

# Working Paper

Research Division Russian Federation/CIS

Stiftung Wissenschaft und Politik  
German Institute for International  
and Security Affairs

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## The Eastern Partnership in Georgia

Increasing Efficiency of EU Neighborhood  
Policies in the South Caucasus?

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Working Paper FG 5, 2011/No. 1, March 2011  
SWP Berlin

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AA	Association Agreement	SPS	Sanitary and Phyto-Sanitary
BSEC	Black Sea Economic Cooperation	TACIS	Technical Assistance to the CIS
BSC	Commission on the Protection of the Black Sea Against Pollution	TAIEX	Technical Assistance and Information Exchange Instrument
BSS	Black Sea Synergy	TRACECA	Transport Corridor Europe Caucasia Asia
CEEC	Central and Eastern European Countries	UfM	Union for the Mediterranean
CIB	Comprehensive Institution Building Program	UNHCR	United Nations High Commissioner for Refugees
CBA	Cost-benefit analysis	WTO	World Trade Organization
CIS	Commonwealth of Independent States		
CSF	Civil Society Forum		
CSP	Country Strategy Paper		
DCFTA	Deep and Comprehensive Free Trade Agreement		
EC	European Commission		
EaP	Eastern Partnership		
EaP CSF	Eastern Partnership Civil Society Forum		
ENP	European Neighborhood Policy		
ENP AP	European Neighborhood Policy Action Plan		
ENPI	European Neighborhood Partnership Instrument		
EU	European Union		
EU DG	European Union Directorate General		
EUD	European Union Delegation		
EUMM	European Union Monitoring Mission (in Georgia)		
EUSR	European Union Special Representative		
FTA	Free Trade Agreement		
GDP	Gross domestic product		
GSP	EC General System of Preferences +		
FDI	Foreign Direct Investment		
ILO	International Labor Organization		
INOGATE	Interstate Oil and Gas Transit to Europe		
NATO	North Atlantic Treaty Organization		
NIP	National Indicative Program		
PCA	Partnership and Cooperation Agreement		
SAP	Stabilization and Association Process		
SIGMA	Support for Improvement in Government and Management		
SMEs	Small and Medium Enterprises		

## I. Introduction

The *European Union* (EU) as a political and economic union is based on continuous integration without a predetermined conclusion. Until recently, integration of eastern European neighbors was mostly realized through accession promises of the EU.<sup>1</sup> However, with the 2004 and 2007 enlargement rounds, most member states expressed concerns that a further growing EU might lose its capacity to act. Therefore, the concept of expansion without enlargement has been manifested in the *European Neighborhood Policy* (ENP), and more recently its regional addition, the *Eastern Partnership* (EaP). Critics argue that from a geo-strategic point of view, EU foreign relations and EU neighborhood policies are only of minor importance. However, the ENP and especially the EaP have enjoyed growing attention in partner countries. Neighboring states perceive the EU as an increasingly important actor in light of its economic power and its conflict resolution capacities. Also from the EU's perspective, neighborhood initiatives have become a relevant issue since they represent an important metric in the recently accelerated "evolution of EU's foreign relations".<sup>2</sup> The ability to positively affect neighbors will be the most suitable measure of the EU's aspiration to become a "credible global player" and "implement the foreign policy provisions of the Lisbon Treaty".<sup>3</sup> However, partner countries and researchers claim that the ENP has not met expectations after its emergence in 2004. Consequently, the EU launched the EaP as an additional Eastern dimension of the ENP in 2009. The EaP is a bi- and multilateral policy initiative geared towards six Eastern European neighbors. The grouping includes the three South Caucasian countries Armenia, Azerbaijan and Georgia as well as Belarus, Moldova and Ukraine.

<sup>1</sup> See Georg Vobruba, "Das politische Potential der Europäischen Nachbarschaftspolitik", *Leviathan* 38 (2010), p. 45 – 63.

<sup>2</sup> Laure Delcour/Elsa Tulmets, "Pioneer Europe? The ENP as a Test Case for EU's Foreign Policy", *European Foreign Affairs Review* Vol. 14 (2009), p. 503.

<sup>3</sup> Stefan Füle, "Speech of the European Commissioner for Enlargement and Neighbourhood Policy at the Foreign Affairs Committee of the European Parliament", October 26 2010.

The following study aims at evaluating the EaP in Georgia. Is the EaP an efficient complement to previous EU neighborhood initiatives? Can it overcome the weaknesses related to the ENP? What are the results of the EaP's implementation in Georgia so far and which are the further prospects of this policy initiative? Finally, how do Georgians and EU officials perceive the EaP in Georgia?

This paper is divided into three main sections. In the first part (*chapter III*), EU-Georgian relations and EU policies in the South Caucasian region since 1991 are discussed. Examining these developments is necessary to understand the rationales and mechanisms of the ENP and the EaP since most EU neighborhood policies evolved in path dependency from previous cooperation instruments.

In the second part (*chapter IV*), the EaP is evaluated. Taking into account that the policy initiative is in force for a short time, a conclusive assessment is not yet possible. Consequently, this study aims at explaining the EaP's future *potential* or its *policy capacity*. Both Georgia's and the EU's perspective on the EaP will be taken into account. First, the current state of implementation is examined looking at initial projects and analyzing Georgia's legal approximation in light of the EaP. Subsequently, an in-depth investigation of the potential and the capacity of the EaP in Georgia will be conducted. A *cost-benefit analysis* (CBA) of the EaP in Georgia aims at answering whether it is beneficial for Georgia to comply with conditions set by the EU. Additionally, it will be considered that Georgian and EU elite perceptions strongly influence the EaP's further capacity.

The third part of this paper (*chapter V*) establishes several policy recommendations for the EU based on the findings of this analysis.

## II. Why Georgia Matters

In recent years, the South Caucasus has become increasingly important for the EU. In an official 2010 resolution, the European Parliament emphasizes the "strategic geopolitical location of the South Caucasus and its increasing importance as an energy and communication corridor

connecting the Caspian Region and Central Asia with Europe (...) and considers it of the utmost importance therefore that EU cooperation with the South Caucasus be given high priority”.<sup>4</sup> At the same time, geopolitical circumstances and domestic developments have led to an increased attention of the EU especially for Georgia. The 2003 Rose Revolution changed political conditions and paved the way for a transformation of Georgia’s political system. While old elites of the Shevardanze-era were focused on maintaining power, the new government under President Saakashvili aimed at wide-ranging modernization. Besides, the new administration has pursued a foreign policy path with a clear priority of EU integration. Consequently, if the EaP is not efficient in Georgia it is likely that it will be less successful in EaP countries such as Armenia or Belarus.

Not only the political system but also the Georgian economy has remarkably transformed since the Rose Revolution. With constant GDP growth rates of around 10% from 2005 until the war with Russia in 2008, the small South Caucasian nation has attracted an increasing number of foreign investors. Consequently, *Foreign Direct Investment* (FDI) increased by \$1 billion in 2006 and more than \$2 billion in 2007.<sup>5</sup> The World Bank awarded Georgia the title of “top reformer of the year” both in 2006 and 2008. World Bank officials and economists enthusiastically stated that Georgia “made enormous improvements to many areas of its business regulations”<sup>6</sup> which were reflected in the country’s noteworthy rise in the World Bank’s “Doing Business Report”. In this report, Georgia improved from 112<sup>th</sup> place in 2005 to 11<sup>th</sup> place in 2010.<sup>7</sup> This development was mainly achieved through economic reforms imple-

<sup>4</sup> European Parliament, “Resolution on the need for an EU strategy for the South Caucasus”, 2010, <<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2010-0193+0+DOC+XML+V0//EN>> (Access: 11/17/2010).

<sup>5</sup> “Foreign Investments USD 1.56 bln in 2008”, *Civil Georgia*, 2010, <<http://www.civil.ge/eng/article.php?id=20970>> (Access: 11/10/2010).

<sup>6</sup> “Doing Business – Georgia is This Year’s Top Performer”, *World Bank*, 2006, <<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/GEORGIAEXTN/0,,contentMDK:21042336~pagePK:141137~piPK:141127~theSitePK:301746,00.html>> (Access: 10/10/2010).

<sup>7</sup> “Ease of Doing Business in Georgia”, *Doing Business*, 2010 <<http://www.doingbusiness.org/data/exploreconomies/georgia>> (Access: 11/01/2010).

mented by the Saakashvili administration after 2003. By introducing a personal income flat tax, abolishing all social taxes for enterprises and extensively deregulating the labor code the Georgian government has pursued an explicit neo-liberal economic approach that partly contradicts the economic paradigm of the EU. However, the Georgian-Russian war in 2008, and the following financial crises, severely weakened the economy. While a donor conference of the EU and other international institutions pledged €3.44 billion for Georgia in response, the republic has not yet recovered from the combined consequences.

### III. The EU – Georgian Relationship Since 1991

#### III.1 The Early Years: Mutual Disinterest?

Why was the EaP developed? What are its policy objectives? How does it differ from the ENP? To answer these questions, previous EU foreign policies in the South Caucasus will be examined in the following chapter. Only by shedding light on the development of relations between the EU and post-Soviet Georgia can the EaP’s potential be analyzed.

While *Central and Eastern European* (CEE) countries focused on improving their relationship with the EU immediately after the end of the cold war, the newly independent Georgia was mainly concerned with inner-state conflicts and survival. Therefore, it did not put emphasis on close relations with the EU.<sup>8</sup> The EU at the same time did not pay much attention to the South Caucasus region due to its “insignificant size (...), its distant location [and] lack of knowledge”.<sup>9</sup> Nevertheless, the 1991 *Technical Assistance to the Commonwealth of Independent States* program (TACIS) was the first attempt of coordinated cooperation between Caucasian and Central Asian states and the EU. The main goal of TACIS

<sup>8</sup> Katrin Böttger, “Die Entstehung und Entwicklung der Europäischen Nachbarschaftspolitik. Akteure und Koalitionen”, *Europäische Schriften* 87 (2010), p. 43.

<sup>9</sup> Leila Alieva, “EU and South Caucasus”, CAP Discussion Paper, Munich 2006, p. 1.

was to assist 12 diverse post-Soviet countries plus Mongolia<sup>10</sup> in their transition to market economy and democracy. From 1990 until 1999 the EU spent €4.2 billion on TACIS and its subprograms, including \$110 million to Georgia.<sup>11</sup> However, as a former European Commission advisor to this first program admits, it “had to be built up from scratch. Internally, no adequate procedures, no adequate rules and regulations, no common corporate culture were in place. (...) And long-term sustainability was an enormous challenge”.<sup>12</sup> Consequently, the EU’s first projects in the region did not have a substantial impact on transition to democracy and market economy.

To improve relations, in 1996 the EU started negotiating *Partnership and Cooperation Agreements* (PCAs) with Armenia, Azerbaijan and Georgia. For the first time, the EU applied its regional approach in the South Caucasus by treating the three countries “in the context of their role as former Soviet Union republics (...) with no substantial differences among them”.<sup>13</sup> Subsequently, all South Caucasian PCAs were similar with only few country-specific aspects. The Georgian-EU PCA, which entered into force in July 1999, forms the legal basis for bilateral relations until today.<sup>14</sup> It was initiated to provide “for wider-ranging cooperation in a host of areas, eliminated trade quotas, and allowed Georgia to benefit from the EU’s ‘general system of preferences’ for trade with poor countries”.<sup>15</sup> However, the PCA has shaped relations between the EU and Georgia to this day by excluding a clear accession perspective for years. Conse-

quently, the EU pursued a policy combining cautious approximation with simultaneous demarcation of the region. This policy approach has to be traced back to an increased EU focus on upcoming accession rounds as well as conflicts in the Western Balkans.

After the ambiguous PCAs were in force, the Georgian-EU relationship deteriorated steadily due to a lack of commitment from both sides. Despite several setbacks, the EU began revitalizing its relations towards Georgia in 2003. One of the main reasons for this revived policy was the *European Security Strategy* (ESS) ratified in the same year. With the ESS, the EU acknowledged for the first time that there is a need to stabilize and secure its neighborhood. The strategy underlines that the EU must take “a stronger and more active interest in the problems of the Southern Caucasus”.<sup>16</sup> The European Commission considered these recommendations immediately and appointed the first EU *Special Representative* (EUSR) to the South Caucasus, Heiki Talvitie, in July 2003. In the same year, the Rose Revolution and its following political changes led to a Western-orientated foreign policy shift within Georgia. These developments opened the door for Georgia to participate in further EU programs such as the ENP.

### III.2 The European Neighborhood Policy - Emergence, Goals & Instruments

In the run-up to EU’s eastern enlargement in 2004, lively discussions emerged concerning further EU integration. The EU was internally divided about future policies towards its Eastern neighbors.<sup>17</sup> Most member states opposed the possibility of further accession perspectives for (south-)eastern neighbors since they were afraid that the EU might lose its capacity to act.<sup>18</sup> Besides, instable and mostly autocratic regimes of these neighbors excluded the option of EU

<sup>10</sup> A list of the countries participating in the TACIS program: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

<sup>11</sup> European Commission, ENP Country Report on Georgia, Brussels 2005, p. 3.

<sup>12</sup> Alexander Frenz, “The European Commission’s Tacis Programme 1991 – 2006 - A Success Story”, Brussels 2007.

<[http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-east/documents/annual\\_programmes/tacis\\_success\\_story\\_final\\_en.pdf](http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-east/documents/annual_programmes/tacis_success_story_final_en.pdf)> (Access: 08/17/2010), p.2.

<sup>13</sup> Kakha Gogolashvili, “The EU and Georgia - The Choice is in the Context”, in: Tigran Mkrtchyan/ Tabib Huseynov /Kakha Gogolashvili (eds.), “The EU and the South Caucasus: three perspectives on the future of the European project from the Caucasus”, Gütersloh 2009, p. 97.

<sup>14</sup> See European Commission, “Partnership and Cooperation Agreement between the European Communities and their Member States, of the one part, and Georgia, of the other part”, Brussels 1999.

<sup>15</sup> Charles Grant/Mark Leonart, “Georgia and the EU- Can Europe’s neighborhood policy deliver?” London 2005, p. 6.

<sup>16</sup> European Commission, “A Secure Europe in a Better World - European Security Strategy”, Brussels 2003, p. 8.

<sup>17</sup> In this context, the term Eastern neighbors refers to the six EaP countries and excludes the CEEC and the Western Balkan countries that are associated with the EU through the *Stabilization and Association Processes* (SAP).

<sup>18</sup> Ernst Piehl, “Europäische Nachbarschaftspolitik – Genesis, Bestandsaufnahme und Perspektiven”, in: Olaf Leiß, “Die Europäische Union nach dem Vertrag von Lissabon”, Wiesbaden 2008, p. 334.

membership in the mid-term. In 2002, EC president Romano Prodi stated that the EU “cannot go on enlarging forever. We cannot water down the European political project and turn the European Union into just a free trade area on a continental scale”.<sup>19</sup> At the same time there was an obvious need for stronger EU engagement given that several eastern countries would become new direct bordering neighbors in 2004 and 2007 (Belarus, Moldova plus Armenia and Georgia via the Black Sea). In addition, the EU was concerned about related problems such as spillovers of illegal immigration. After commissioner Prodi’s speech in December 2002, EU enlargement commissioner Günter Verheugen instructed a *Wider Europe* taskforce to design a new policy for the neighborhood. This taskforce aimed at exporting stability without importing instability while at the same time finding a balance between inclusion and exclusion. It is important to note that most EU advisors developing the new policy came from an EU department previously dealing with the enlargement process.<sup>20</sup> These internal structural changes “partly explain why the original policy ideas and instruments of the ENP were adapted from the experience of enlargement”.<sup>21</sup> After long disputes, EU member states agreed to include 15 countries (plus the autonomous Palestine)<sup>22</sup> in the new policy initiative since they could not find consent on a more narrow regional focus. The South Caucasus’ role in the new neighborhood policy is one example of the internal EU conflicts. Due to pressure from Southern European countries, the EU initially decided to leave Armenia, Azerbaijan and Georgia out of the ENP in 2003. It was argued these countries would be “outside the geographical scope of this initiative for the time being”.<sup>23</sup> However, shortly afterwards the pro-Eastern

European forces within the EU could convince the Council to revoke this decision and include the South Caucasus in the ENP.<sup>24</sup>

Despite all preceding conflicts, the ENP was finally launched in spring 2004. It is a bilateral policy initiative that builds on two pillars, namely “the accession process and the association model”.<sup>25</sup> The EU launched the ENP to promote “a ring of well governed countries (...) [next to] the European Union”<sup>26</sup> that share “the EU’s fundamental values”.<sup>27</sup> The main objective of the ENP is to strengthen security, stability and the wellbeing for all neighbors.<sup>28</sup> At the same time, the policy is designed to prevent dividing lines between the enlarged EU and its neighbors. It offers partner countries the chance to participate in various EU activities. As pointed out above, another underlying but unofficial rationale behind the ENP is to prevent an acceleration of EU accessions and to create a new model of integration without enlargement. It was not without reason that the original wording of a *wider Europe* was replaced by the term *neighborhood* since the EU tried to prevent partner countries from thinking of the ENP as a “pre-enlargement strategy”.<sup>29</sup> The ENP is based on the principles of *positive conditionality*, *joint ownership* and *differentiation*. With *positive conditionality*, the EU aims at inducing reforms in partner countries by offering rewards or incentives based on progress in certain areas. *Joint ownership* means that goals and reform plans are developed together with neighbor countries. The principle of *differentiation* shall ensure that relations with all 16 partners are taking into account each country’s specific circumstances and desires. While the ENP is not introducing new institutions, its goals shall be achieved through various

<sup>19</sup> See Romano Prodi, “A Wider Europe – A Proximity Policy as the Key to Stability”, Speech given at the “Peace, Security And Stability International Dialogue and the Role of the EU”, Brussels 2002.

<sup>20</sup> Böttger [compare fn. 10], p. 78.

<sup>21</sup> Elsa Tulmets, “Adapting the experience of enlargement to the Neighbourhood Policy: The ENP as a substitute to enlargement?”, in: Petr Kratochvil (ed.), “The European Union and its neighbourhood: Policies, priorities and problem”, Prague 2006, p. 30.

<sup>22</sup> The ENP comprises the following countries: *Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Syria, Tunisia, Ukraine plus the Occupied Palestinian Territory*

<sup>23</sup> European Commission, “Communication from the Commission to the Council and the European Parliament: Wider Europe—Neighbourhood - A New Framework for Relations with our Eastern and Southern Neighbours”, Brussels 2003, p. 3.

<sup>24</sup> Council of the European Union, “Press Release of the 2950<sup>th</sup> Council Meeting. General Affairs and External Relations”, <[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/gena/80951.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/gena/80951.pdf)> (Access: 09/11/2010), p. 13.

<sup>25</sup> Dimitar Bechev/Kalypto Nicolaidis, “From Policy to Polity: Can the EU’s Special Relations with its ‘Neighbourhood’ be Decentred?”, *Journal of Common Market Studies* Volume 48(2010), p. 478.

<sup>26</sup> European Commission, “A Secure Europe in a Better World. European Security Strategy”, Brussels 2003, p. 9.

<sup>27</sup> European Commission, “European Neighborhood Policy Strategy Paper”, Brussels 2004, p. 5.

<sup>28</sup> *Ibidem*, p. 3.

<sup>29</sup> Andreas Marchetti, “Consolidation in Times of Crisis? The Setup of the ENP and its Challenges”, in: Laure Delcor/Elsa Tulmets(eds.), “Pioneer Europe? Testing EU Foreign Policy in the Neighborhood”, Baden-Baden 2007, p. 23.

instruments. Most importantly, the EU concluded ENP *Action Plans* (ENP APs) with each partner country setting detailed five year agendas based on partners' needs and capacities as well as EU's interests.

In the South Caucasus, the ENP was fully implemented in 2006 when ENP APs were signed with Armenia, Azerbaijan and Georgia. Setting a timeframe of five years, the EU-Georgian ENP AP aims at "significantly advanc[ing] the approximation of Georgian legislation, norms and standards to those of the European Union".<sup>30</sup> The detailed bilateral agenda highlights eight priority areas within the ENP framework, among them strengthening of the rule of law and encouragement of economic development and reduction of poverty.<sup>31</sup>

### III.3 The ENP in Georgia – A Brief Assessment

Assessing the EaP's additional value to the ENP, a brief examination of the ENP's implementation in Georgia is necessary. Although the EU and Georgia agreed on specific reform steps and requirements in all ENP AP priority areas, the ENP has been at most partly successful in Georgia. There are several reasons for this assessment.

Firstly, *positive conditionality* as a main ENP principle did not work efficiently. Georgian government officials as well as academics criticized that economic and political incentives of the ENP were not substantial enough. Through its new financial instrument for the neighborhood (ENPI), the EU allocated €120.4 million to Georgia from 2007-2010. This turns out to be a marginal amount of money taking into account all ENP areas of actions and reforms. For instance, the Georgian "criminal law reform alone, falling under the rule of law priority of the Action Plan [...] is estimated to cost almost €130 million".<sup>32</sup>

Furthermore, the formulation of the ENP's main incentive was too vague and therefore not

credible enough: By offering a "stake in [its] Internal Market"<sup>33</sup>, the EU did not specify on the exact rewards for reforms in its partner countries. Besides, *positive conditionality* did not work in the field of democratization because of contrariness with the principle of *joint ownership*. The EU was not able to influence authoritarian structures of neighbor countries since political conditionality related to democratization lies somewhere "on a spectrum between coercion and consent, force and contract".<sup>34</sup>

Additionally, Georgian authorities were strongly disappointed that security issues and internal conflicts did not receive a higher priority within the ENP AP.<sup>35</sup> The EU is perceived as an important actor that should not only promote economic growth and democracy but also security.

Moreover, Georgia and other eastern European countries such as Ukraine and Moldova were dissatisfied with the bundling of too many distinct nations in one policy. Perceiving themselves as internal *European neighbors*, they see North African countries as external *neighbors of Europe*. Being proud of their long European history, Georgians did not understand that the EU developed one single policy for them and Southern neighbors such as Egypt. In light of the historical, cultural, political and socio-economic diversity of all participating countries, the ENP's geographical scope is too vast.<sup>36</sup>

Finally, the ENP principle of *differentiation* was not implemented thoroughly in the South Caucasus. The EU rather continued its regional approach of the 1990s and treated the South Caucasus as one homogenous area. Being the most pro-European country in the region, Georgia unsuccessfully tried to push the EU to pursue a more individualized relationship.<sup>37</sup>

### III.4 The Black Sea Synergy

Most neighbor countries as well as EU members soon realized that the ENP was not capable of meeting expectations. Therefore, proposals for

<sup>30</sup> European Commission, "ENP EU/Georgia Action Plan", Brussels 2006, p. 1.

<sup>31</sup> Ibidem.

<sup>32</sup> Petr Kratochvil/Barbara Lippert, "Improving the Cost-Benefit Balance of the ENP for the EU's Eastern Partners", IEP Policy Brief 3/08, Berlin 2008, p. 5.

<sup>33</sup> European Commission [compare fn. 32], p. 2.

<sup>34</sup> Bechev/Nicolaidis [compare fn. 27], p. 480.

<sup>35</sup> Kratochvil/Lippert [compare fn. 34], p. 2.

<sup>36</sup> Piehl [compare fn. 20], p. 339.

<sup>37</sup> Gogolashvili [compare fn. 14], p. 123.



new neighborhood strategies and policies emerged in the following years. Again, different regional interests of EU member states led to internal disputes about further initiatives. Since France strongly opposed a German proposal to introduce an ENP Eastern Dimension in 2007, the EU *Black Sea Synergy* (BSS) launched in the same year represents a compromise between different groups within the EU.<sup>38</sup>

The BSS initiative is specifically designed as a multilateral and regional program including all Black Sea coastal states as well as four non-coastal states.<sup>39</sup> The BSS was introduced as an initiative “complementary to (...) existing policies [ENP, EU-Turkey and EU-Russia cooperation] that would focus political attention at the regional level and invigorate ongoing cooperation processes”.<sup>40</sup> In the BSS opening strategy paper, 13 diverse issues such as fishery, environmental protection, good governance as well as frozen conflicts are mentioned. Initially, hopes were high among partner countries since the BSS represented the “first attempt by the EU to design a regional policy for Eastern neighbors”.<sup>41</sup> Especially Georgia saw the BSS as a potential driving force of further EU integration.<sup>42</sup> However, implementation has not met expectations during the past years. The last BSS ministerial conference in 2008 and a following political deadlock of the initiative revealed that the BSS is scarcely suitable to provide for any projects going beyond cooperation on a technical level. This assessment is underlined by researchers pointing out that the launch of the BSS was rather surprising taking into account that the “Black Sea area appears fragmented (...) with considerable political, economic and cultural

differences between coastal states”.<sup>43</sup> Since thus the overall notion of the Black Sea as one region has to be questioned, minor success of the initiative seems unsurprising.

Until today, the initiative keeps its low profile. During the last year the only activity within the framework was the launch of an environmental partnership in March 2010.<sup>44</sup> Besides, most partner countries are not committed to the BSS cooperation format anymore. Georgian officials underline that the BSS “has served its own purpose (...) and doesn’t really have a future” any longer.<sup>45</sup>

### III.5 The Development Leading to the Eastern Partnership

The inefficiency of the ENP and the BSS led to increased criticism from Georgia and other Eastern European countries with EU aspirations (namely Ukraine and Moldova). At the same time, a growing coalition within the EU supported a new Eastern neighborhood dimension. While in 2007, Germany could not convince other EU members of its additional neighborhood policy concept, the first proposal for an Eastern Partnership was drafted by Poland and Sweden in May 2008.<sup>46</sup> However, there was still a lack of support for a new Eastern framework at that time.

Eventually, two events made consensus on the EaP possible. First, the launch of the *Union for the Mediterranean* (UfM) in July 2008 undercut France’s main argument that a new Eastern European dimension would lead to regional imbalance of EU’s neighborhood activities. Secondly, the Georgian-Russian war in August 2008 opened a window of opportunity for the pro-Eastern coalition to convince Southern and Western EU members of the EaP’s importance.<sup>47</sup>

<sup>38</sup> Maxime Lefebvre, “Le Partenariat Oriental: À l’Est rien de Nouveau?”, in: *Revue du marché commun et de l’Union européenne*, vol. 528(2009), p. 289.

<sup>39</sup> Bulgaria, Romania, Ukraine, Russia, Turkey and Georgia plus Armenia, Azerbaijan, Moldova and Greece; see European Commission, “Communication from the Commission to the Council and the European Parliament. Black Sea Synergy – A New Regional Cooperation Initiative”, Brussels 2007, p. 2.

<sup>40</sup> *Ibidem*, p. 3.

<sup>41</sup> Laure Delcour, “A missing regional dimension? The ENP and regional-building in the Eastern neighborhood”, in: Laure Delcour/Elsa Tulmets, “Pioneer Europe? Testing EU foreign policy in the neighbourhood”, Baden-Baden 2010, p. 167.

<sup>42</sup> Ministry of Foreign Affairs of Georgia, “Remarks by Minister of Foreign Affairs of Georgia David Bakradze at the Meeting of the Ministers of Foreign Affairs of the Countries of the Black Sea Region and of the European Union”, Tbilisi 2008, in: <[http://www.mfa.gov.ge/index.php?lang\\_id=ENG&sec\\_id=464&info\\_id=5996](http://www.mfa.gov.ge/index.php?lang_id=ENG&sec_id=464&info_id=5996)> (Access: 12/20/2010).

<sup>43</sup> *Ibidem*, p. 168.

<sup>44</sup> European Commission, “Black Sea Synergy Memo/10/78”, Brussels 2010, <<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/78&format=HTML&aged=0&language=EN&guiLanguage=en>> (Access: 10/30/2010).

<sup>45</sup> Qualitative Interview with a senior official of the Ministry of Foreign Affairs of Georgia.

<sup>46</sup> Ministry of Foreign Affairs of the Republic of Poland, “Polish-Swedish Proposal. Eastern Partnership”, Warsaw 2008, in: <[http://www.tepsa.eu/docs/draft\\_proposal\\_eastern\\_partnership.pdf](http://www.tepsa.eu/docs/draft_proposal_eastern_partnership.pdf)> (Access 10/26/2010).

<sup>47</sup> Grzegorz Gromadzki/Ketie Peters/Jan Rood, “The Eastern Partnership: Towards a New Era of Cooperation between the EU

Directly after the August events, Poland, Sweden, Germany as well as the Visegrad group pushed the EU to “accelerate works on the EaP to start its swift implementation and foster cooperation with the Eastern Partners”.<sup>48</sup> In light of these preceding developments, the EaP has to be understood as the “highest common denominator” that could have been reached considering the underlying divergences within the EU.<sup>49</sup>

### III.6 The Eastern Partnership – Concept, Principles, & Instruments

On 7 May 2009, EU member states and its six partner countries officially initiated the EaP in Prague. The EaP Joint Declaration states that the new partnership aims at accelerating “political association and further economic integration between the EU and interested [Eastern] partner countries”.<sup>50</sup> Taking into account official language, the EaP can most adequately be defined as a *policy initiative*.<sup>51</sup> This term applies best since the EaP includes distinct policy instruments and at the same time represents a political project aiming to bring attention to the east.<sup>52</sup> However, it is important to note that the EaP was designed to build on previous cooperation mechanisms and is intended as “a specific Eastern dimension of the European Neighborhood Policy”.<sup>53</sup> Therefore, the EaP is based on the same general principles as the ENP. Again, *positive conditionality, joint ownership and differentiation* represent the initiative’s core values. Nevertheless, the EaP’s concept and instruments significantly differ from the ENP (see *figure 1*, annex). Firstly, the EaP introduces a new multilateral cooperation track promoting “multilateral confidence building”<sup>54</sup> on four thematic platforms: (1) Democracy, good governance and

and its Eastern Neighbours?”, The Hague 2009, p. 2.

<sup>48</sup> Martin Dangerfield, “The Contribution of the Visegrad Group to the European Union’s ‘Eastern’ Policy: Rhetoric or Reality?”, in: *Europe-Asia Studies* Vol. 61(2009), p.1743.

<sup>49</sup> Rosa Balfour, “Debating the Eastern Partnership: perspectives from the EU”, Warsaw 2010, p. 6.

<sup>50</sup> Council of the European Union, “Joint Declaration of the Prague EaP Summit”, Brussels 2009, p. 6.

<sup>51</sup> European Neighborhood Partnership Instrument Info Center, “Eastern Partnership Glossary”, in: <[http://www.enpi-info.eu/files/interview/glossary\\_en.pdf](http://www.enpi-info.eu/files/interview/glossary_en.pdf)> (Access: 10/28/2010), p. 4.

<sup>52</sup> Andrzej Kremer, “Wozu brauchen wir die EaP?”, in: *Dialog: Deutsch-polnisches Magazin* Vol. 21(2008), p. 87.

<sup>53</sup> Council of the European Union [compare fn. 51], p. 6.

<sup>54</sup> *Ibidem*.

stability, (2) economic integration and convergence with EU policies, (3) energy security and (4) contacts between people. In the framework of these platforms, regular meetings and conferences are organized twice a year. Furthermore, the EU aims at giving additional momentum to the multilateral track and its visibility by launching six flagship initiatives, among them an *Integrated Border Management Program* (IBM) and a program on good environmental government.<sup>55</sup> The EaP *Civil Society Forum* (CSF) integrates non-governmental actors (that were mostly excluded in the ENP framework) into the multilateral track of the policy initiative. Once a year, the EaP CSF brings together NGOs, think tanks and other civil society actors from the EU and EaP states for conferences and panels. At the same time, national CSF platforms are initiated in all partner countries.

Secondly, within the bilateral framework of the EaP many of the vague ENP incentives are consolidated. Most importantly, the EaP aims at concluding *Association Agreements* (AAs) with all six partner-countries based on their reform performances. Furthermore, it elaborates the ENP’s unclear offer of a stake in the EU’s internal market. As soon as partner countries are ready, the EU promises to start negotiations on *Deep and Comprehensive Free Trade Agreements* (DCFTA or FTA+) that would lead to removal of most trade barriers and tariffs. The second crucial offer of the EaP’s bilateral track is visa facilitation. The EU aims at concluding visa facilitation agreements with EaP countries if various criteria concerning readmission and passport requirements are fulfilled. Additionally, the EaP introduces several far-reaching bilateral aid mechanisms focused on institution building such as the *Comprehensive Institution Building* (CIB) program.

Looking at the financial part, the EaP offers €600 million to partner countries in addition to previous ENP aid from 2010-2013. The EU will roughly spend €350 million on the implementation of the multilateral track, €175 million on the bilateral CIB program and €75 on pilot

<sup>55</sup> The six EaP flagship initiatives: (1) Integrated Border Management; (2) SME Facility; (3) Regional Energy Markets; (3) Energy Efficiency and Renewable sources; (4) Diversification of Energy Supply; (5) Prevention of, preparedness for, and response to natural and man-made disasters; and (6) Environmental Governance.

regional development programs.<sup>56</sup> Since most EaP projects and programs will not be launched before 2011, the greater part of the additional contributions will be distributed from then on (see *figure 2*, annex).

## IV. The EaP in Georgia – State, Costs & Benefits and Perceptions of Actors

### IV.1 The implementation of the EaP in Georgia

#### *Association Agreement*

In general, Georgian-EU relations have advanced considerably since the EaP's launch. Significantly, negotiations on an *Association Agreement* (AA) officially began in Batumi, Georgia on July 15<sup>th</sup> 2010. The ratification of a Georgian-EU AA will replace the outdated PCA as a legal basis for bilateral relations. By launching AA negotiations, the EU has indicated that the EaP's incentives are credible and achievable for partner countries even though it may take long until an AA will be finalized.

#### *Visa Facilitation*

The implementation of another EaP key incentive, namely the visa facilitation agreement, has progressed in the past year. Already in September 2008, the EU promised visa facilitation mechanisms for Georgia in reaction to the August war with Russia.<sup>57</sup> However, only after the EaP's launch, EU and Georgia began negotiating visa issues since movement of people is an essential element of the new policy initiative. Finally, in June 2010 Georgia and the EU signed a visa facilitation agreement that was passed by the European Parliament in December 2010.<sup>58</sup> Nevertheless, the new visa facilitation

agreement cannot be considered as a substantial improvement of the current situation. The official document is similar to previous EU agreements with Eastern European states including Russia.<sup>59</sup> It contains a visa fee reduction for Georgian citizens from €60 to €35 as well as several procedural simplifications and a reduction of required visa application documents.<sup>60</sup>

#### *Law Convergence*

Thirdly, law convergence processes need to be considered since they represent a crucial determinant of deeper EU integration. Harmonization with the EU law (*acquis communautaire*) is a necessary precondition for Georgian progress of EaP-related projects such as a *Deep and Comprehensive Free Trade Agreement* (DCFTA). Since the Saakashvili administration implemented extensive deregulatory policies after 2003, Georgian law differs from EU standards in many fields such as (1) technical barriers to trade, (2) *sanitary and phytosanitary* (SPS) measures<sup>61</sup>, (3) competition law and (4) intellectual property rights. Differences in these areas have recently led to increasing criticism of the EU. Negotiations on a Georgian-EU DCFTA could not start yet because of ongoing disputes about related issues. In spite of this, the Georgian government made concessions and initiated an increasing number of required reforms recently. Analyzing the case of food safety measures, one finds enhanced compliance with EU standards in light of the EaP. After its independence, Georgia repealed its insufficient former Soviet food-safety system. However, instead of introducing new policies, the state almost completely withdrew from hygiene and food sectors.<sup>62</sup> In 2005, the administration finally passed a new Law on Food Safety and Control that was in line with most EU and WTO standards. Nonetheless, this law was “stillborn” and never implemented since

<sup>56</sup> European Commission, “Vademecum on Financing in the Frame of the EaP”, Brussels 2009, p. 3.

<sup>57</sup> European Commission, “Commission recommends the negotiation of Visa Facilitation and Readmission Agreements with Georgia”, in: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1406&format=HTML&aged=0&language=EN&guiLanguage=en> (Access: 11/22/2010).

<sup>58</sup> European Parliament, “Green light for visa and readmission accords with Georgia”, 2010, in: <http://www.europarl.europa.eu/en/pressroom/content/20101213IPR09449/html/Green-light-for-visa-and-readmission-accords-with-Georgia> (Access: 12/16/2010).

<sup>59</sup> Official Journal of the European Communities, “Agreement between the European Community and the Russian Federation on the facilitation of the issuance of visas to the citizens of the European Union and the Russian Federation”, Brussels 2007.

<sup>60</sup> Council of the European Union, “EU-Georgia agreement on the facilitation of the issuance of visa”, in: [http://www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/EN/foraff/115337.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/115337.pdf) (Access: 10/30/2010).

<sup>61</sup> Sanitary and phytosanitary measures aim at protecting citizens from diseases and contaminants. For instance, SPS measures include issues of food safety.

<sup>62</sup> Transparency International Georgia, “Food Safety in Georgia”, Tbilisi 2009, p. 2.

amendments resulted in de-facto suspension of the new SPS and food safety legislation in 2007.<sup>63</sup> Shortly before the launch of the EaP, an EU fact-finding mission to Georgia pointed out that serious SPS-system and food safety deficiencies remain a key problem of EU-Georgia approximation. Until today, these deficiencies hinder trade of most Georgian food products to the EU. The fact-finding mission concluded that “there are serious unresolved SPS issues in Georgia which, if not properly addressed, would lead to the effective exclusion of agriculture and food products from the benefits of an FTA”.<sup>64</sup> Following the enactment of the EaP, the EU outlined key recommendations calling upon Georgia to implement its suspended food safety legislation and prepare a strategy of how to establish a stable food safety system. However, until late 2009 the Georgian government did not show actions in this field going beyond reassurances of its commitment. Yet, since February 2010 the Saakashvili administration started implementing new laws on the traceability of food and the registration of food business operators. At the same time, a food safety strategy was submitted to the EU *Directorate General* (EU DG) Trade setting out a detailed timetable of a food safety system implementation.<sup>65</sup>

Given that the EU was preparing to start negotiations on an AA in July 2010, pressure on Georgian officials increased in preceding months. In the beginning of 2010, government agencies implemented key recommendations (see above) of the EU to ensure a successful launch of the AA negotiations that was bound to certain conditions. Looking at other law reforms in Georgia, one finds similar developments of further approximation in the past months. While it remains to be seen if implementation of new laws in areas such as food safety will be successful, first results imply that EaP and its incentives induce increased compliance compared to the ENP.

<sup>63</sup> Ibidem.

<sup>64</sup> Robert Liddel, “Opening Remarks at the EPF workshop on Possible future Deep and Comprehensive Free Trade Area (DCFTA) with the EU: Food Safety-Sanitary and Phyto-sanitary Measures”, Tbilisi 2009, p. 2.

<sup>65</sup> Office of the State Minister of Georgia on European and Euro-Atlantic Integration, “DCFTA Preparedness Matrix”, Tbilisi 2010, p. 14.

#### *Civil Society Forum (CSF)*

In addition to bilateral EaP projects, the four EaP multilateral thematic platforms as well as the CSF were launched with constituting conferences in 2009. All platforms and the CSF developed working programs for 2010-2011 and have already convened several times. Within Georgia, the national civil society platform of the EaP was initiated in autumn 2010 shortly before the second EaP CSF conference took place in Berlin in November. Until today, 62 civil society organizations have become a part of the Georgian civil society platform.<sup>66</sup>

#### *Comprehensive Institution Building Program (CIB)*

Other key programs within the EaP framework have not been initiated yet and therefore cannot be analyzed in this paper. However, especially the development of the CIB program in early 2011 will be crucial for an overall assessment of the policy initiative since large parts of the EaP budget are targeted towards this program.

## **IV.2 Costs and benefits of the EaP for Georgia**

### *IV.2.1 Economic costs and benefits for Georgia within the EaP framework*

Having outlined first results of the EaP's implementation in Georgia, the following parts of this study aim at revealing more general prospects of the policy initiative in the South Caucasian republic.

As shown in *figure 3* (annex), the indicative budget for Georgia increases significantly under the EaP. While it received €120 million from 2007 – 2010 via the ENPI, this amount augments by 50% to €180 million from 2011-2013 if reforms will be carried out.

All financial contributions to Georgia are delivered within four priority areas (see *figure 3*, annex). Together, the EU and Georgia develop specific bi- and multilateral projects related to these areas. With increasing direct contributions of the EU, the EaP seems to improve financial shortcomings of the ENP. Nevertheless, financial

<sup>66</sup> Tamar Khidasheli, “Preparations for the establishment of the Georgian National Platform for the Eastern Partnership”, in: <[http://www.ald-europe.eu/public/doc/107-EaP\\_CSF\\_Newsletter\\_10-2010.pdf](http://www.ald-europe.eu/public/doc/107-EaP_CSF_Newsletter_10-2010.pdf)> (Access: 11/11/2010), p. 9.

support of €180 million for three years remains a small sum considering Georgia's enormous domestic reform costs in areas such as the judicial system. Furthermore, the EaP *National Indicative Program* (NIP) budget appears to be less substantial in light of the EU post-conflict assistance package for Georgia from 2008-2010. At a donor conference following the August war, the EU pledged €483.5 million while the entire aid program amounts to €3.44 billion.<sup>67</sup> Taking into account the relative marginal importance of EU's direct financial contributions within the EaP framework, it is fundamental to examine further economic benefits of this initiative for Georgia. One of the main additional EaP offers is a *Deep and Comprehensive Free Trade Agreement* (DCFTA) between partner countries and the EU. As visualized in *figure 4* (see annex), the current economic situation in Georgia remains unstable due to the 2008 war and the recent global recession. Since the EU plays a pivotal role in Georgia's economic recovery from these combined consequences, the small republic would significantly profit from a DCFTA. In 2009, 28.4% of all Georgian imports came from the EU and 42.9% of all exports went to the EU.<sup>68</sup> However, the current bilateral trade regime between both partners (*Generalized System of Preferences + [GSP+]*) gives few tariff reductions and advantages for Georgia. In general, GSP+ is a EU program that offers tariff cuts of up to 30% on 7,200 products for developing countries exporting to the EU. Still, the majority of Georgian products exported to the EU such as mineral products, lubricants and wine are classified as sensitive within the GSP+ framework meaning that they do not qualify for significant tariff reductions. For instance, currently Georgia has to pay a tariff of 13€ for each 100 liters of red and white wine exported to the EU.<sup>69</sup> A DCFTA on the other hand would introduce free movement of goods, free trade in services, freedom of investment, further cooperation as well as implementation of further reforms in

<sup>67</sup> European Commission, "Georgia's Donor Conference", in: <[http://eeas.europa.eu/georgia/conference/donor\\_eur\\_en.pdf](http://eeas.europa.eu/georgia/conference/donor_eur_en.pdf)> (Access: 9/22/2010).

<sup>68</sup> European Commission, "Georgia's Trade Figures", in: <[http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113383.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113383.pdf)> (Access: 10/25/2010), p. 4.

<sup>69</sup> Boris Eisenbaum, "EU General System of Preferences +. Enhancing Georgian Exports", Tbilisi 2007, p. 7.

trade-related areas.<sup>70</sup> Additionally, a DCFTA „envisages a deep convergence of the regulatory framework with that of the EU which, in turn, would lead to the removal of non-tariff barriers and a large scale liberalization of the trade in services".<sup>71</sup> Economists estimate that Georgian preparations for a DCFTA would imply "heavy costs in the short run, for both public administrations and the private sector, of achieving full compliance with EU economic rules and standards".<sup>72</sup> Even so, a feasibility study on the possible impact of a DCFTA in Georgia concludes that the South Caucasian republic would considerably benefit from this agreement in the long-term. Experts estimate that a Georgian-EU DCFTA could increase FDI from \$2.3 billion (in 2008) up to \$11.36 billion in 2020.<sup>73</sup> Furthermore, a DCFTA may cause an "increase of Georgian exports by an additional 13.3 percent over (...) five years".<sup>74</sup> At large, a DCFTA could lead to economic gains for Georgia as high as 6.5% of the country's GDP.<sup>75</sup>

Having assessed most economic aspects of the EaP in Georgia, this study will now bring into focus political implications of the policy initiative. How likely is compliance with EaP conditions in fields of democratization? What is the EaP's potential to induce political reforms in Georgia and what are the EaP-related national political interests?

#### IV.2.2 Political costs and benefits of the EaP

Due to the absence of an EU membership perspective within the EaP framework, neighboring countries calculate costs and benefits of compliance with democratic EU standards "more critically than candidate countries".<sup>76</sup> Examining political adaptation costs and benefits of the EaP in Georgia, one has to focus on political

<sup>70</sup> Merab Kakulia, "Macroeconomic concept of DCFTA", in: Georgian-European Policy and Legal Advice Center (ed.), "Technical Background Paper on DCFTA with Georgia" Tbilisi 2009, p. 10.

<sup>71</sup> Ibidem, p. 11.

<sup>72</sup> Klaudijus Maniakas, "Concept of DCFTA and its implications for Georgia", Tbilisi 2009, p. 3.

<sup>73</sup> Maria Maliszewska(ed.), "Economic Feasibility, General Economic Impact and Implications of a Free Trade Agreement Between the European Union and Georgia", *CASE Network Report No. 79(2008)*, p. 143.

<sup>74</sup> Kakulia [compare fn. 71], p. 13.

<sup>75</sup> Maniakas [compare fn 73], p. 7.

<sup>76</sup> Petr Kratochvil/Barbara Lippert, "The Cost-Benefit Analysis of the ENP for the EU's Eastern Partners", in: *European Parliament Briefing Paper 09(2007)*, p. iii.

incentives and their connection to vested interests of the government.

Firstly, the EaP's most substantial political incentive is the Georgian-EU *Association Agreement* (AA). Signing this agreement remains Georgia's number one priority within the EaP framework.<sup>77</sup> An AA would put the country's continuous EU approximation on a firm legal footing. At the same time, the Saakashvili administration could present this agreement as an important achievement for the Georgian society. However, despite the fact that AA negotiations have already started, Georgia needs to carry out further political reforms to sign a final agreement. While the country has democratized significantly since 2003, most power is still concentrated in the hands of President Saakashvili who continues to pursue a clientele policy.<sup>78</sup>

The remaining personalization and opaqueness of Georgian parties and the overall political system implies that the current leadership is in danger of losing influence if fully applying to all democratic standards required within the EaP framework. Georgian researchers underline that "there are some fractions in the government and ruling elite that are more or less skeptical of the conditions set by the EU".<sup>79</sup> Since the domestic political environment remains polarized after events such as the public protests in November 2007 and in April 2009, adaptation costs of democratic reforms are high for the Georgian government. Reforms of the judiciary system and the civil service are commonly neglected by the Saakashvili administration despite the fact that the EU frequently emphasizes their importance. Particularly in these fields, democratization within the EaP framework could mean a significant loss of influence for the current government that still controls placement of officials in legislative, executive and judiciary branches.

<sup>77</sup> see Giorgi Baradize, "Speech of the State Minister of Georgia for European and Euro-Atlantic Integration: Future of the Regional Cooperation in CEE Region and Impact of the Eastern Partnership", in: <<http://eu-integration.gov.ge/uploads/Speechfor4thEurope-UkraineForum-EaP-TheFinalRevisedVersion.docx>> (Access: 10/10/2010).

<sup>78</sup> Franziska Smolnik, "Zwischen Anspruch und Wirklichkeit: Die EU-Konditionalität als Demokratisierungsinstrument. Eine Studie zur externen Demokratieförderung an den Beispielen Georgien und Mazedonien", Berlin 2008, Arbeitspapier des Osteuropa-Instituts, p. 60.

<sup>79</sup> Gogolashvili [compare fn. 14], p. 93.

Secondly, conflicts with breakaway regions Abkhazia and South Ossetia remain of utmost importance for the Saakashvili administration. Although a Georgian-EU AA will most probably not mention these conflicts in detail, Georgian decision-makers see further EU integration through the EaP as an indirect security guarantee.<sup>80</sup> Besides, it is understood that especially the multilateral platform of the EaP could be a tool to expand relations to neighbor countries without Russian interference. For these reasons, Georgian officials perceive further political integration in light of the EaP as an important cornerstone for the country's security and territorial integrity. At the same time, elites criticize the lacking conflict resolution dimension of the EaP.

Thirdly, social-economic reforms concerning poverty reduction, social policies and a labor code are strongly disputed between Georgia and the EU. The administration repeatedly promoted a neoliberal path of deregulation as the basis of its agenda. President Saakashvili stated that the 2009 *Act on Economic Freedom* shall "provide that [the deregulatory] policy is secured no matter of political change".<sup>81</sup> This new law minimizes the role of the government in various fields and requires public referendums for future changes of Georgia's general economic approach. Therefore, regulatory reforms of laws such as the labor code have become extremely costly for the administration. At the same time, the EU as well as the international community underline that the "ultra-liberal labor code gives green light to union busting and the marginalization of collective bargaining".<sup>82</sup> Currently, the Georgian labor code is one of the most anti-employee laws in the world.<sup>83</sup> It remains to be seen if the Saakashvili administration will at some point perceive reforms in this field and other disputed socio-economic areas less costly. Only then Georgian decision-makers may be ready to

<sup>80</sup> Tamar Khidasheli, "Georgia's European Way", Warsaw 2010, p. 10-11.

<sup>81</sup> "Saakashvili lays out Act on Economic Freedom", *Civil Georgia*, 2009, in: <<http://www.civil.ge/eng/article.php?id=21541>> (Access: 11/21/2010).

<sup>82</sup> "2009 Annual Survey of violations of trade union rights - Georgia", *UNHCR*, 2009, in: <<http://www.unhcr.org/refworld/docid/4c52caec21.html>> (Access: 10/22/2010).

<sup>83</sup> Matthias Jobelius, "Wirtschaftsliberalismus in Georgien. Verspielt die Regierung durch eine marktradikale Politik den Anschluss an Europa?", Berlin 2010, p. 5.

sacrifice parts of their current economic model for the sake of further approximation to the EU. Finally, political benefits are considerably outweighing reform costs for the Georgian government in other EaP-related areas. This applies especially to fostering visa facilitation and ultimately visa liberalization agreements. Since this issue represents the most visible part of the EaP, the Georgian government is strongly motivated to conduct reforms related to mobility of people. Further removal of travel barriers would mean a noticeable advantage for the entire society. The Saakashvili administration could promote comprehensive visa liberalization with the EU as a major achievement. Therefore, Georgian decision-makers are willing to follow EU recommendations and implement new policies quickly and efficiently in this area (for instance, biometric passports were introduced in April 2010).

Intermediate results reveal that the EaP's democratization potential is confined (for a visualized summary of the CBA analysis see figure 5, annex). Without the main incentive of an accession perspective, Georgian officials recognize certain political reforms as too costly contrasted with expectable benefits of the EaP. Combined with the findings of the financial CBA, the EaP's capacity seems to be ambiguous at this stage. Promising economic incentives such as the DCFTA are leading to increased compliance with technical EU standards while democratization efforts are undermined by a lack of governmental willingness and political incentives. However, assessing the overall capacity of the EaP in Georgia, it is important to include perceptions and opinions of involved actors. Socialization of norms may lead to changing cognition of costs and benefits and shifting policy priorities in the long term. The EU as a soft power aims at exporting its values and thus influence belief-sets of involved actors with initiatives such as the EaP. How is the EU perceived by Georgian elites? What do these perceptions imply for the capacity of the EaP in Georgia?

### IV.3 The EaP in Georgia – Perceptions and Positions

#### IV.3.1 The EU and Europe – General Perceptions of Georgian Elites

Analyzing elite discourses about Europe in Georgia, one has to separate between perceptions of *Europe* as a continent and the *EU* as an institution. While connotations of the former are generally positive, opinions about the latter differ between elite groups and have changed over the past years.

At first, it has to be emphasized that most Georgians elites perceive themselves as an integral part of the European continent nowadays.<sup>84</sup> While this sentiment has already emerged after Georgia's independence in 1991, it was reiterated due to worsening relations with Russia in the past decade. Academics and officials continuously underline that their country has cultural, historical, geographical and political linkages to Europe and consequently advocate a European identity of Georgia.<sup>85</sup> In general, during the past years "the European idea and the conviction that the Georgians were part of the Western cultural and political context (...) were revived in Georgia's political discourse".<sup>86</sup> This development is also reflected in the Georgian perception of the EU. For instance, after the Rose Revolution a law was introduced declaring that all official state buildings must display the EU flag.<sup>87</sup> Recently, Georgian academics emphasize that a stable Georgian nation would only be able to flourish within a EU context. In light of this development, more and more elites share the vision of an "accession to the EU [as] a long-term goal".<sup>88</sup>

However, from 2003 until 2008 many Georgian decision-makers remained critical of the EU perceiving it as deeply divided by its own members' contradictory preferences.<sup>89</sup> Especially within the Saakashvili administration, officials were skeptical because of a lack of cooperation

<sup>84</sup> Beka Cedija, "Georgia on the political map of Europe", in: *Central Asia and the Caucasus* 11(2010), p. 19 – 28.

<sup>85</sup> Ibidem, p. 21.

<sup>86</sup> Maxim Kirchanov, "Europe' and 'The West' in Georgia's political imagination and nationalist discourse", in: *Central Asia and the Caucasus* 11(2010), p. 160.

<sup>87</sup> Cedija [compare fn. 84], p. 23.

<sup>88</sup> Gogolashvili [compare fn. 14], p. 90.

<sup>89</sup> Delcour/Tumets [compare fn. 2], p. 523.

mechanisms concerning security issues. Thanks to military help and a focus on security, the USA became the closest partner of Georgia after 2003. Further approximation with NATO and the USA was the number one foreign policy priority during the first years of Saakashvili's presidency. Yet, this prioritization has changed in the past two years. After the war in 2008 there was a change of perception. Elites have turned towards the EU while being more critical towards NATO. Government officials emphasize that "there was a pro-European shift in the last 2 or 3 years and that [is] also something that provides for an opportunity to undertake the reforms faster".<sup>90</sup> Official foreign policy strategy papers of the Georgian government underline this change of prioritization.<sup>91</sup>

#### IV.3.2 EaP Perceptions - Georgian Decision-makers

Despite the ambiguous results of the political CBA in this study, Georgian government officials and lawmakers are showing extensive optimism towards the EaP contrasted with their dissatisfaction of the ENP. The Georgian State Minister for Euro-Atlantic Integration, Giorgi Baramidze, repeatedly stated that the EaP would go "far beyond the current ENP framework".<sup>92</sup> He underlines that the new policy initiative would give his country an improved possibility „to ensure the highest possible degree (...) of integration into the EU".<sup>93</sup> In addition, senior officials of the Foreign Ministry perceive the three main incentives of the EaP's bilateral track (AA, DCFTA and *visa facilitation*) as "carrots enough to do the reforms which was not the case with the ENP" and its vague offer of a stake in the EU's internal market.<sup>94</sup> Some go even further and think that continuing law convergence and reforms within the EaP framework will make a Georgian EU accession inevitable in the long-term since "the nature and the development of relations is not (...) under the control of politicians".<sup>95</sup> Therefore, a former senior official and

current advisor of Georgia's EU integration bodies thinks that the country will not need "another 25 years to integrate into the EU, maybe 10,12 years will be enough at least to start the accession process".<sup>96</sup>

While public officials became increasingly skeptical of the delivery of unclear ENP offers by the EU, this perception has changed with the EaP. From the perspective of Georgian decision-makers the credibility of incentives seems to have increased significantly under the new policy initiative. Lawmakers continuously stress that the EaP would offer "more concrete goals (...) [and we] see what rewards we can get from this cooperation".<sup>97</sup> Overall, decision-makers perceive *positive conditionality* as a clear-cut principle of the EaP.

Additionally, public officials think that the principle of *differentiation* is more credible within the EaP framework. Especially Georgia criticized that the EU was not differentiating between South Caucasian countries during the first years of the ENP implementation but rather treated the three nations similarly. Although in July 2010, AA negotiations with all South Caucasian nations have started at the same time, the Georgian government acknowledges that the EU pursues a more country-specific approach with the EaP. Public officials think that the EU will finally recognize Georgia's efforts. They hear "convincing messages from the EU that the signatures of the AA process were in a way a package but the progress will be country differentiated".<sup>98</sup> Others believe that *differentiation* will be inevitable considering divergent relations between certain EaP countries and the EU. For this reason, Georgian lawmakers suppose that differentiation will work in the South Caucasus because they "don't believe that for example Armenia will overcome the Russian influence in the next 10 years at least and will stay between the EU and Russia anyway".<sup>99</sup> However, decision-makers as well as scholars admit that it is too early to conclude whether the EU will really be able keep this promise in all EaP countries.

<sup>90</sup> Interview with a senior official, Ministry of Foreign Affairs (MfA) of Georgia.

<sup>91</sup> Ministry of Foreign Affairs of the Republic of Georgia, "Foreign Policy Strategy 2009-2012", in: <[http://mfa.gov.ge/files/562\\_100030\\_958526\\_Strategy.doc](http://mfa.gov.ge/files/562_100030_958526_Strategy.doc)> (Access: 11/18/2010).

<sup>92</sup> Baramidze [compare fn. 77].

<sup>93</sup> Ibidem.

<sup>94</sup> Interview with a senior official of the Georgian MFA.

<sup>95</sup> Interview with a former senior official responsible for EU integration in the Georgian MFA.

<sup>96</sup> Ibidem.

<sup>97</sup> Interview with a member of the Georgian Parliamentary Committee on European Integration.

<sup>98</sup> Interview with a senior official of the Georgian MFA.

<sup>99</sup> Interview with a former senior official responsible for EU integration in the Georgian MFA.



Finally, for Georgia's authorities "the EaP does not serve only social or economic goals, but security issues as well".<sup>100</sup> However, public officials criticize the missing security and conflict resolution dimension of the EaP. According to State Minister Baramidze Georgia believes „that the security and stability dimension of the EaP has exceptional importance as the majority of Eastern European Partner countries, (...) are facing conflicts.“ Therefore, the EaP “should pay particular attention to the (...) peaceful settlement of the conflicts in the region” since “this will create the necessary conditions for successful implementation of all envisaged activities within the EaP”.<sup>101</sup> In addition, the EaP-related issue of visa facilitation is seen in light of security questions. While “visa issues were always understood as a part of the European approach towards the conflict resolution in the region”<sup>102</sup>, Georgians claim that this idea has been undermined by the new visa facilitation agreement with Russia that at least partly disburdens citizens of the break-away regions Abkhazia and South Ossetia. Concluding, Georgian decision-makers' perceptions of the EaP reveal an ambiguous picture. On the one hand, public officials criticize the EaP for its missing security and conflict resolution dimensions. It is felt that the EU is a soft power but (...) not a strong security organization that you can count on”.<sup>103</sup> On the other hand, government officials consider the EaP's incentives and principles as more credible compared to the ENP and its shortcomings.

#### IV.3.3 EaP Perceptions - Georgian Academics

However, Georgian researchers and academics familiar with EU issues are more skeptical towards the new policy initiative. Some scholars think that “the Georgian government is promoting the EaP and respectively the AA as ‘an association membership’ so it can sell something that would be close to membership towards its own society”.<sup>104</sup> According to critics, the Saakashvili administration is mainly interested in holding up the negotiation processes while at

the same time pursuing a non-European path of economic liberalization.<sup>105</sup> It is underlined that economic and regulatory conflicts between the EU and Georgia are main barriers of a successful EaP implementation. Academics claim that these conflicts may not be solved as long as Georgian officials keep on arguing that a deregulatory approach will inevitably attract more investors and ensure sustainable growth in the country. A successful implementation of an AA and a DCFTA will not be possible if the Saakashvili administration continues to pursue a path of liberalization trying to transform Georgia into “the Switzerland of the Caucasus with ‘elements of Singapore’”.<sup>106</sup> Researchers see that the current government may not be willing to “sacrifice” deregulatory measures such as an extremely employer-friendly labor code for the sake of a successful EaP implementation.<sup>107</sup> More generally, it is questioned whether Georgia could reconcile “a concept of minimal state with the EU definition of an administrative capacity”.<sup>108</sup> Additionally, Georgian academics reiterate the results of the political CBA in this study (see chapter IV.2.2). They underline that domestic political circumstances have deteriorated over the past years. This development is conceived as another barrier for a successful EaP implementation that is based on progress in fields such as good governance and human rights. Scholars claim that EaP and ENP impact on human rights, rule of law and media freedom remains marginal since decision-makers still perceive full-scale democratization as too costly.

At the same time, several Georgian researchers criticize the EU approach and claim that until today “the EU's EaP Program is an empty shell”.<sup>109</sup> While some incentives may be more concrete than under the ENP, the overall policy initiative would not bring partner countries closer to Europe but rather “institutionalize a gap between the EU and Georgia”.<sup>110</sup> In addition, academics stress that expectations among

<sup>105</sup> Ibidem.

<sup>106</sup> “Georgia: Saakashvili Says Switzerland Will Meet Singapore in Tbilisi”, *Eurasianet*, 2010, in: <<http://www.eurasianet.org/departments/news/articles/eav031010.html>> (Access: 09/13/2010).

<sup>107</sup> Interview with a Georgian professor of International Relations.

<sup>108</sup> Maniokas [compare fn. 72], p. 13.

<sup>109</sup> Ghia Nodia, “Can the Eastern Partnership Program of the EU Help Civil Societies in Participating States?”, in: *Caucasus Analytical Digest* Vol. 12(2010), p. 11.

<sup>110</sup> Interview with a Georgian professor of International Relations.

<sup>100</sup> Khidasheli [compare fn. 80] p. 10.

<sup>101</sup> Baramidze [compare fn. 77].

<sup>102</sup> Interview with a Georgian professor of International Relations.

<sup>103</sup> Interview with a member of the Georgian Parliamentary Committee on European Integration.

<sup>104</sup> Interview with a Georgian professor of International Relations.

decision-makers are significantly higher than possible deliverables of the EU.<sup>111</sup> The inability to bridge the capability-expectations gap was already one of the main points of criticism concerning the ENP.<sup>112</sup> On the one hand, this gap is seen as a result of the enthusiastic but unrealistic vision of Georgia's possible EU accession in the long-term. On the other hand most political analysts feel that the EU will not be able to meet expectations due to constraints resulting from its relations with Russia and complex internal divisions.

Finally, Georgian academics agree with decision-makers that the inadequate security and conflict resolution dimension is the major flaw of the EaP.<sup>113</sup> It is emphasized that expanding the security scope of the EaP will be "a decisive" determinant of the EaP's success in Georgia.<sup>114</sup> This is underlined even by a political scientist from Abkhazia stating that an expanded EaP focus on this issue "is the only way to transform the context of the conflict and make it possible to alter public discourse in Abkhazia and Georgia toward new ideas for conflict resolution".<sup>115</sup> Besides, several Georgian researchers emphasize that the EU needs to increase its engagement in the secessionist regions within the EaP framework.<sup>116</sup>

#### IV.3.4 EaP in Georgia - The EU's Perspective

At last, the EU's perspective on Georgian progress within the EaP framework has to be considered. Further prospects of the policy initiative not only depend on Georgian elites but also on EU officials and their positions. Launching negotiations on an AA in July 2010, the EU reinforced the EaP promises for Georgia. Before negotiations began, EU senior official Gunnar Wiegand declared that "the start of the negotiations of an Association Agreement is not just the end of the efforts made so far. It is also the starting point of work on much bigger and more ambitious challenges which have a lasting economic,

political and societal impact".<sup>117</sup> The EU repeatedly emphasized that Georgia has advanced significantly within the EaP framework. The new High Representative for Foreign Affairs and Security of the EU, Catherine Ashton, pointed out that "Georgia has made significant efforts in democratization, combating corruption and in economic development".<sup>118</sup>

However, EU officials identify several major challenges for a successful implementation of the EaP and its main incentive, the DCFTA. The EC pushes Georgia especially for reforms in fields of "poverty reduction, employment and social policies, agricultural development including sanitary and phyto-sanitary issues and civil service".<sup>119</sup> The underlying tenor of official EU reviews concerning Georgia's approximation efforts is that beside significant progress in many areas, major problems are remaining divergences concerning regulation and political stability. In its 2009 progress report on Georgia, the EU summarizes that "in order to implement the [ENP] Action Plan and prepare for a DCFTA with the EU, Georgia would need to progress considerably" in [several economic and political] sectors".<sup>120</sup> For instance, the EU claims that the Georgian Labor Code provisions were not in line with the ILO Conventions on core labor standards.<sup>121</sup> Therefore, a successful EaP implementation would still be hindered by "the lack of a common understanding between the EU and the government of Georgia on principles of good governance and sustainable cooperation".<sup>122</sup> The EU underlines that Georgia needs to fulfill all of the recommendations published by the EU fact-finding mission to conclude negotiations on an AA and a DCFTA.

<sup>111</sup> Ibidem

<sup>112</sup> Delcour/Tulmets [see fn. 2], p. 522.

<sup>113</sup> Nino Mikhelidze, "The Eastern Partnership and conflicts in the South Caucasus – old wine in new skins?" Rome 2009, p. 10.

<sup>114</sup> Interview with a Georgian professor of International Relations.

<sup>115</sup> Irakli Khintba, "The EU and the Conflicts in the Eastern Neighborhood: The Case of Abkhazia", in: <<http://www.boell.de/intlpolitics/europetransatlantic/europe-transatlantic-eu-conflicts-abkhazia-10215.html>> (Access: 11/12/2010).

<sup>116</sup> Mikhelidze [see fn. 113], p. 7.

<sup>117</sup> Gunnar Wiegand, "Georgia's European Way", European Commission DG External Relations, Keynote Speech held in Batumi, Georgia on 15 July 2010, in: <[http://ec.europa.eu/delegations/georgia/documents/news/20100716\\_01\\_en.pdf](http://ec.europa.eu/delegations/georgia/documents/news/20100716_01_en.pdf)> (Access: 09/19/2010).

<sup>118</sup> Catherine Ashton (2010), Speech at the launching of AA negotiations in Batumi, Georgia, 2010, in: <<http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/10/392&format=PDF&aged=0&language=EN&guiLanguage=en>> (Access: 10/20/2010).

<sup>119</sup> European Commission, "Implementation of the European Neighbourhood Policy in 2009: Progress Report Georgia", in: <[http://ec.europa.eu/world/enp/pdf/progress2009/sec09\\_513\\_en.pdf](http://ec.europa.eu/world/enp/pdf/progress2009/sec09_513_en.pdf)> (Access: 9/30/2010).

<sup>120</sup> Ibidem, p. 12.

<sup>121</sup> Ibidem, p. 10.

<sup>122</sup> European Commission, "ENPI National Indicative Program Georgia 2011-2013", Brussels 2010, p. 26.

Nevertheless, as pointed out before, EU representatives acknowledge that the Georgian administration has started implementing an increased number of required reforms in light of the EaP. An EUD official from Tbilisi notes that “the Georgian government is more willing now to move on its position and to go more for a regulatory approach”.<sup>123</sup>

Finally, it has to be underlined that the EU views Georgia as a key partner within the EaP framework. EU officials understand that the pro-European mood in Georgia and the relatively democratic political system (compared to other EaP countries) represent an unique opportunity to prove the EaP’s success.

## V. Conclusions and Prospects

### V.1 Conclusions on the EaP in Georgia

This study aimed at answering whether the EaP is an efficient foreign policy initiative in addition to the ENP and if it could overcome the ENP’s weaknesses. Furthermore, the paper tended to point out specific results of the EaP’s implementation as well as its further prospects and perceptions in Georgia.

The overall results of the analysis lead to an ambiguous assessment. On the one hand, many problems of the ENP have been improved within the EaP framework. Therefore, entirely negative EaP assessments from other authors have to be rejected. It is not true that “the EaP does not overcome the weaknesses of the ENP”.<sup>124</sup> More specific, attractive and credible incentives lead to an increased likelihood of compliance with EU standards especially concerning economic issues. Further economic integration of Georgia into the EU seems beneficial for both sides even without the carrot of a membership perspective. Besides, the enthusiastic pro-European mood among Georgian elites allow for further socialization of EU norms and values in the coming years. This

<sup>123</sup> Interview with a senior official of the EU Delegation to Tbilisi

<sup>124</sup> Jos Boonstra/Natalia Shapovalova, “The EU’s Eastern Partnership- One year backwards?”, in: *FRIDE working paper* 99(2010), p. 12.

fact, as well as the positive EaP perceptions of decision-makers, increases chances of an enhancing EaP efficiency in Georgia.

On the other hand, the EaP faces many problems. Firstly, with its 2011-2013 indicative budget of €180 million for Georgia, the new policy initiative is underfinanced. Additionally, the EaP has not yet induced extended democratic and socio-economic reform processes in Georgia. The political CBA shows that for the Georgian government, benefits of domestic power preservation outweigh political incentives of the EaP. Furthermore, Georgian academics as well as EU officials see that the government’s extremely neo-liberal approach is becoming a growing obstacle for further EaP implementation. Most importantly, missing security and conflict resolution dimensions within the EaP hinder further commitment from Georgian elites.

### V.2 The EaP Beyond Georgia

Looking at the five other EaP partner countries one finds more dissatisfaction with the policy initiative than in Georgia (see *figure 6*, annex). Azerbaijan’s deputy foreign minister Azimov states that the EaP “is not adequate” for his country.<sup>125</sup> Indeed, due to its prosperous development based on its oil and gas reserves, Azerbaijan does not depend on aid mechanisms of the EU and refuses asymmetric relations based on principles such as conditionality. Besides, Azerbaijan is not a WTO member and does not plan to join the WTO in the mid-term. This excludes the possibility of an Azeri-EU DCFTA since WTO membership is a prerequisite for a free trade agreement with the EU.<sup>126</sup>

In Armenia, there are as well “concerns among people (...) regarding European integration” in light of the EaP.<sup>127</sup> Taking into account Armenia’s strategic partnership with Russia, a general

<sup>125</sup> “EU’s Eastern initiative ‘not adequate’ for Azerbaijan”, *Euractiv*, 2010, in: <<http://www.euractiv.com/en/east-mediterranean/eus-eastern-initiative-not-adequate-azerbaijan-news-499387>> (Access: 11/13/2010).

<sup>126</sup> “A conversation with Stefan Füle”, Brookings, November 29, 2010, in: <[http://www.brookings.edu/~media/Files/events/2010/1129\\_eastern\\_partnership/1129\\_eastern\\_partnership\\_transcript.pdf](http://www.brookings.edu/~media/Files/events/2010/1129_eastern_partnership/1129_eastern_partnership_transcript.pdf)> (Access: 12/23/2010).

<sup>127</sup> Boris Navasardian, “Debating Eastern Partnership. A comparison of perspectives and expectations – Report on Armenia”, Warsaw 2010, p. 8.

change of this position seems unrealistic in the upcoming years.

Furthermore, Ukraine has expressed serious concerns over the EaP. It sees its relations with the EU more advanced than those of the other five partners and does not perceive the EaP as a surplus compared to previous agreements with the EU.<sup>128</sup>

Autocratic Belarus is still far from developing a sustainable partnership with the EU although the Lukashenka administration has made some steps towards Europe in the past two years. Flawed national elections on 19 December 2010 and following violence against the opposition underline that the country is currently not ready for further approximation to the EU. At the same time, Belarus serves as an example for EU's double standard policy. The disparity of treatment between Belarus and Azerbaijan within the EaP framework "is already evident, with tougher conditions based on human rights and democracy principles demanded from Minsk".<sup>129</sup>

Only in Moldova, EaP prospects seem to be comparable to the more positive results outlined in the Georgian case study. Among Moldovan elites, approximation with the EU and implementation of the EaP has become a key priority.<sup>130</sup>

Looking at the EaP beyond Georgia, the influence of other regional players on this initiative has to be considered. Particularly Russian-EU relations will influence the policy initiative's further development. However, a detailed analysis of Russia's role in the EaP framework would go beyond the scope of this study.

### V.3 Prospects and Recommendations

With an ambiguous potential of the EaP in Georgia and less promising circumstances in other partner countries, what are further prospects of this policy initiative? Will the

<sup>128</sup> Pavel Korduban, "European Union's Eastern Partnership Plan Dissapoints Ukraine", *Eurasia Daily Monitor / European Dialogue*, 2009, in: <<http://eurodialogue.org/node/1478>> (Access: 11/19/2010).

<sup>129</sup> Balfour [compare fn. 49], p. 13.

<sup>130</sup> Victor Chirila, "Moldova's first year within the framework of the EaP: perceptions, achievements, and the challenges ahead", Warsaw 2010, p. 1.

problems outlined above inevitably lead to an early failure of the EaP?

In fact, overall prospects for the EaP are not as negative. Firstly, in 2011 Hungary and Poland will prioritize the EaP during their EU presidencies.<sup>131</sup> Secondly, under the guidance of Stefan Füle, EU Commissioner for Enlargement and Neighborhood Policy, the ENP will be revised in spring 2011.<sup>132</sup> The European Commission plans to specify the goals of the ENP and the EaP. At the same time, the revision aims at clarifying questions about EU accession perspectives for EaP partners in the long-term.<sup>133</sup> Thirdly, the second EaP summit with 27 (EU member states) plus 6 (EaP countries) heads of states will be held in Poland in fall 2011.<sup>134</sup> All these events will definitely create a new political momentum for the EaP and increase chances of stronger commitment both from the EU and partner countries.

However, this commitment will only increase the EaP's efficiency if the policy initiative will be adjusted in a constructive way. The closing remarks of this study will take into account the partner countries' concerns outlined in this study and establish several policy recommendations.

First and foremost, a revised EaP would need to address security and conflict resolution issues more thoroughly. Besides Belarus, all EaP countries are more or less involved in regional conflicts. It is obvious that there are no possibilities of wide-ranging security offers by the EU (due to its internal division and its relations with Russia) and that the Armenian-Azeri conflict over Nagorno-Karabakh may undermine an EaP security dimension. However, in the long-term the EU should integrate existing forms of conflict resolution instruments and structures (such as

<sup>131</sup> "EU to focus more on east neighbors in 2011 - Poland", *Reuters*, 2010, in: <<http://www.reuters.com/article/idUSTRE6AG2W720101117>> (Access: 11/25/2010).

<sup>132</sup> Stefan Füle, "Speech of the European Commissioner for Enlargement and Neighbourhood Policy at the Foreign Affairs Committee of the European Parliament, October 26 2010", in: <<http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/10/594&format=HTML&aged=0&language=EN&guiLanguage=en>> (Access: 11/19/2010).

<sup>133</sup> Füle [compare fn. 118], p. 8.

<sup>134</sup> "Poland to Host EaP Summit instead of Hungary", *Panarmenian News*, February 2011, in: <[http://www.panarmenian.net/eng/world/news/61842/Poland\\_to\\_host\\_Eastern\\_Partnership\\_summit\\_instead\\_of\\_Hungary](http://www.panarmenian.net/eng/world/news/61842/Poland_to_host_Eastern_Partnership_summit_instead_of_Hungary)> (Access: 02/18/2011).

the *EUMM* in Georgia, *EUBAM* in Moldova or the *EUSR Pierre Morel*) into the format of the EaP. Strengthened multilateral platforms could provide partner countries with possibilities to exchange experiences and best practices. As pointed out in this study, the EaP is bound to fail if the EU will not include security and conflict resolution in the policy initiative. Secondly, this paper demonstrates that the EaP needs increased funding. Although it is unrealistic that EU member states will pledge additional funds to the €600 million promised from 2010-2013, a revision of the 1/3-2/3 rule of EU's neighborhood budget would be appropriate and feasible (southern EU neighbors receive 2/3 of the ENPI budget while Eastern neighbors receive the rest). The same €600 million pledged for six EaP countries in four years was given to Turkey for facilitating its EU integration in 2009 only. Thirdly, the EU should include more short-term incentives in the EaP. Negotiations on AAs and DCFTAs may take long and therefore lead to diminishing reform will in partner countries. As EU expert Michael Emerson proposed recently, one possibility would be to offer basic free trade agreements (FTAs) as a short-term goal before concluding negotiations on Deep and Comprehensive FTAs.<sup>135</sup> These less inclusive agreements would give EaP countries prospects of benefiting from trade facilitation within one or two years. Additionally, the EU needs to ease its extreme preconditions to allow DCFTA negotiations with Georgia to begin. As several experts claimed recently, the Commission requires Georgia "to adopt and implement an enormous amount of imprecisely identified EU internal market regulations going way beyond strictly trade-related matters".<sup>136</sup> Fourthly, the EU has to focus on mobility of people within the EaP framework. The currently signed visa facilitation agreements barely simplify the complex procedure of visa application for citizens in partner countries. Further visa liberalization is an essential instrument to support civil societies and democratization in EaP countries. As the most visible and perceptible

part of the EaP, it would increase support for the policy initiative and the entire EU among societies.

Finally, one has to emphasize that Article 49 of the revised treaty of the EU allows any democratic European country to apply for EU membership. Ever since the Lisbon treaty has been passed, "any European State which respects the principles set out in Article 6(1) may apply to become a member of the Union".<sup>137</sup> If an applying country fulfills the Copenhagen Criteria, it has the right to become an EU member. Therefore, excluding the membership perspective for EaP partners is not logical. Currently, all EaP countries have the right to apply for membership anyway. Taking this into account, the EU could give more definite prospects for accession within the EaP framework and thereby stimulate interested EaP partners to accelerate the reform tempo.

<sup>135</sup> Michael Emerson, "Rendez-Vous with Eastern Europe", in: *CEPS Commentary*, Brussels 2010, p. 2.

<sup>136</sup> Michael Emerson et al., "An Appraisal of the EU's Trade Policy Towards its Eastern Neighbours: The Case of Georgia", Brussels/Paris 2011, p. 1.

<sup>137</sup> Official Journal of the European Communities, "Consolidated Version of the Treaty on European Union", Brussels 2009.

Annex – Tables & Figures

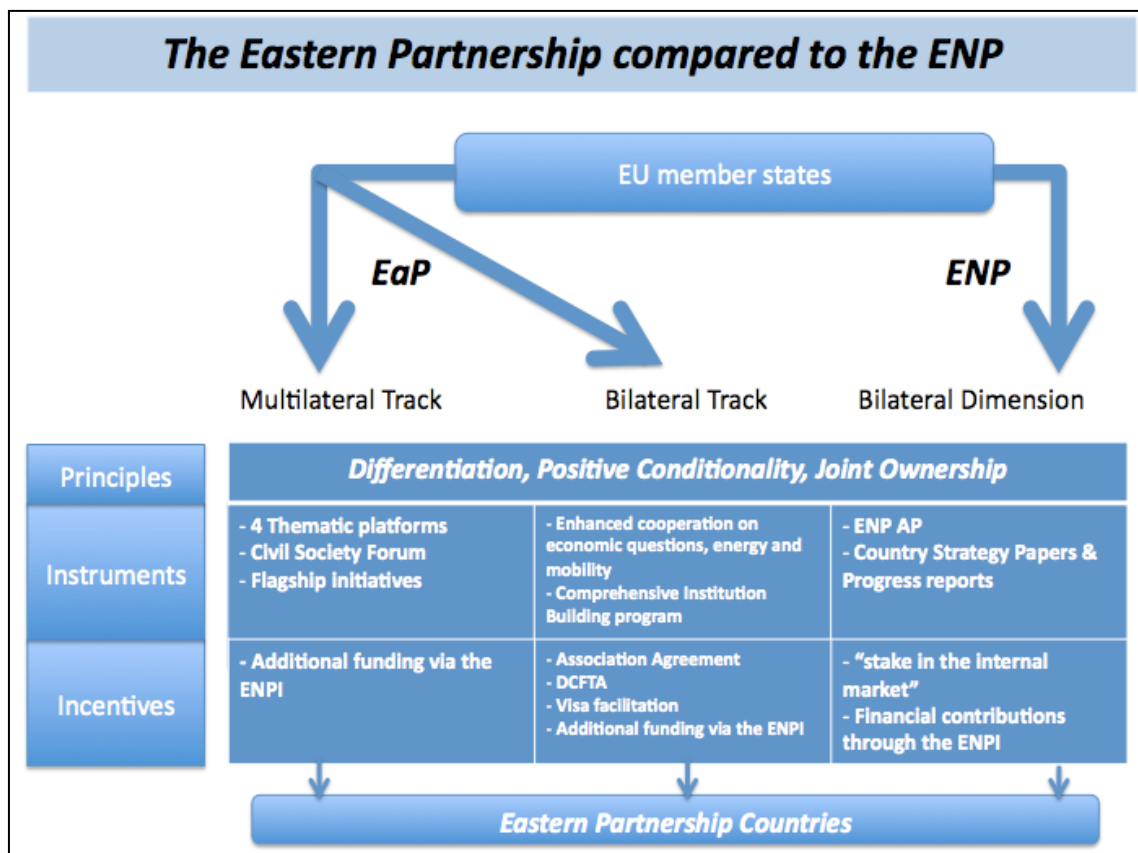


Figure 1  
Created by author; data sources: Council of the European Union, “Joint Declaration of the Prague EaP Summit”, Brussels 2009; European Commission, “European Neighborhood Policy Strategy Paper”, Brussels 2004.

Indicative breakdown of the EaP financing 2010-2013					
	2010	2011	2012	2013	Total
EaP Funding (€ million)	85	110	175	235	600

Table created by the author of this paper, source: European Commission (2010): Vademecum on Financing in the Frame of the EaP.

Figure 2  
Created by author; data source: European Commission, “Vademecum on Financing in the Frame of the Eastern Partnership”, Brussels 2010.

Indicative Budget for Georgia under the National Indicative Program 2007 - 2010		
Priority Areas	€ Million	%
(1) Democratic development, rule of law, good governance	31.5	26%
(2) Support for economic development and ENP AP implementation	31.5	26%
(3) Poverty reduction and Social Reforms	38.4	32%
(4) Support for peaceful settlement of Georgia's internal conflicts	19.0	16%
<b>Total indicative ENPI allocations from 2007-2010</b>	<b>€ 120.4</b>	<b>100%</b>

Table created by the author of this paper, source: *European Commission (2010)*, p. 8

Indicative Budget for Georgia under the National Indicative Program 2011 - 2013		
Priority Areas	€ Million	%
(1) Democratic development, rule of law, good governance	45 - 63	25 – 35%
(2) Trade and investment, regulatory alignment and reform	27 - 45	15 – 25%
(3) Regional development, sustainable economic and social development, poverty reduction	63 - 81	35 – 45%
(4) Support for peaceful settlement of conflicts	9 - 18	5 – 10%
<b>Total indicative ENPI allocations from 2011-2013</b>	<b>€ 180.29</b>	<b>100%</b>

Table created by the author of this paper, source: *European Commission (2010)*, p. 10

Figure 3

Created by author; data source: European Commission, "ENPI National Indicative Program Georgia 2011-2013", Brussels 2010.

<b>Economic Development of Georgia</b>					
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b> (est.)	<b>2010</b> (est.)
Real GDP (in billion, 2010 US\$)	7.77	10.22	12.87	10.74	<i>n.a.</i>
Real GDP change (in %, constant prices)	9.4	12.4	2.3	-3.94	5.5
GDP per capita (based on PPP, in 2010 US\$)	4,040	4,680	4,907	4,753	<i>n.a.</i>
Inflation rate	9.16	9.25	10.00	1.72	10.0
FDI (net, % of GDP)	13.7	17.1	12.2	6.5	5.0
Account balance (% of GDP)	-15.1	-19.6	-22.6	-11.7	<i>n.a.</i>
<b>GDP / labor force by sector</b> (% of GDP / labor force)					
<i>Agriculture</i>	13.0/55.6	<i>n.a./n.a.</i>	<i>n.a./n.a.</i>	12.2/ <i>n.a.</i>	<i>n.a./n.a.</i>
<i>Service</i>	62.1/8.9	<i>n.a./n.a.</i>	<i>n.a./n.a.</i>	61.8/ <i>n.a.</i>	<i>n.a./n.a.</i>
<i>Industry</i>	24.9/35.5	<i>n.a./n.a.</i>	<i>n.a./n.a.</i>	26.0/ <i>n.a.</i>	<i>n.a./n.a.</i>
Unemployment rate	13.6	13.3	16.5	16.9	<i>n.a.</i>

Source: IMF data base, CIA World factbook, European Commission (2010a) & UNCTAD fact sheets  
Table created by the author of this paper

Figure 4

Created by author; data sources: Central Intelligence Agency, "The World Factbook – Georgia", in: <<https://www.cia.gov/library/publications/the-world-factbook/geos/gg.html>> (Access: 10/22/2010); European Commission, "Georgia's Trade Figures", in: <[http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113383.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113383.pdf)> (Access: 10/25/2010); International Monetary Fund, "World Economic Outlook", in: <<http://www.imf.org/external/pubs/ft/weo/2010/02/weodata/index.aspx>> (Access: 10/22/2010).



<b>The EaP - costs and benefits for Georgian authorities</b>		
	<b>Costs</b>	<b>Benefits</b>
<b>Economic measures:</b>		
<b>Indicative Financial Aid</b> (via ENPI)	Fulfillment of the conditions set in the ENP AP and other EU documents	Direct financial aid bound to expenses in areas such as institution building (€ 180 million from 2011-2013)
<b>DCFTA</b>	Law harmonization, extensive reforms and increasing regulation in several economic areas, institution building (short term expenses)	GDP growth, growing exports to the EU, increased attractiveness for European and international FDI
<b>Political measures:</b>		
<b>Association Agreement</b>	Extensive reforms of the judiciary sector, labor code and the civil sector; improving media freedom (see ENP AP)	Closer association with the EU, new legal base replacing the outdated PCA, Georgian goal: increasing legal focus on internal conflicts, increasing security
<b>Visa facilitation/ liberalization</b>	Ratification of a readmission agreement, introduction of biometric passports, prove of secure borders	Simplified visa issuance/free travel, increasing travel to the EU & increasing popularity of the EU
<b>CIB Program</b>	<i>Not yet predictable (CIB Program details will be outlined in 2011)</i>	

Figure 5  
Created by author

<b>Commitment towards the EaP – an overview</b>		
	<b>EU member states</b>	<b>EaP countries</b>
<p><b>High priority of the EaP</b></p> <p><b>Commitment towards the EaP</b></p> <p><b>Low priority of the EaP</b></p>	Poland, Sweden, Baltic States, Hungary, Slovakia, (Slovenia)	Georgia, Moldova,
	Czech Republic, UK, Germany	Ukraine
	Austria, Belgium, Netherlands	Armenia
	France, Greece, Italy, Ireland, Portugal, Spain and others	Azerbaijan, Belarus

Figure 6  
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