domestic policies of neighbouring countries.

The institutionalisation of relations in a given policy area depends on a number of factors, but the thesis argued that they can be grouped around three factors that determine the type of governance that the EU aims to establish with partners: density and clarity of rules, level of conditionality and the institutional and policy-making environment of the EU in a given policy area. The key issue derived from the conceptualisation of EU external relations as ‘engagement’ is that the EU frames institutionalised relations with third countries under the perspective and approach of exporting its policies and rules. This representation is admittedly rather stylised but it allows us to capture a variety of different types of EU governance towards the neighbourhood through which the thesis can first, establish variance in the empirical case studies and second, investigate whether the type of governance influences the impact or lack thereof of the EU at policy level. Accordingly, the case studies represent four areas of EU governance that comprise a representative range of EU governance types. First, ‘governance by conditionality’ represented by access to the EU’s single market, characterised by the expansion of a high and dense degree of EU rules, conditionality and clear EU internal competences. Second, ‘intergovernmental governance’ represented by foreign and security policy issues, characterised by some expansion of clear rules but at intergovernmental level, some conditionality and clear EU internal competences. Third, ‘external governance’ in energy security issues characterised by a high clarity and density of rules (although less than in ‘governance by conditionality’) some conditionality, but without clear institutional competences. Finally, ‘cooperative

governance' represented by Security Sector Reform, an area of low degree of EU rules, *ad hoc* cooperation programmes with third countries, little conditionality and institutional competences that are not clearly defined.

This conceptual underpinning of EU foreign policy and its governance towards the neighbourhood set the basis for moving to the second step of developing an analytical framework. Chapter 2 set up the theoretical approach for analysing the EU impact in third countries beyond conditions of enlargement. Its development was driven by two intertwined analytical questions: first, how to analyse EU impact; and second, under what conditions the EU has an impact in the context of the Eastern neighbourhood. In answering the first question, the thesis proposed to move beyond the dominance of the dichotomisation of EU influence as comparing the explanatory power of rationalist models based on incentives vs. costs mechanisms and sociological models based on social mechanisms of identification and legitimisation of EU rules as mechanisms of adopting EU-induced reforms. These two different logics have their foundation for explaining action in logics of consequences and appropriateness respectively. Instead, the chapter proposed a theoretical framework based on 'causal logics' because comparing rationalist and sociological explanations misses the important interplay of material and ideational factors to explain the influence of a third party in domestic policies.

Drawing upon Parsons (2007), chapter 2 set out analytical boundaries based upon a distinction between a 'logic of position' and a 'logic of interpretation'. The former frames explanations in certain rationalist claims by which human action 'is explained by determining the landscape around someone to show how an obstacle course of material or man-made constraints and incentives channels her to certain actions' (Parsons, 2007: 13). The latter, in the framework of this thesis, traces the effects of ideational claims by which someone acts by interpreting what is possible and/or desirable (Parsons, 2007: 13). In terms

of a 'logic of position' we can differentiate two different causal processes of human action: First, 'structural' processes refer to material factors that are exogenously given and that may affect human decisions. Second, 'institutional' processes refer to 'man-made' causal factors. In such a framework, ideational processes are embedded in a structural and institutional environment where EU–third countries relations occur. Placing the explanation in 'causal logics' enhances the possibility of capturing EU influence by integrating into the explanation of EU impact the interplay of the effect of the institutional setting between the EU and third countries, the international-level factors and the domestic responses. Thus, we can establish the main routes that influence policy change and the possible influence of the EU by tracing variations of the institutional, structural and ideational elements in which the EU–Georgia relations are embedded.

Under such a premise, the empirical analysis of the thesis, chapters 3 to 6, investigated the impact of the EU on the four types of governance in Georgia. The next section traces in detail the empirical findings in terms of the causal processes and conditions of EU impact. In brief and in terms of the governance characteristics, the impact of the EU in each case study was as follows: Chapter 3 examined the impact of the EU on the economic sphere of relations with Georgia, specifically the access of the country to the EU's single market through the establishment of a Deep and Comprehensive Free Trade Agreement (DCFTA). The latter is characterised by 'governance by conditionality'. EU impact was low until the aftermath of the 2008 August war due to reasons we would not principally expect. Given the ambitions of the country, especially the post-Rose Revolution government to become part of the Euro-Atlantic structures and, a low degree of EU impact would be expected to be explained by cost–benefits calculations or the existence of structural constraints, be they domestic or international. In fact, the most striking result of the empirical analysis was to uncover the enormous ideational gap between the EU and Georgia that has rendered EU influence in the area rather low. Negotiations with the EU for establishing a DCFTA sped

up only when the most vocal figures of the government against the EU approach were dismissed and the geopolitical implications of the war highlighted the impossibility of relying on the US. In that regard, EU 'governance by conditionality' has turned out to be powerful when normative divergence has eased.

Chapter 4 investigated the impact of the EU on an area of intergovernmental governance such as cooperation in the area of foreign and security policy. The impact of the EU has been equally low, but again due partly to unexpected reasons. On the one hand, as we would expect, the pressures stemming from Russia in the region, its grip on the separatist conflicts in Georgia and the EU's wariness of Russia has made the long term approach of the EU quite ineffective. On the other hand, Georgian governments, under both Shevardnadze and Saakashvili have instrumentally looked for European support for resolving the conflicts, but since Saakashvili came into power, normative differences in the course of foreign and security policies in the country has alienated the EU's approach, while relying on the US and NATO to orient the foreign and security policies of the country became a fundamental focal point until the 2008 war.

Chapter 5 analysed the impact of the EU on the area of energy security as paradigmatic of an area of EU 'external governance'. In this area, the impact of the EU has been considerable over a long term perspective, which makes the EU's approach appropriate in this type of governance when geopolitical pressures and ideational factors are favourable or at least not at odds with the EU approach. Indeed, in this case, partly thanks to the US policies in energy security towards the wider Black Sea region, the EU has pushed its regional agenda based mainly on a market and integrative approach creating different rings of integration and cooperation in the region. In the case of Georgia, the country has consolidated its position in the long term as an important transit country which has led it,

after some hesitation around the possibility of accommodating with Russia, to anchor its international role as a major partner of the EU and the US in the East-West energy corridor.

Lastly, chapter 6 evaluated the impact of the EU on the area of ‘cooperative governance’ demonstrated by the involvement of the EU in Georgia Security Sector Reform. In this area, domestic structural and ideational factors were prominent. Following the unexpected relevance of the ideational divergence between the EU and the Georgian approach after the Rose Revolution, the impact of the EU was low in areas where ideational factors emerged such as in the judiciary and the state’s internal security reform, very especially in defence matters. In areas where technical issues became more prominent such as some aspects of police and judiciary reform, but especially in border management, the impact of the EU was considerable. In the latter, when institutional factors of the EU governance characteristics became clearer, such as specificity of rules and better-defined competences between EU institutions, they also contributed to the impact of the EU.

The next section establishes in detail the conditions and causal mechanisms of the EU impact or lack thereof in each of the case studies and suggests a general conclusion on the power of the EU’s engagement to exert influence on Georgia.

SUMMARY OF EMPIRICAL FINDINGS: PATHWAYS OF EU IMPACT

The impact of the EU at a policy level has been variable and higher than predicted by the literature. Understandably, the impact has been higher in areas of a technical character, whereas in areas that touch sensitive areas such as the organisation of domestic political and economic life, the impact has generally been low. That said, a critical issue that arises from both the EU and Georgian perspective is the latent problem of the expectations put into the EU’s ability to influence domestic policies or, more commonly, ‘Europeanisation’. Indeed, the post-revolutionary government placed great hopes on the political support of the EU

regarding its relations with the break-away regions and Russia, especially in view of the reformist efforts. Likewise, it is common to create high expectations of the capability of the EU to transform its near abroad (e.g. Leonard, 2005; Ferrero-Waldner, 2008a; Ferrero-Waldner, 2008c). If we are to judge the impact of the EU in terms of its capacity for shaping domestic political and economic systems, the results are likely to be disappointing, as are most of the attempts by great powers in history. If we undertake a pragmatic analysis of the degree of implementation of bilaterally agreed agendas of cooperation and reform, results become more nuanced and as this thesis shows, the EU is able to shape policy change despite difficult environments. Overall, the EU has been a relevant external actor that has in general had presence across the analysed case studies.

The empirical analysis was framed in the synthetic framework proposed in chapter 2 to account for the EU influence in a multi-level process of institutionalised relations embedded in a certain domestic environment and the international system. As mentioned earlier, the analysis revolved around three distinct causal processes and their interplay: institutional, structural and ideational. Table 23 summarises the empirical results based on the institutional and structural processes. First, the institutional process reflects the formal and informal characteristics of EU relations with third countries in the case of the Eastern neighbourhood. Within the ideal types of governance, we established certain conditions that may hamper/reinforce the effectiveness of the EU type of governance in a certain policy area: the institutional coherence between different EU institutions, mainly the Commission and the Council (horizontal coherence) and between them and the policies of member states (vertical coherence); the consistency and determinacy of the rules promoted by the EU within a certain type of governance; enforcement and distribution costs; and obviously the perception of the incentives of implementing EU-induced reforms.

Table 23: SUMMARY OF EMPIRICAL FINDINGS: Institutional and Structural Processes (Logic of Position)				
	Governance by Conditionality: Internal Market Access and Economic Issues	Intergovernmental Governance: Foreign and Security issues	External Governance: Energy Security Issues	Cooperative Governance: Security Sector Reform
<i>Institutional process: EU–Georgia institutionalised relations</i>				
<i>Coherence</i>	YES	YES	Vertical incoherence but less after 2006-09	Institutional and Vertical Coherence
<i>Consistency and determinacy of rules</i>	YES	YES	VARIABLE	NO, excepting border management
<i>Credibility of conditionality</i>	YES	NO	YES if applicable (Energy Community)	NO
<i>Enforcement and distribution costs</i>	NO	Variable enforcement costs	YES	Enforcement
<i>Domestic perception of incentives</i>	SMALL	YES	YES	NO
<i>Domestic determinants: Institutional process</i>				
<i>Path dependence</i>	YES	YES	YES	YES
<i>Domestic determinants: Structural process</i>				
<i>Veto players / Political system administrative capacities</i>	YES	NO	NO	YES
	Not relevant	Not relevant	Not relevant	Not relevant
<i>Structural process: International level</i>				
<i>Geopolitical constraints</i>	Russian ‘Liberal Empire’, but not a prevalent factor	YES, Russian pressures	YES, Russia-US competition	Pre-2004-07: Russia Post 2007: Less relevant
<i>Linkage</i>	Former USSR, Turkey	US	From former USSR (pre-2006) to Turkey and EU	Little relevance: domestic structural factors dominant
IMPACT	NO, but increasing after 2008 War	Some in foreign policy, NO in security and conflict management	YES	Yes in border management, variable in the rest, NO in judicial reform

Across the case studies, a well-defined institutional approach at policy level has proven a necessary condition for EU impact. Horizontal incoherence was present in the area of Security Sector Reform, but when it was clarified, for instance in the case of border management as part of the Justice and Home Affairs pillar, the impact was higher. At the same time, there is no doubt that the areas where the EU has developed a clear internal *acquis* or clearer regulations are those with well-defined internal policy-making competences and procedures. This should not, however, lead to a functional argument whereby communitarised policy areas lead to a more coherent and effective external projection towards third countries. Politics matter and those areas that leave less space for political manoeuvre are those where there is vertical and horizontal coherence such as in the areas related to the single market, which is highly regulated with clear institutional competences and subject to EU law. The foreign policy side of the single market is a crucial part of the EU's engagement as it affects significant parts of the economic organisation of third countries that wish to have closer economic and social relations with the EU. In such areas, credibility of conditionality is straightforward: either the conditional requirements to obtain, in the case of Georgia, a DCFTA are to a great extent fulfilled or the process does not advance. Political considerations are always part of the game, but in this case the rules are clearly defined and therefore the process, incentives, rules and goals are well established.

In contrast, other constitutive areas of the EU such as democracy, human rights or the rule of law, which have been historically incorporated in EU treaties as indivisible, constitutive parts of EU members, have been more susceptible to vertical incoherence. Normative concepts such as 'democracy' are by nature contested and hardly measurable which renders EU responses prone to political considerations. Georgia is a good example of such tensions. George W. Bush defined Georgia as a 'beacon of democracy' and other leaders in the CEEC have made the case of defending 'Georgian democracy' as a litmus test for the

credibility of the EU and NATO in the post-Soviet space. However, organisations such as Human Rights Watch or Freedom House, which support the Western-type liberal values of the EU, have repeatedly noted the worsening of the democratic values and freedom in Georgia since 2005. Indeed, the EU enlargement to the CEEC in 2004 has escalated to the EU-level the interests and concerns of countries such as the Baltic Countries and Poland towards the Eastern neighbourhood and Russia in particular. For them and for other influential members such as the UK and Sweden, promoting EU and national-level policies that support those countries, not only in their economic and political transitions but also in reducing the Russian influence in the region, is an important foreign policy driving force. For others, crucially Germany, relations with Russia are at centre stage. Vertical coherence is a latent tension across case studies, but at the least, the more the institutionalisation of the EU external approach with a country, the less this problem would emerge. Undoubtedly, it is a process very much linked to the degree of communitarisation of a policy area and the clarity of rules and incentives.

Intimately linked to coherence and the degree of conditionality and clarity of rules of the EU in a certain mode of governance, enforcement and distribution costs are likely to arise, the former when a mode of governance is less hierarchical and formal and the latter when more actors are involved. As expected, the bilateral agenda between the EU and Georgia has been difficult to enforce in areas where the EU is unable to exert a mode of governance based on hierarchical relations and without clear rules or the capacity to monitor the arrangements. Clearly, enforcement costs have been prevalent in ‘cooperative governance’ and in the areas of ‘intergovernmental governance’ relating to conflict resolution and crisis management at a domestic and regional level. In contrast, distributive costs are prevalent in the regional approach of energy security through the aim of the EU seeking cooperation of different countries in the wider Black Sea area. The solution has been to create flexible patterns of integration which, linked to a greater political and financial commitment, have

diminished distributive costs which partly stem from regional competition pressures mainly from Russia. The EU has increasingly become a regional hub in Black Sea energy security. In the case of Georgia, given its dependent position as a transit country in the East-West corridor, enforcement problems did not emerge.

Incentives, by contrast and contrary to what the main bulk of the literature on the influence of the EU beyond enlargement would predict, have not been the main factor for explaining EU impact or lack thereof, at policy level. In general, analysts of the region blame the supposedly little influence of the EU on the lack of material incentives (Lynch, 2006; Asmus, 2010). Since the early nineties, at a general level, Georgian governments have oriented internal and foreign policy priorities to resolve the conflicts and guarantee Georgian security as an independent and viable state, which has often led to conflictive relations with Russia. In that sense ‘hard security’ has featured high in Georgian politics, which in turn focuses the material and ideational perceptions of Georgian elites in terms of governing the country. During Shevardnadze’s rule, the precarious internal situation of the country led to backstage dynamics where the state’s institutions and politics were pervasively penetrated by criminal elements. The Rose Revolution in 2003 and the reformist government that emerged in the aftermath led to a critical juncture that created the conditions for energetic political and security reforms.

In such a scenario, the incentives put forward by the EU in terms of framing and influencing the possible routes of reforms addressed the ideational background of the EU’s approach: reform of the rule of law; the reform of the economic and political environment to foster a EU-like system; and the long-term search of conflict resolution measures and regional cooperation. To assist the Georgian government, the EU offers a wide-range of technical and financial instruments. Apart from technical assistance in the framework of the Twinning and Taiex programmes as well as assistance in framing reform strategies, the EU

has pledged more than 600 million Euros in Georgia since 2004 without counting bilateral help from EU members.

As such, conceptually and economically, EU incentives are substantial when compared to the main powers in the Southern Caucasus – Russia and the US. The main difference is the stress on security issues of the US, an area where the EU by nature is reluctant to take a leading role, especially when the Southern Caucasus is poisoned with regional security competition. But, even under such circumstances, the EU has pushed forward some important goals in energy security, an area highly influenced by geopolitical factors and in conflict stabilisation with the EUMM. An analysis that takes into account the structural factors derived from the Georgian position in the region as well as the ideational processes indicate that even under conditions of EU membership, arguably the main EU incentive, the degree of EU impact would have not been very different.

Structural causal processes refer to those factors that affect human action in terms of exogenous material constraints and incentives. Exogenous factors refer to those factors or processes which do not stem from a man-made course of action such as institutions. Chapter 2 established an analytical two-level differentiation of structural processes where they account for domestic and international-level constraints and incentives. It argued that the strength of economic, social and political linkage of a country with certain countries and regions as well as geopolitical factors account for international-level processes. The existence of veto players and path dependent processes may account for explaining the domestic-level constraints and the process for explaining EU influence or lack thereof.

There have been three main structural factors that have influenced the impact of the EU. At an international level, the variable ‘linkage’ has proven more influential than geopolitical factors. Russian pressures have constantly been present across the areas, but in the end they have accentuated the Georgian process of leaning towards the West instead of preventing it.

This is a paradox for the Russians as during the nineties Russia enjoyed a high degree of political, social and economic linkage with Georgia, especially with the economic elites. Instead of exploiting this fact, intransigent Russian policies towards Georgia led the Georgian political elites to look for other international actors to balance Russian inflexibility in terms of the conflicts and security policies. The constant reluctance of the Kremlin to accept a fully independent Georgia led to a progressive weakening of the linkages between both countries. This process was highlighted when the Saakashvili administration was determined to stop the common practice among many former Soviet Republics to consult the Kremlin before adopting any decision regarding key issues.

The strong ideological convergence between the new Georgian elites after the Rose Revolution and the Bush administration led to total alienation between the Saakashvili close circle and the Kremlin. In contrast, political linkage between Georgia and the US became prevalent. In such a circumstance, the EU had a backstage position until it took a leading role during and in the aftermath of the August war. In terms of economic and social relations, the influence of the EU has been rather weak in comparison to the Georgian linkage to former Soviet Republics and Turkey. Thus, the variation of the process of linkage has correlated to the degree of influence of the EU and other actors in Georgia. The aftermath of the August war is a telling example. The war showed the inability of the US to provide security guarantees by itself, a void filled on the ground by the EUMM. As a result of the need to rebalance relations with the EU and the US, Saakashvili replaced key 'libertarian' elements in the Georgian administration which were vocal against the EU's agenda of reforms. Accordingly, such a situation has led to a renewed emphasis on the EU agenda of political and economic reforms, although at the time of writing it was difficult to evaluate the intensity of the process.

Thus, geopolitical factors have traditionally pressured the EU to take a less political and visible role in the region, which, as analysts have pointed out since the early 2000s, is not surprising. However, according to the empirical findings, the geopolitical weakness of the EU is a result of vertical incoherence. When the latter is overcome the EU may push forward its agenda, as in the case of energy security, without resorting to hard-power politics. What is relevant, as this thesis has shown, is the neglect of most analyses on the international influence of IOs or external actors on domestic policies of the importance of political, economic and social linkage to understand and explain the process. The key issue is not a matter of strong or weak incentives, but what can be the likely pathway of political and economic decisions in countries with pressing urgencies such as internal security and the sovereignty of the country itself as well as serious economic and social problems. In that sense, it has been very important to investigate the ideational causal processes that has led to those decisions and which more often than not have been at odds with the EU approach. This was not a direct consequence of a lack of EU incentives or Russian pressures (which were no doubt important), but as a consequence of the crucial interplay between path dependence and ideational processes at domestic level and linkage at the international level, which have been amplified by the presence of the US as a major geopolitical player.

The role of ideas

Tracing the interplay of institutional, structural and ideational processes has produced the unexpected finding of the crucial role of ideas in the bilateral relations between the Saakashvili administration and the EU. This is a counter-intuitive result as Georgia is regarded as a pro-Western country, traditionally governed by Westernised political elites. If there is a country in the EU's Eastern neighbourhood where aspirations to be part of the Euro-Atlantic structures are well-rooted, then this is Georgia. But, such an environment is not a given for the immediate acceptance of EU prescriptions. Indeed, the Saakashvili

administration has been reluctant to implement even the basic legally binding elements of the 1999 Partnership and Cooperation Agreement. When it emerges, such normative divergence is not the result of administrative deficiencies or domestic costs-benefits calculations but ideological divergence. Such a situation shows the limitations of the normative power of the EU, even in friendly environments. In short, the optimistic and still persistent vision of the EU as a ‘force for good’ or ‘smart power’ with universalistic values (Ferrero-Waldner, 2008d), a view which is shared among European policy-makers and some analysts, needs some readjustment.

The ideational causal process was specified to occur in three dimensions: construction of the policy agenda; the content of policies; and discursive strategies. The empirical analysis traced whether the EU has had any influence on shaping any of those stages of the process of political reform. The aftermath of the Rose Revolution and the impetus for reform of the new government provided the opportunity to analyse such influence in a critical juncture. The EU offered policy blueprints of reform and policy paradigms across the case studies, although obviously the more comprehensive were displayed in ‘governance by conditionality’ and ‘external governance’. However, the difficulties in their implementation stemmed from the remote possibility to persuade the core circle of Georgian policy-makers due to the considerable normative divergence between them and the EU. The following table summarises the role of the EU in the ideational process of policy reform.

Table 24: SUMMARY OF EMPIRICAL FINDINGS: ideational causal logic (Logic of Interpretation)				
	Governance by Conditionality: Internal Market Access and economic issues	Intergovernmental Governance: Foreign and Security issues	External Governance: Energy security Issues	Cooperative Governance: Security Sector Reform
<i>Construction of policy problems and policy agenda</i>	1) Policy blueprints, but: 2) Normative divergence that hampered persuasion	Policy blueprints. Political dialogue format not conducive to persuasion	EU Policy blueprint accepted	Tackling corruption as a priority and reforming state security
<i>Content of policies and reform proposals (policy paradigms)</i>	1) Normative divergence Libertarian vs. Regulatory 2) ‘Dubaisation’	State-building and sovereignty process in Georgia after 2004 diverged with EU stress on regional approach and long-term conflict resolution process	EU external energy policy	Strengthening of the authority of state (top-down approach) as a priority rather than democratisation. Normative divergence with the EU
<i>Discursive strategies</i>	1) Anti-statist discourse that resonates with the Communist past 2) EU as a regulatory and sclerotic economic system	1) Black Sea as link to Europe (rebranding as ‘Caucasus’) 2) Alignment with the EU as a process of being part of a ‘European community of values’	Not relevant	References to state-builders: King David the Builder and ‘Ataturk’

The summary corresponds mainly to the post-Revolution period. During Shevardnadze’s time in power, the discursive content in relation to the agenda of cooperation with the EU was the desire to be part of the European club of organisations although both the policy blueprints and the content of reforms were far less developed in EU–Georgian relations than after the launch of the ENP in 2004. Likewise, the Shevardnadze administration was characterised by a large disconnection between the discursive component of the pro-Western ambitions and the lack of political will for public-policy planning. In contrast, the

post-revolutionary government undertook during its first years in power an extensive and wide-ranging process of reform. The process lacked a general strategic view and was focused on rapidly tackling the serious economic, corruption and security legacy of the Shevardnadze administration. Western organisations and the US provided considerable assistance in that process. In the case of the EU, the provision of some comprehensive reform strategies and policy blueprints of reforms was extensive, as we saw throughout the case studies. The key issue was that in some cases the policy paradigm prescribed by the EU clashed with the vision of the Saakashvili administration of how to build a new state.

The EU provided policy blueprints based on its experience during the enlargement process, where the EU encountered a generally favourable normative environment and the existence of the basic attributes of a functioning statehood. In the case of Georgia, and by extension across the Eastern neighbours, the construction of a viable and sovereign country has been hampered by internal and external obstacles due to a great extent to the Soviet past. The Saakashvili administration's main objective was to build those attributes and grow a sense of unity among Georgians based on strong state and national pride. Indeed, rejection of the Soviet past, embracing the Black Sea dimension as a linkage to Europe and the establishment of a reduced but strong state, based on reliable and modern security forces, including a strong army, was almost the only priority.

In terms of policy content, the Saakashvili administration embraced as an ideal the construction of a 'Singapore-style' state based on a small but effective administration. In economic terms, the content was driven by the total liberalisation of the economy, scrapping almost all regulatory agencies. As we saw in chapter three, the aim in the words of a former Prime Minister, was to 'Dubaise' and not to 'Europeanise' the country. Both objectives were partly driven by the need to tackle corruption but it is clear that the content of policy reform, its discursive strategies and the values they addressed were deeply at odds with the

EU's approach. Finally, the direct clash between senior EU officials, including the High Representative and the Saakashvili close circle was amplified by the close personal links of the latter with the Bush administration and led to alienation with the EU until the August war. Such a circumstance is due to a great extent on the stress of security issues regarding conflict resolution and relations with Russia that increasingly led the Saakashvili administration to disregard the EU. Likewise, in such circumstances, most of the EU members have increasingly regarded Georgia as a difficult country. Additionally, for some of them, the country belongs to a distant region not worth the political involvement. Despite the presence of an 'institutionalised engagement' and the push factors of the CEEC and other influential members, there is an ideational component among many members that prevents a higher political involvement. This is an important point that shows the crucial interplay between material and ideational components. For instance, in the case of the Bush administration, despite little strategic and material interest of the US in Georgia, ideational factors may account for the vast political and economic resources invested in the country by the US since the early 2000s. The contrary may be partly applied to the EU.

Thus, this thesis has made the case that we should not see material and ideational process as parallel processes. Indeed we can trace the factors that account for most of the explanation of EU influence or lack thereof to a constant interplay between material, institutional and ideational processes. Despite the ideational difficulties encountered by the EU in Georgia, in the long term, the EU's 'engagement' has created important links that have become ingrained in the Georgian policy-making processes, although not at the core of the Saakashvili administration. The next section shows the conditions of EU influence in Georgia and the implications for the rest of the Eastern neighbourhood.

Causal pathways of EU influence or lack thereof in Georgia. Implications for further empirical analysis

The final research objective was to establish the main mechanisms and conditions under which the EU may influence domestic policy developments in the neighbourhood. The in-depth empirical research was facilitated by the analysis of four case studies in one country, which allowed the analysis of a large number of variables. Admittedly, expanding such a framework to undertake comparative analysis would be too complex. Nevertheless, from the findings of this thesis it is possible to hypothesise a stylised series of causal mechanisms of EU impact derived from the exploratory analytical framework developed in chapter 3.

As mentioned, institutional coherence is a necessary condition of EU impact. But, it is possible to collapse the institutional causal process: vertical coherence and clarity of internal policy-making and projected rules were distinguishable factors on EU impact across the case studies. In contrast, contrary to commonly held views, incentives were not a decisive factor on EU impact. This does not mean that incentives are not important; in the case of the EU and the neighbourhood a final goal and assistance needs to be provided to influence policy developments. The point is that it is the interplay of other factors which affects the effectiveness of the institutional approach of the EU.

At a domestic level, the structural determinants of the political system have proven crucial: A hierarchical and strong presidential political system creates institutionalised relations with external powers which are exposed to contingent factors. As the case of the EU and the US shows, in the long term an institutionalised approach has proven effective in increasing EU influence, whereas US policies based on personal links and contingent geopolitical circumstances might be short-lived. At an international level, the key factor is linkage. Whereas ‘interdependence’ may evoke the existence of mutual sets of interests, normally contingent, among actors, ‘linkage’ allows for a better understanding of the interplay of

material and ideational factors that may create deeply rooted path dependence processes. From an International Relations perspective, social, cultural, economic and political linkages anchor a country within a sphere of influence or community of values. Russian pressures in Georgia, including military threat, have been void of effective influence apart from the conflict zones since the mid-2000s because of the lack of the previous attributes. In contrast, during the nineties Russia could exert a higher influence in spite of going through extremely difficult times that diminished its effective hard-power influence; it kept a wide variety of links with Georgia and the rest of the Eastern neighbourhood.

In that sense, the EU has not been able to produce deep conditions across the attributes of 'linkage' apart from the case of energy security. Finally, as mentioned, ideational responses are deeply rooted in the evolution of an institutional and structural framework. Thus, a likely pathway of EU influence is based upon the existence of a *coherent* institutional framework of relations at a policy and general level of relations, embedded in some degree of *linkage* and domestic environments that are *either* locked-in in favourable *path-dependence* processes *and/or* in a situation of critical juncture where *ideational convergence* allows the influence of the EU in the process of construction of policy problems, their content and a convergent ideational resonance of values.

In this vein, a fruitful avenue of further research is to build a theoretical framework on the interplay between the institutionalised processes of, in this case, the EU and its involvement with linkage, domestic policy characteristics and ideational factors as developed in this thesis. Such a framework would obviously be more applicable in hybrid or democratic regimes where conditions of some accountability and the existence of a process of some public and political debate about construction of policies and their content is possible. Likewise, such a framework would also allow comparative analysis of the influence of

different external actors, i.e. Russia, the US or other regional powers such as Turkey in the case of the Southern Caucasus.

CONTRIBUTION TO THE LITERATURE AND IMPLICATIONS

The fact that this little corner of the world has provoked important frictions among great powers surely raises important questions on why this is the case. In recent years, some academic efforts have contributed to understanding the political involvement of the US in the Southern Caucasus and Georgia in particular; Russian policies in the region have also been widely researched. In contrast, it is surprising how little is known about the effectiveness of EU policies. True, some policy analyses have devoted some attention to EU policies in the region, but beyond the extensive research on the Georgian conflicts we are left with a superficial understanding of the EU role in Georgian domestic policies, and in the region by extension. In short, there is a considerable lack of knowledge about the nature and mechanisms of the processes and influence of the EU in the region. This thesis has aimed to contribute to shed some light on that gap.

In developing the analytical framework of EU influence, the thesis has drawn upon a number of disparate theories from different political science disciplines. The main source of theoretical development has been the literature on ‘Accession Europeanisation’. The thesis has contributed to a better understanding of the main conditions put forward for explaining EU influence by this discipline. It has shown that despite corroborating some of its hypotheses, such as the importance of interdependence and the perceived legitimacy of the EU in third countries, the role of ideas and international pressures were under-theorised. Putting the research in the perspective of ‘causal logics’ instead of ‘logics of action’, and thus, complementing rational and sociological claims, has given a different perspective to the importance of ideas and its interplay with international factors and relations with the EU.

The 'external governance' literature has been another source of theory development. It is a perspective oriented towards understanding the process whereby the EU is moulding different patterns of governance in its near abroad. In that sense, it has not been central in elaborating possible mechanisms of EU impact but has been a base for constructing the four case studies. As expected, the central tenets of the 'governance' approach have been confirmed, but to understand how different types of governance have an impact on third countries we need to include the political interplay of domestic and international variables with the EU's approach. Thus, political negotiations and perceptions stemming from path dependence processes, ideas and the internal coherence of the EU emerge at a central stage, rather than the functionalist approach of the 'external governance' literature in stressing institutional traits of the EU's policy making processes and the existence of enforcement and distributions costs in determining patterns of EU governance in its external relations.

This thesis also contributes to advancing the empirical literature of the EU's foreign policy. It has shown that the EU is a relevant and often neglected player in international politics. In contrast, the EU as a 'force for good' is only an illusion of European policy-makers. Even when Western values are widely accepted, as in the case of Georgia, the rules that the EU is promoting may not resonate well. The implications are well understood within the EU, hence the pragmatic approach of looking for areas of mutual interest with third countries to establish an effective agenda of cooperation. But, this should not lead to the abandonment of democratisation policies in countries where the enhancement of democratic values is possible, such as in Georgia. The normative approach must, however be accompanied by a comprehensive agenda of democratisation that stresses the reform of the political system and better public management; separation of powers is crucial. The case of Georgia shows how often limited and short-term political interests and internal EU incompatibilities leave the previous agenda at a mere 'project level' as in the case of judiciary reform without being serious in the conditionality side. Should the EU and its members be more consistent

in pushing the fulfilment of the rhetorical and contractual commitments of the Georgian authorities, the democratisation process of the country could move forward since there are favourable domestic conditions.

This leads to a critical point: as pointed out in the thesis, 'Western values' do not always equate with the EU, hence a strong cooperation with the US, which enjoys close access and influence on policy-makers across the Southern Caucasus countries and is a crucial element for anchoring the region to the Euro-Atlantic sphere. Indeed, the transatlantic rift between some European countries and the US has emerged in the Caucasus and the most influential EU members in the area such as Germany have sometimes been at loggerheads with the US. It is indisputable that no EU country could make a difference in the region on its own without a common EU approach. Even in the context of the Treaty of Lisbon, which envisages a unified EU diplomatic service across EU institutions, vertical incoherence between EU countries, among themselves and with the EU remains an important challenge.

The thesis also sheds some light on some long standing issues in international relations. First, it has shown that international actors may have some influence, although this is probably diffuse on domestic policies. Second, the debate on the importance of international factors in explaining democratisation and transitional processes is far from settled, but this thesis has shown that in the case of Georgia, and probably in the rest of the Eastern neighbourhood, external forces are unlikely to affect domestic processes of democratisation *unless* there exist *higher* level of political, social and economic *linkages*. Therefore, the EU in cooperation with the US should promote those linkages vigorously in the region to overcome the relative economic and social isolation of those countries. This would not only enhance the political interests of the West, but also the social and economic conditions throughout the region. 'Russia first' policies and containment of the conflicts has only led to more instability and insecurity.

Lastly, this thesis has also made evident the capacity of agency of Georgia as a subject of the analysis and not merely an object. Thus, it contributes to highlight that even under conditions of strong geopolitical pressures, small countries do still possess capacity of agency although with certain constraints. True, Georgian policy-makers can make choices regarding the international position of the country and in terms of obtaining international support for domestic policies, but they have been embedded in an ideational and regional environment that has shaped the options available.

FURTHER AVENUES FOR RESEARCH

The empirical analysis of this thesis has provided evidence which shows the impact of the EU on Georgia and the causal processes where the EU has induced or shaped policy change. Although the thesis has suggested a possible generalisation of the implications of the research and hypothesised a model of EU influence, there is no doubt that further research is required on the comparative analysis of the EU's influence in the Eastern and the rest of the neighbourhood. A logical first step is to test the hypothesis of the pathway of EU influence across policy areas and countries. Such analyses could be supported by combining quantitative and qualitative research. On the one hand, the variable 'linkage' is susceptible to quantitative analysis; on the other, given the likely important role of ideas and the degree of institutionalisation of EU governance, the thesis demonstrated the value of conducting in-depth process-tracing. The evolution of the Eastern Partnership as well as the initiation of negotiations for the Association Agreements in the Southern Caucasus offers a fruitful ground to continue research on the increasing presence of the EU in the region and its impact on domestic reforms. Ideally, the development of such research agenda should be carried out by collaborative research. It is only through empirical analysis that we can advance both the theoretical and empirical knowledge of the EU role in the neighbourhood and in the world.

A further avenue of research stemming from the previous research agenda would be to compare, first, the mechanisms of influence of different great powers and second, their influence on domestic policies. This thesis has developed an analytical framework susceptible to such endeavour. In the case of the Eastern neighbourhood, obvious research which would be complementary to the previous research agenda would be to undertake comparative analysis of the nature and impact of Russia, the US, the EU and (re)emerging regional powers such as Turkey. This thesis has focused on the EU, hence the institutional processes of governance have centred on that goal, but it could easily be adapted to incorporate different actors. Coherence, rules and norms projection and incentives are ultimately common conditions of impact for any type of actor. Likewise, ideational and structural processes as put forward are also susceptible to incorporation in a comparative research agenda on the influence of external actors. Finally, such research agenda may obviously be extended to the rest of the neighbourhood and on a global scale.

A second issue that would require further research is the role of the EU in the development and transmission of governance rules and norms at a regional and world level. This thesis has shown that EU governance relies on the establishment of a process of rule transfer at policy level. At the level of global governance as some scholars have shown, the EU undoubtedly promotes certain norms. A fruitful and relevant research agenda would be to analyse to what extent the EU influences norms and rules transfer within international organisations and multilateral frameworks. Here, the interplay between vertical coherence, global distribution of power and the projection of EU rules, as well as ideas, promises to provide relevant results on the role and influence of the EU in world politics.

Third, the analysis of the thesis has reflected the need of directing the analysis to the domestic settings and neighbouring countries' interests in order to fully understand the dynamics of EU-neighbours relations. In recent years, research has been oriented towards

scrutinising external EU policies and approaches with little attention yet to the receiving end of the ENP and other EU/member states policies in the neighbourhood (Najslova, 2010). Research on that dimension and the varying governance settings according to different policy areas, and taking into account regional dynamics, promise to shed light on the effectiveness and shortcomings of the EU's external relations towards Eastern Europe.

Finally, the findings of this thesis have highlighted the importance of ideas in world and domestic politics in terms of shaping the construction, content and the discursive identification during the process of policy change. The role of ideas and their interplay with material factors is a contended issue in international relations theory. The analytical framework put forward by this thesis indicates that the framing of empirical analysis in terms of causal logics is a fruitful avenue to uncover the interplay of material and ideational conditions that influence political choices. The exploratory nature of the theoretical framework of the thesis would require further elaboration of the theoretical underpinnings of different causal processes and its interplay. Such endeavour promises to advance the empirical research and understanding of the long-standing issue of the interplay between ideas and material factors.

APPENDICES

Appendix I Conventions to be ratified and implemented by the EU's GSP+ agreements

Core human and labour rights UN/ILO Conventions

1. International Covenant on Civil and Political Rights
2. International Covenant on Economic, Social and Cultural Rights
3. International Convention on the Elimination of All Forms of Racial Discrimination
4. Convention on the Elimination of All Forms of Discrimination Against Women
5. Convention Against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment
6. Convention on the Rights of the Child
7. Convention on the Prevention and Punishment of the Crime of Genocide
8. Convention concerning Minimum Age for Admission to Employment
9. Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour
10. Convention concerning the Abolition of Forced Labour
11. Convention concerning Forced or Compulsory Labour
12. Convention concerning Equal Remuneration of Men and Women Workers for Work of Equal Value
13. Convention concerning Discrimination in Respect of Employment and Occupation
14. Convention concerning Freedom of Association and Protection of the Right to Organise
15. Convention concerning the Application of the Principles of the Right to Organise and to Bargain Collectively
16. International Convention on the Suppression and Punishment of the Crime of Apartheid.

Conventions related to the Environment and Good Governance

17. Montreal Protocol on Substances that Deplete the Ozone Layer
18. Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal
19. Stockholm Convention on Persistent Organic Pollutants
20. Convention on International Trade in Endangered Species of Wild Fauna and Flora
21. Convention on Biological Diversity
22. Cartagena Protocol on Biosafety
23. Kyoto Protocol to the United Nations Framework Convention on Climate Change
24. United Nations Single Convention on Narcotic Drugs (1961)
25. United Nations Convention on Psychotropic Substances (1971)
26. United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988)
27. United Nations Convention against Corruption (Mexico)

Source: European Commission

**Appendix II Pledges per donor. October 2008 Donors Conference for the
reconstruction of Georgia**

DONOR	2008	2009	2010	TOTAL
Countries:				
Austria	1.12	0.66		1.78
Belgium		1.32		1.32
Bulgaria	0.22	0.22	0.21	0.66
Czech Republic	1.36	3.79	3.26	8.41
Denmark		9.02	3.54	12.56
Estonia	0.89	0.56		1.45
Finland	2.64	0.66	0.66	3.96
France	1.67	4.92	3.34	9.93
Germany	14.90	14.77	14.77	44.43
Hungary	0.31			0.31
Ireland	0.88	0.88	0.87	2.64
Italy	3.69			3.69
Latvia	0.07	0.36	0.33	0.75
Lithuania		0.66	0.66	1.32
Luxembourg	0.37			0.37
Malta	0.01			0.01
Poland	1.71	2.64		4.35
Romania	0.88	1.32		2.20
Slovenia		0.03		0.03
Spain	0.44	0.44	0.45	1.32
Sweden	20.06	13.19	19.79	53.04
The Netherlands	6.46	4.88	3.82	15.16
United Kingdom	3.39			3.39
TOTAL EU Member States	61.07	60.30	51.69	173.06
European Community	239.82	227.95	169.68	637.45
TOTAL European Community + EU Member States	300.89	288.25	221.37	810.51
Canada	1.66	1.66	1.66	4.97
Japan	66.00	67.00	67.00	200.00
Norway	14.50	12.52	12.52	39.55
Switzerland	7.27	5.98	5.63	18.88
Ukraine	24.46			24.46
United States	720.00	280.00		1,000.00
TOTAL other donor countries	833.90	367.16	86.81	1,287.86
Financial Institutions and Organizations	608.95	1,025.32	803.48	2,437.75
CoEB	1.32			1.32
EBRD	267.64	362.56	296.64	926.84
EIB		197.76	131.84	329.60
ADB	110.00	90.00	100.00	300.00
World Bank	100.00	215.00	215.00	530.00
IFC	130.00	160.00	60.00	350.00
TOTAL	1,743.74	1,680.73	1,111.66	4,536.12

Source: European Commission: http://ec.europa.eu/external_relations/georgia/conference/index_en.htm

Appendix III



Source: Stratfor, Georgia: Left to Russia's Mercy? (This map is republished with permission of STRATFOR: www.stratfor.com)

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