

Differences of the EU-Georgia and the EU-Armenia Relations

Günel Khasiyeva

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Approval of the Institute of Graduate Studies and Research

Assoc. Prof. Dr. Ali Hakan Ulusoy
Acting Director

I certify that this thesis satisfies the requirements as a thesis for the degree of Master of Arts in International Relations.

Prof. Dr. Erol Kaymak
Chair, Department of Political Science and
International Relations

We certify that we have read this thesis and that in our opinion it is fully adequate in scope and quality as a thesis for the degree of Master of Arts in International Relations.

Asst. Prof. Dr. Nuray Ibryamova
Supervisor

Examining Committee

1. Assoc. Prof. Dr. Sait Akşit

2. Asst. Prof. Dr. Nuray Ibryamova

3. Asst. Prof. Dr. John Turner

ABSTRACT

The cooperation between the European Union and Georgia and Armenia began with the collapse of the Soviet Union and communism. The first steps in cooperation were a Partnership and Cooperation Agreement signed in 1999 and the Technical Assistance to the Commonwealth of Independent States program, the technical and financial assistance for implementation of economic reforms and democratization. Later, the countries were included in the European Neighborhood Policy, the Eastern Partnership, Association Agreements and Deep and Comprehensive Free Trade Agreement. However, Armenia refused to sign Association Agreement in 2013 and joined Eurasian Customs Union (EACU) Russian led. On the other side, Georgia gained allowance for visa-free travel within the Schengen zone in March 2017.

The thesis focuses on answering the research question “What explains the varying level of progress in the relations between the EU and Georgia and the EU and Armenia?” It researched all factors affected the process of Europeanization in Armenia and Georgia and analyzed their political background, achievements and obstacles during the cooperation with the EU. The thesis applies qualitative method of research with the use of content analysis of primary sources.

Europeanization and EU external governance provide the theoretical tools necessary for analyzing the different levels of progress made in the relationship between the countries and the EU.

Keywords: Europeanization, Armenia, Georgia, the European Union, the European Neighborhood Policy, the Eastern Partnership, Association Agreements and DCFTA.

ÖZ

Avrupa Birliđi, Gürcistan ve Ermenistan arasındaki işbirliđi Sovyetler Birliđi ve komünizmin çöküşüyle başlamıştı. İşbirliđindeki ilk adımlar, 1999'da imzalanan Ortaklık ve İşbirliđi Anlaşması ve uygulamaya konulan ekonomik reformlar ve demokratikleşme için teknik ve mali yardım olan TACIS programıdır. Daha sonra ülkeler, Dođu Komşuluk Politikası, Dođu Ortaklıđı, Ortaklık Anlaşması ve Derin ve Kapsamlı Serbest Ticaret Alanında yer almıştır. Buna rağmen, Ermenistan 2013'te Ortaklık Anlaşması imzalamayı reddetmiştir ve Avrasya Gümrük Birliđi'ne (EACU) liderlik eden Rusya'ya katılmıştır. Öte yandan Gürcistan, Aralık 2017'de Schengen bölgesinde vizesiz seyahat için izin almıştır.

Tez, AB ile Gürcistan ve AB ile Ermenistan arasındaki ilişkilerde deđişen ilerleme seviyesini anlatmaktadır ve araştırma sorusuna cevap vermeye odaklanmaktadır. Ermenistan ve Gürcistan'da Avrupalılaşma sürecini etkileyen tüm faktörleri araştırmış ve siyasi geçmişlerinde, başarılar ve engellerle karşılaşmıştır. Tez, nitel araştırma yöntemini, antlaşmalar, anlaşmalar, raporlar gibi birincil kaynakların içerik analizi kullanarak uygulamaktadır.

Avrupalılaşma ve AB dış yönetimi, ülkeler ve AB arasındaki ilişkide kaydedilen farklı ilerlemeleri analiz etmek için gerekli teorik araçları sağlamaktadır.

Anahtar Kelimeler: Avrupalılaşma, Ermenistan, Gürcistan, Avrupa Birliđi, Dođu Komşuluk Politikası, Dođu Ortaklıđı, Ortaklık Anlaşması ve DCFTA.

DEDICATION

To my Mother and in memory of my Father

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LIST OF ABBREVIATIONS

AA	Association Agreement
BSS	Black Sea Synergy
CEECs	Central and Eastern European Countries
CSTO	Collective Security Treaty Organization
DCFTA	Deep and Comprehensive Free Trade Agreement
EACU	Eurasian Customs Union
EaP	Eastern Partnership
EC	European Community
ECJ	European Court of Justice
ENI	European Neighborhood Instrument
ENP	European Neighborhood Policy
ENPI	European Neighborhood Policy Instrument
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEPLAC	Georgian-European Policy and Legal Advice Center
GSP	Generalized System of Preferences
IDPs	Internally Displaced Persons
ILO	International Labor Organization
LGBT	Lesbian, gay, bisexual and transgender
NATO	North Atlantic Treaty Organization
NIP	National Indicative Program
OECD	Organisation for Economic Co-operation and Development

OPCAT	Optional Protocol to the Convention against Torture
OSCE	Organization for Security and Co-operation in Europe
PCA	Partnership and Cooperation Agreement
TACIS	Technical Assistance to the Commonwealth of Independent States
TAIEX	Technical Assistance and Information Exchange Instrument
TRACECA	Transport Corridor Europe Caucasus Asia
UN	United Nations
US	United States

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Chapter 1

INTRODUCTION

1.1 Summary

Georgia and Armenia, two small post-Soviet states in the South Caucasus region, have achieved varying degrees of progress in their transition to democracy and market economy. Their relations with the great powers of the region also vary. Moreover, after the collapse of the Soviet Union, the interest of the West to the region also increased trying to maintain its liberal and democratic ideology and values, to broaden strategic spheres and to get closer to natural resources of the region. The two countries are at different stages of their institutional relationship with the European Union. For instance, in December 2015, the European Commission backed a proposal for allowing Georgian citizens short-term visa-free travel within the Schengen zone. As a result, the visa liberation entered into force in March 2017. Armenia has not achieved such a status, particularly after the decision to refuse the signing of the EU Association Agreement in favor of membership in the Eurasian Economic Union. This thesis will look at the following research question: what explains the varying level of progress in the relations between the EU and Georgia and the EU and Armenia? To answer this puzzle, the thesis will look at the two countries' areas of cooperation with the EU as part of the European Neighborhood Policy (ENP) and the Eastern Partnership Program (EaP), and, more specifically, the extent to which they are meeting the EU's conditions for

partnership. The thesis will also discuss the levels of democratization in both Armenia and Georgia.

1.2 Background of the relationship of the European Union with Armenia and Georgia

The disintegration of the Soviet Union facilitated the change of ideology, economy and foreign policy not only of Russian Federation, but the former constituent republics as well. On the other hand, the West became interested in enlarging its sphere of influence in those republics. The South Caucasus, geographically located between Europe and Asia, politically - between three major powers of the region, Russia, Turkey and Iran, has attracted the attention of the West, as well. After gaining independence, the three countries, Armenia, Azerbaijan and Georgia were looking for alliances to secure and balance the power in the region. Thus, they became members of international organizations and agreed on bilateral and multilateral partnership with many countries. Armenia and Georgia have similar Soviet experience, territorial conflict and similar religious identity, but different levels of cooperation with the West, in this case with the EU.

The European Union, the predecessor of which was the European Economic Community, is the international organization that binds European countries under the principles of lasting peace and economic development. The treaties “Maastricht” and “Amsterdam” laid the foundation of ‘four freedoms’ of movement of goods, services, people, and money (Maastricht Treaty, 1992; Amsterdam Treaty, 1997; Lisbon Treaty, 2007). The collapse of the Soviet Union and the end of the communist regime in Eastern Europe created the first base for the growth and enlargement of the European Union. And more than 10 countries joined the European Union by 2013.

The new modern institutions and working methods were prepared by ratified “Lisbon” treaty. The South Caucasus started getting the EU’s attention after it completed the resolution of the conflict in the Western Balkans and the Eastern enlargement process. There are many factors defining the European Union interest in its relations with the South Caucasus. In 2003 the EU adopted the European Security Strategy “A secure Europe in a better world” and specified the security and energy dependence as the main concerns for Europe. Hence, the significance of the South Caucasus has increased because of its role as a region of energy transition and transportation routes between four parts of the continent. On the other hand, regional conflicts and state failures are among others listed as key threats of the Strategy, and exists in the region, as well. It is mentioned that weak states with conflicts and dysfunctional societies on its borders create problems for Europe. And it is in its interest to promote ‘a ring of well-governed countries to the East of the Union’.(European Security Strategy, 2003) In addition, the South Caucasus were stated as ‘a neighboring region’ and an increasing aspiration to stimulate the offered reforms and strategic objectives.

Moreover, Georgia’s prioritizing the Euro-Atlantic integration after the Rose Revolution and being security guarantor in the Russia-Georgia war of 2008, were another reason for the EU’s role in the region. In addition, energy security plays last not the least role in formation of the EU’s engagement in the region. According to Amanda Paul (2015), the European Union engagement in the region intensified economic and political cooperation aimed to reduce the role of Russia.

The institutional cooperation between the EU and these countries began in 1999 with a Partnership and Cooperation Agreement (PCA) and the opening of the EU’s offices

in Armenia and Georgia. Before these agreements, these two states received an enormous amount of financial grants, economic aid and technical assistance via the Technical Assistance to the Commonwealth of Independent States Program (Efe, 2012). TACIS is the technical assistance to the Commonwealth of Independent States and Georgia during the economic reforms and development process. The purpose of the program was to ease the processes of transition from the centralized economy to the free market economy on system with the integration into the world economy and to speed up the process of democratisation. Training, energy, transport, financial services and food distribution were the fields that the EC Commission gave the priority to assist within the TACIS project (European Commission Press Release, last update 20.02.2017). Along with the TACIS program, Armenia and Georgia joined the TRACECA, ‘internationally recognized program aimed at strengthening of economic relations, trade and transport communication in the region of the Black Sea basin, South Caucasus and Central Asia’, and signed “Basic Multilateral Agreement on International Transport for development of the Europe-the Caucasus-Asia Corridor” (Efe, 2012). This was followed by the European Neighborhood Policy from 2004 and the Black Sea Synergy from 2007 that deepened relations for further development. The ENP is the bilateral policy initiative where the EU promises close political, economic and cultural relations, the potential integration into European market, and a joint share of duties on conflict prevention and resolution. Armenia and Georgia, in their turn, are obliged to carry out institutional reforms in all spheres that need meeting the EU’s norms and standards. As it is stated in working paper of David Rinnert (2011) “The Eastern Partnership in Georgia” “The ENP is based on the principles of *positive conditionality*, *joint ownership* and *differentiation*.” The principle of *positive conditionality* means that the EU will

encourage and reward the countries in return to the will and capability of them to carry out reforms and meet the requirements. Pursuant to *joint ownership* principle, partner countries participate at the process of developing goals and reform programs. Under *differentiation* the particular situations and needs of each partner countries is considered by the EU (Rinnert, 2011). Due to the crises and changing situation in the neighborhood countries in 2014, the EUs attention to them has increased and felt the need of a deep engagement with partners, offering the adaptation of the ENP and its toolbox. For the period 2014-2020 €15.4 billion Euros has been endowed through the new adopted European Neighborhood Instrument (ENI). The amount was contributed to civil society organizations and local authorities that help to prepare, implement and supervise the EU programs. The Black Sea Synergy (BSS) is a multilateral and regional project that covers 13 different issues from common problems of the Black Sea, such as fishery, environmental protection, maritime affairs, energy and even good governance and territorial conflicts. This program includes all costal countries of Black Sea and four non-costal countries.

Afterwards, in 2009 the Eastern Partnership was designed to ‘support political and socio-economic reforms of the partner countries, facilitating approximation toward the European Union’ (Bishku, 2015). The EaP is defined as ‘a specific Eastern dimension of the European Neighborhood Policy’; and despite of having the same principal bases with the ENP, it has different conceptions and instruments. There are four thematic policies of the EaP: good governance, democracy and stability, economic integration and convergence with the EU policies, energy security and contacts between people (Joint Declaration of the Prague Eastern Partnership Summit, May 2009). Along with the EaP in 2014, there were signed Association Agreements (AAs) with partner countries on their implementation of reforms.

Besides the EU launched Deep and Comprehensive Free Trade Agreements (DCFTA) that offers visa facilitation and removing of trade barriers and tariffs.

As noted above, the Armenian and Georgian cooperation with the EU differs. From the beginning, Georgia claimed its willingness to cooperate with the EU and perceiving it as the security guarantor of its future independence and prosperity; and identify itself as “European” (German, 2015). The cooperation of the EU and Georgia began in 1992, with the recognition of Georgian independence. The preparation of the Partnership and Cooperation Agreement with Georgia, which is the determinant basis for bilateral relations, was started in 1994 and was adopted in 1999. Georgia’s president Eduard Shevardnadze declared their will to set up new legislation in accordance with the EU. The EU also stated the importance of Georgia in transition and cooperation role of the region. They agreed on cooperation in spheres, such as political dialogue, trade, investment, economic, legislative and cultural cooperation in order to promote international peace and security, and peaceful settlement of disputes. Moreover, the PCA requires the protection of all types of property rights, from intellectual to commercial, and reduces trade limits. In comparison with Armenia, the economic reforms such as trade and price liberalization, privatization, agricultural and land reforms progressed well. There were adopted anti-monopoly and new foreign investment laws. However, the implementation of the laws was weak due to Georgian’s institutional capacity.

Thanks to the TACIS projects assistance the Georgian International Oil Corporation signed international energy contracts; there were created Ministry of Fuel and Energy with an Energy Efficiency Centre that developed studies on the exploitation of oil, gas and hydro-electric power. Along with the privatisation of electricity distribution

companies, TACIS implemented the same approach towards communication and transportation areas. Moreover, enterprises and entrepreneurs received the assistance of TACIS via support and communication centres which help companies to set business plans, disciplines, improve access to credit lines and the EU enterprises. The tourism and agriculture sectors were also added to the development project. TACIS project assisted the democratisation process in Georgia and helped the Georgian Parliament to manage the effective legislation; created a civil service and bank accounting training centres. The training centres were also developed for regional and local government and judicial systems, to fight corruption. There was created the Georgian European Policy and Legal Advice Centre (GEPLAC) in order to fulfill the WTO and PCA's commitments. Georgia benefited a lot from TACIS projects from educational till environmental spheres (European Commission, 1996; Commission of European Communities, 2000&2005). According to the European Neighborhood Policy report on Georgia from 2005, the EU assisted Georgia to amount of €420 million euro from 1992-2004. There were included humanitarian assistance in amount of €160 million euro, €110 million euro of TACIS program's spending, and €70 million euro of the Food Security Programme (ENP report, 2005). In addition, Georgia benefited from the EU's General System of Preferences (GSP). Through the PCA the EU and Georgia established joint institutions, for instance, Cooperation Council, Cooperation Committee, and Sub-Committee on Trade, Economic and Related Legal Affairs, that guaranteed a regular political dialogue.

The "Rose Revolution" in 2003 and the change of the old Soviet leader by western educated young leaders headed by Mikhail Saakashvili intensified bilateral relations with the West. Afterwards a new government announced to abide by Euro-Atlantic and European integration in spite of deterioration of Georgia-Russian relations. On

June 2004 Georgia, along with Armenia and Azerbaijan, was included to the list of European Neighborhood Policy's (ENP) countries. To reach full political, legal, military, economic, and cultural amalgamation the government formed the office of State Minister for European and Euro-Atlantic Integration in December 2004 and authorized it for developing collaboration with the EU and NATO. Moreover, the government created the Parliamentary Committee on European Integration that supervises the Georgia's implementation of obligations towards the EU (Khidasheli, 2011). The EU welcomed Georgia's new administration's strong will of realizing reform plans. The EU-Georgia Cooperation Council ratified the ENP Action Plan in 2006 and agreed on strong bilateral cooperation on foreign and security policies, and deeper economic integration. To fulfill the commitments of the Action Plan, the EU provided €120.4 million financial assistance to Georgia from 2007-2010 through ENPI and attached ENPI National Indicative Program (NIP), that supported democratic development, the rule of law, governance, economic development, poverty reduction, social reforms and finally, peaceful resolution of conflicts (Rinnet, 2011; ENPI National Indicative Program, 2007-2010).

It is worth noting that the conflict with Russia in 2008 radically changed the foreign policy that relied mostly on US and NATO, and give emphasis to relations with the European Union. To underline it, the "gradual integration with the EU" is regarded as a "long-term foreign policy goal of Georgia" in Foreign Policy Strategy papers (Ministry of Foreign Affairs, 2006; Khidasheli, 2011). The European Union has been seen as the only substitute to NATO membership that will be a guarantor of the security and territorial integrity of the country. In addition to security issues, the government of Georgia has emphasized the issues like economic cooperation, trade, and visa liberalization with the EU (ibid). Georgia has made impressive progress in

formation and development of democratic institutions, human rights, combating corruption and enhancement of economy even with the war of 2008 with Russia over Abkhazia and the South Ossetia. Thus, Georgia became one of the partner country included in a new Eastern Partnership. For further developments of the EU-Georgia relations the Association Agreement (AAs) along with the Deep and Comprehensive Free Trade Area (DCFTA) were signed in June 2014. The ENP Action Plan was replaced by the Association Agenda. In 2014 €2.57 billion were trading between Georgia and the EU, and it defined the EU as the first trading partner of Georgia. After the application of the DCFTA, from 1 September till December of 2014, Georgia enhanced exports to the EU, where more than half of the growth came from the petroleum oils' exports. The EU applied GSP+, the renewed GSP, to Georgia in 2014. To implement the AA and DCFTA, the government of Georgia approved a multiannual action plan 2014-2017 and appointed the Ministry of Economy and Sustainable Development as a coordinator of the process. All import tariffs for the EU products were canceled. The government centralized all responsibilities of customs authorities, which finished the draft of new Custom Code and a law of competition in proportion to the EU standards and AA and DCFTA requirements. To employ the adopted socioeconomic development strategy till 2020, Georgia needed to create appropriate business climate and stress the improving of the private sector's competitiveness. There was passed a new law on investment funds, changes were made in tax legislation, statistical law and was adopted an agriculture sector strategy, that all were brought in line with the EU and AA/DCFTA standards (European Commission, ENP progress report, Georgia, 2015). As a result of the reforms the EU granted visa-free travelling to the citizens of Georgia in June 2017.

On the other hand, after gaining its independence, Armenia's political and economic situation was fragile due to the conflict with Azerbaijan over Nagorno-Karabakh and the blockade by Turkey and Azerbaijan. It experienced slight economic growth thanks to the Diaspora's payments and international aid. A Partnership and Cooperation Agreement adopted in 1999 as the first legal document that laid the foundation of the EU and Armenia relationship. According to the Agreement, parties agreed on: preparing a suitable structure for the political dialogue, assistance the establishment of democracy and achievement of the transition into a market economy, endorsement trade, investment and friendly economic relations that would maintain economic development, arrangement of basis for cooperation in social, legislative, technological and scientific spheres. Moreover, Armenia agreed to make up economic reform programs that included price, privatization and trade liberalization. The blockade limited their approach to international markets and foreign direct investment. The reforms demanded investments in public sectors, such as transport, communication, and energy links, development of business climate by creating political support to defend entrepreneurs' interests. Moreover, the reforms included legal, monitoring and financial framework for modernization of civil services; improvement of agriculture sphere by funding and training farmers. Total amount of the EU financial assistance in 1994-2004 were more than €380 million through different programs (Commission of the European Communities, ENP report, 2005). To meet the commitments of PCAs and WTO, TACIS regional projects helped to organize credit unions and set up the Agricultural Cooperative Bank of Armenia in 1996; provided technical assistance to create independent economic policy and created an Accountancy Training Centre. Furthermore, an inter-institutional education information system, the health, and social security system, the

development of employment policy, public administration, legal and judicial system, and others were affected positively by the TACIS's assistance projects. The other field that got TACIS's assistance was nuclear safety and the both sides agreed to create a joint group that would work on safety closure of the Medzamor Nuclear Power Plant, which is placed in seismic zone (ibid.).

In 2004, Armenia also was included to ENP, and by 2006, there was approved ENP Action Plan, that designed the agenda of political and economic reforms for five years. The enhancement of EU-Armenia bilateral relations began with the establishment of the EU delegation in Yerevan. The EU appointed an Advisory Group to Armenia in April 2009 that aimed to assist the application of the ENP Action Plan's requirements. It covered governmental structures, anticorruption, human rights, economic and trade and customs. There were made progresses in improvement of the anticorruption legal system, amendments to the Criminal Code, the Human Rights Defender's role strengthened. The steps were taken in normalization of relations between Armenia and Turkey in October 2009. In May 2009, the EU started the Eastern Partnership Agreement initiative and the further cooperation was mainly based on four platforms, such as democracy, good governance and stability, economic integration and convergence with EU policies, energy security and people-to-people contacts. The EU was one of the main trade partners of Armenia, thus the benefits from bilateral trade counted €992 million of euro by 2014. Moreover, Armenia benefits from Generalized System of Preferences (GSP) of the EU, getting access to EU market with zero tariffs in some products and reduced duties in others. Later on, Armenia applied to GSP+ mechanism that was adopted in 2012 by the EU (European Commission, ENP progress report, Armenia, 2015). The preparation process of the Association Agreement (AA), including the

Deep and Comprehensive Free Trade Area (DCFTA), a bilateral free trade agreement, between the EU and Armenia occurred in period of 2010 and 2013 years. Due to the DCFTA, Armenia was offered the assistance in major economic reforms and enhanced access to the EU market. Despite of on-going implementation of these commitments and even conclusion of the AA in 2013, Armenian president declared his decision to join the Russian-led Eurasian Custom Union which was signed on 2 January 2015. According to Kostanyan's (2015) article "The Rocky Road to an EU-Armenia Agreement: From U-turn to detour", there are four factors defined the decision of the president: the security guarantee and at the same time insecurity provision of Russia, dependence on Russian energy, remittances by Armenian migrant in Russia, political and economic dependence of the ruling elite from Russia (Kostanyan, 2015).

Afterwards, in October 2014, the cooperation between the EU and Armenia were restarted by 'scoping exercise' (Kostanyan & Giragosian, 2016), where they tried to find spheres to cooperate with respect to Armenia's new Eurasian Custom Union obligations. Visa-Facilitation and Readmission Agreement with Armenia entered into force in January 2014. On the other side, Armenia gains around €140-170 millions of euro from the Single Support Framework 2014-2017, which is a part of the European Neighborhood Instrument (ENI). However, there are preconditions that should be met before getting this financial support. The government is supposed to meet reform targets in private sector development, public administration and justice sectors. Moreover, the EU has supported the OSCE Minsk group co-chairs and peace-building activities in the conflict between Armenia and Azerbaijan over Nagorno-Karabakh. It has to be noted that the EU supports Armenia financially in all spheres, but the defense.

1.3 Significance of study

The significance of this thesis is the analysis of importance and impact of EU cooperation with these two countries. Norms and values, such as human rights, democracy institutions, developed economy that EU tries to expand to the region are essential for providing and improvement of basic life standards. The other importance of this study is to examine the reasons of Armenia's shift from the EU cooperation, while its neighbor, Georgia has made a huge progress in the way of adopting and applying the EU's conditions, no matter of the fact that the both state shares the similar political and historical experiences. There will be researched all factors influenced the process of Europeanization in Armenia and Georgia.

1.4 Hypothesis

Hypothesis H1: Georgia's closer institutional relations with the EU are due to its progress in meeting the EU conditions.

Null Hypothesis H0: There is no relationship between Georgia's closer relations with the EU and its meeting the EU conditions.

Hypothesis H2: Armenia's limited progress in its cooperation with the EU is due to lack of progress in meeting EU conditions and overdependence on Russia.

Null Hypothesis H0: There is no relationship between Armenia's cooperation with the EU and its meeting EU conditions and overdependence on Russia.

1.5 Methodology

The research design of the thesis is a comparative case study. This thesis aims to provide an answer to the research question by a comparative analysis of two uniquely

similar, yet different cases: Georgia and Armenia with respect to their relationship with the European Union. The hypotheses of the research will be tested by comparative case study through the analysis and synthesis of the similarities, differences and features of Georgia and Armenia relationship with the EU. In order to provide an adequate analysis of the relations of Georgia and Armenia with the EU, the thesis will apply qualitative method of research with the use of content analysis of primary sources such as treaties, agreements, reports and etc. As primary sources there will be used treaties, agreements signed by Georgia and Armenia with the EU. Here main stress will be made on the European Neighborhood Policy of 2004, the Eastern Partnership from 2009 and the Association Agreement (AAs) along with the Deep and Comprehensive Free Trade Area (DCFTA). Reports depict the willingness and readiness of the countries in meeting EU's conditions.

Books and academic journals, publications, archives documents, and reviews from relevant and reliable sources will be used as secondary sources. The data used for this thesis will cover the period from the Soviet's dissolution and till now.

1.6 Scope and limitations

The scope of this thesis is relatively limited. It covers an examination of the concept of Europeanization and EU's institutes, the application of them in the South Caucasus countries, mainly in Armenia and Georgia. Moreover, it encompasses a study of factors explained the differentiation of Armenia's and Georgia's way on integration to EU. The thesis includes an analysis of countries, political background, their achievements and obstacles during the cooperation with EU.

The limitation of the research is an access to the Armenian and Georgian governments' confidential data.

1.7 Organization of the thesis:

The thesis consists of five chapters. The first chapter contains the introductory part of the thesis and covers historical background and the latest developments of the EU relationship with Armenia and Georgia, making stress on the initiatives. It also includes significance of study, hypotheses, methodology and the scope and limitations of the research.

The second chapter covers the theoretical framework and the review of the literature used to research the topic. The first part consists of three subtitles of the theoretical approaches that explain the development and the course of the relationship between the EU and these countries. It includes the approaches of Europeanization, like top-down, external governance and its mechanisms that are convenient to the countries beyond the EU.

The third and fourth chapters discuss the relationship in detail between the EU and Georgia and Armenia. The third chapter focuses on the post-2003 period and on the political and legal instruments which establish the base of the EU-Georgia cooperation. The chapter on Armenia and the EU relationship has the same structure as the previous one, and also covers programs and instruments offered by the EU. The effects of perspectives and mechanisms of Europeanization are discussed in analysis of the countries' cooperation with the EU. The chapter five gives conclusion points on differences of the relationships discussed briefly on previous chapters.

Chapter 2

THEORETICAL FRAMEWORK AND LITERATURE REVIEW

2.1 Theoretical framework

2.1.1 Introduction

The comparative nature of the research topic requires a theoretical framework that enables the distinction between the varying levels of progress made by Georgia and Armenia with respect to their relationships with the European Union and the avenues for cooperation with the EU that exist for both countries as a result of deepening ties. “Europeanization” and EU external governance provide the theoretical tools necessary for analyzing these relations and constitutes the framework upon which the analysis is made in this work.

There is no consensus among scholars as to what the precise definition of Europeanization is (Olsen, 2002; Borzel & Panke, 2010). Claudio M. Radaelli in the article “*Whither Europeanization? Concept stretching and substantive change*” argued that,

“...if Europeanization has to have a precise meaning, it has to be different and more selective than the notion of EU policy formation and European integration. ...the concept of Europeanization refers to: Processes of (a) construction (b) diffusion and (c) institutionalization of formal and informal rules, procedures, policy paradigms, styles, ‘ways of doing things’ and shared beliefs and norms which are first defined and consolidated in the making of EU decisions and then incorporated in the logic of domestic discourse,

identities, political structures and public policies. ...It can be applied both to EU member states and to other countries.” (Radaelli, 2000)

The Maastricht Treaty caused the expansion of EU powers and the reorientation of the Europeanization concept from ‘classic’ integration theories to the focus on the domestic level (Graziano & Vink, 2013). The concept of Europeanization could generally be described as the processes whereby a state (EU member or non-member) gradually adopts the systems and traditions of the European community. Such events typically occur over a period of time and could cut across the politics, economics, and social culture of the affected state. Moreover, Europeanization also refers to the impacts that states may also have on the EU (Borzel & Panke, 2010).

Maarten P. Vink and Paolo R. Graziano defined Europeanization as responsive adaptations in politics, society, and economy undertaken by a state in reaction to European regional integration. Potential EU membership instigates significant changes and reforms in the domestic politics of prospective member states. Usually, such reforms are especially obvious at the institutional level, as systemic adaptations to EU norms get reflected in both domestic and foreign policies of prospective member states (Graziano & Vink, 2007).

Europeanization also tends to affect the legal character of potential member states. The EC norms represent the underlying corpus of the ECJ. On wide-ranging issues such as abortion, LGBT rights, environmental protection, death penalty etc. progress in accession talks could greatly depend on a prospective member state’s willingness and ability to absorb “European norms” within its own domestic legal framework and institutionally adapt to the explicit EU laws that address such issues.

Furthermore, states generally experience an economic reorganization in anticipation of European integration. Free trade, open markets, and open borders are integral aspects of the economic policies of the European Union. Europeanization in the economic sphere would therefore imply the adoption of EU economic and trade policies as well as EU trade regulations and require the enacting of those policies as laws domestically by states (European Parliament, ENP, 2015, p.1; Schimmelfennig, 2007; Chitaladze & Grigoryan, 2015).

Europeanization does not exclusively affect prospective member states of the European Union. It is a phenomenon with very far-reaching effects. It continues to impact EU itself as well as member states and “third countries” which generally refers to countries that fall outside the aforementioned categories, though such countries are usually located in the ‘European neighborhood’.

The external governance is a new perspective that helps to explain the EU relations with non-member states, its role in international arena, as well. According to Lavenex (2004), the expansion of *acqui communautaire* to non-member states is the index of the external governance existence. *Acqui communautaire* is ‘the body of accumulated legislation and regulations of the European Union’ (Oxford Dictionary) and one of the main conditions even for countries without future prospective to membership.

There are two key approaches/perspectives to Europeanization studies in the literature. They are referred to as “top-down Europeanization” and “bottom-up Europeanization” (Graziano & Vink, 2013; Borzel & Panke, 2010). Moreover, there are three modes of the EU external governance, through which scholars try to explain

effective ways of expansion and adaptation of the EU rules. Besides these, conditionality, socialization, imitation and externalization, as mechanisms of Europeanization, promote EU rules and policies. These are very important to understanding the Georgia-EU and Armenia-EU engagement processes, for this reason they will be discussed briefly.

2.1.2 Top-down Europeanization

Top-down Europeanization basically refers to the approach to Europeanization that exclusively analyses the impact of the EU on member states and third countries. The result of top-down Europeanization becomes evident in the foreign policy of a state. This represents the ‘downloading’ of EU standards, norms, and objectives onto the domestic policy-formulation framework (Muller & De Flers, 2009). EU norms constantly provide the impetus for domestic change within states, but they do not entirely account for the convergence of politics and economies. We can draw on two unique strands of thought within the literature to further clarify top-down Europeanization, namely: Rational choice institutionalism and sociological institutionalism.

Rational choice institutionalism takes a cost-benefit analysis perspective to analyzing top-down Europeanization. Proponents of this school contend that the EU creates reward structures that compel states to meet with EU requirements and norms. In this view, actors in the domestic scene are convinced that adapting to EU norms and policies guarantees certain rewards that would be otherwise unachievable. Conversely, actors feel compelled to adapt to EU norms because the EU indirectly creates punitive measures that disadvantage non-compliant actors (Börzel & Risse, 2000, Borzel & Panke, 2010).

Sociological institutionalism is largely derived from the work of March and Olsen (1989) in which they argued that the behaviors of actors are determined by the “logic of appropriateness” that is to say that political actors within institutions weigh up the “rightness” of their actions and decisions and generally opt for what is more generally considered to be right. From this point of view, top-down Europeanization can be viewed as a conscious decision by actors in the domestic scene to “download” the norms and modus-operandi of the European community not merely because it is economically and politically beneficial to do so as -as the rationalists contend- but rather because it is ethically right to comply (March & Olsen, 1989; Börzel & Risse, 2000, Borzel & Panke, 2010).

Both schools of thought assess top-down Europeanization from the perspective of domestic institutions of states that experience the phenomenon. Top-down Europeanization provides a thorough understanding of the extent to which institutional conformity to European norms has aided or hindered the progress of Georgia and Armenia in their relations with the EU and how it has impacted on their overall European integration process. This objective is subsequently carried out in detail in this thesis.

2.1.3 EU external governance and mechanisms of Europeanization beyond the EU

Distinguished scholars of European studies Frank Schimmelfennig and Ulrich Sedelmeier (2004) defines the concept of external governance as ‘the transfer of given EU rules and their adaption by non-member states’ (Schimmelfennig & Sedelmeier, 2004). In addition, Sandra Lavenex (2004), in her article “EU external governance in ‘wider Europe’”, states that the extension of the *acquis communautaire* to non-member states is explained by external governance. EU

external governance exists with other countries, regions and organizations, and is often applied through foreign policy initiatives, bilateral cooperation agreements or is a part of these agendas covered a specific area of public policy. Moreover, she argues that there are two major aspects that define policies and territory of EU external governance. They are the perception of interdependence and institutional roles and capacities, where the mutual interdependence characterizes motives of the EU's external engagement and requirements towards third countries to meet and institutional roles and capacities explains the problem-solving responsibility of the EU to provide conditions in an agreed field. Hence, these factors cause a spontaneous emergence of external governance (Lavenex 2004, p.685).

Frank Schimmelfennig and Ulrich Sedelmeier (2004) put forward three modes of EU external governance in order to explain the effective ways of rule adaptation by states and conditions under which the EU transfers these rules. These models were explained by rational cost-benefit calculations, constructivist and lesson-drawing approaches. Due to the rationalist framework, a state that is a target of applying the EU rules will fulfill the EU's conditions only if rewards and sanctions influence the cost-benefit calculations of it. Thus, the EU with the help external incentives emphasizes states through a bargaining approach. One of these incentives is a prospect of visa-free travel to EU with the list of requirements that states have to meet with. According to constructivist approach, here is the social-learning model that stimulates the EU rules transfer only if target states and domestic actors believe in their appropriateness and legitimacy. Moreover, identification with the EU and its norms and values can encourage the states to comply with conditions. In accordance with the lesson-drawing mode, dissatisfaction with the existing situation in a state incites government to embrace EU rules that will help to solve domestic problems.

There are factors that influence the effective implementation of external governance. They are the determinacy of conditions, the size and speed of rewards, the credibility of threats and promises, the size of adoption costs. (Schimmelfennig & Sedelmeier, 2004; Trauner, 2009; Schimmelfennig, 2012)

The article “Europeanization beyond Europe” written by Schimmelfennig (2012), draws attention to the mechanisms of Europeanization, such as conditionality, socialization, imitation and externalization. Conditionality is directly, compulsory and intergovernmental mechanism of the EU’s impact on the target state through external incentives as financial assistance, institutional binds and market access, and supplementary aids to assist their compliance with its conditions. The less the EU is interested in an agreement than a target state and the less domestic cost than rewards, the more the possibility of conditionality to be succeeded. On the other hand, using socialization mechanism the EU via ‘social learning’, ‘constructive impact’ and ‘communication’ tries to encourage and motivate target states to adopt EU rules. The effectiveness of this mode depends on target states’ decision on legitimacy and appropriateness of EU policies and identification themselves with EU. In addition, some scholars propose other options of indirect impact of conditionality and socialization via encouraging societal actors, such as interest groups, parties, NGOs, entrepreneurs. According to these mechanisms, the EU persuades these actors to adopt norms, values and policies, then to spread them and by this induce target governments’ decision (Schimmelfennig 2012).

2.1.4 Europeanization and the EU-Georgia/EU-Armenia Negotiations

This chapter makes the argument that the EU-Georgia and EU-Armenia negotiation processes can best be understood within the framework of Europeanization. As a comparative analysis, the thesis scrutinizes the extent to which European norms have

been absorbed by the institutions of both states. Europeanization makes this analysis possible with clarity as the top-down approach allows for an assessment of the degree to which European norms as well as EU laws and policies have succeeded in shaping the policies and institutions of Georgia and Armenia. Furthermore, the EU external governance modes and mechanisms of Europeanization, such as conditionality, socialization, externalization and imitation help to see the motives of choosing a course in relation with the EU.

The first act of cooperation between the EU and both countries is PCA that entered into force in 1999. This agreement is considered as a base of further relations. As it is noted in PCA Article 2, ‘respect for democracy, principles of international law and human rights, market economy principles are fundamental constituents of the agreement and forthcoming partnership (European Commission, 1996). Armenia and Georgia were obliged to approximate laws to European norms and standards, to join international conventions, to undertake reforms in judiciary and law enforcement, socio-economic, education, scientific and commercial spheres. In its turn, according to PCA, the EU would assist the states financially and technically to transit to market economy and sustainable democracy (Minasian, 2006).

Armenia and Georgia were included in ENP in June 2004. The ENP included countries from North-Africa and the Middle-East. The idea of ENP was to avoid “the emergence of new dividing lines” with its neighbors in the south and east, and to guarantee security and stability in its enlarged borders due to the enlargement process of 2004. There are positive conditionality, joint ownership and differentiation principles of ENP. Besides principles that was covered in PCA, ENP

constitutes a good governance obligation as well (European Commission, ENP strategy paper, 2004, p.3-8).

According to the European Parliament resolution on the Review of ENP (2015), that was adopted due to changes in international situations, the EU should choose a rational approach towards conditionality in financial sponsorship, should avoid double standards and must confront negotiation on primary values and rights. Moreover, it is emphasized on applying 'more for more' and 'tailor-made' approach, on encouraging countries to implement reforms which lead long-term developments and intense engagement with the EU on the base of effective conditionality (European Parliament, 2015, p.9). However, it made changes in political priorities, underlining on stabilization and acknowledging the need to consider the wishes of each partners due to the fact that not all countries want to fulfill the EU rules and norms. The new focus of the Review ENP is cooperation with countries in the security issue, especially conflict prevention, counter-terrorism and anti-radicalisation policies. In addition, the new ENP abolished the traditional annual country reports and offered a new partnership approach beyond the neighbourhood for focusing on regional challenges (European Commission, press release, 2015).

The Eastern Partnership initiative was launched in 2009 as Eastern dimension of ENP. Its main aim is to speed up political relationship and economic integration with partner countries, carrying a political message of necessity to continue and reinforce reforms that will reduce socioeconomic inequalities between countries by EaP's support of regional development and good governance (Council of the European Union, 2009, p.6)

The next development in relationship between the EU and Armenia and Georgia, was negotiations on the Association Agreement (AA) with the trade component, the deep and comprehensive free trade area (DCFTA) begun in 2010. AA, as former initiatives, constitutes the main values of the EU; respect for democracy, rule of law, good governance, human rights and basic freedoms and market economy and development. In comparison to previous agreements, AA promised to open the EU internal market, to remove custom tariffs and quotas that would help to develop economy, trade and investment sector. To reach the agreement countries were required to undertake domestic reforms, such as reinforcement rule of law and democratic institutions, fighting corruption, guaranteeing human right and freedoms, and proceeding judicial reforms (European Commission, press release database, 2014).

Both the rationalist and sociological institutionalist approaches to Europeanization provide important theoretical toolkits that enable a proper assessment of both engagement processes. Progress in the processes can be qualified by the deducible predictions made by these Europeanization approaches. A rationalist assessment focuses on the cost-benefit analysis of the relations. Such analysis provides helpful insights into what may be advantageous or disadvantageous for each state with regards to continuity in the process. Would it be more or less beneficial for Armenia to continue with increased economic cooperation or to consider closer relations with Russian? From a foreign policy perspective, in light of the conflict in Abkhazia and South Ossetia, would it be more helpful for Georgia to suspend its association agreement? The rationalist cost-benefit analysis provides important answers in the subsequent pages.

The sociological institutionalists also contribute meaningfully to the analysis carried out in this paper. The “logic of appropriateness” which is at the heart of the sociological institutionalist theory is essential to a thorough understanding of the processes. Both the Georgian and Armenian leaders have taken policy decisions that cannot really be explained by the rationalist cost-benefit analysis. Several key policies taken by both states are not sufficiently explicated by either approach on their own, the combination of both approaches provide a robust and well-grounded basis upon which comparisons are made in this chapter.

2.2 Literature review

2.2.1 Introduction

A review of some of the most relevant scholarly works that address some of the core issues discussed in this thesis is important for several reasons. Firstly, it provides the reader with the scholarly context of this particular work. Secondly, it helps to answer pertinent questions about the topic that may not be fully treated in this work. Thirdly, a review of literature distinguishes between the various approaches that have been taken by scholars in attempting to answer questions in this area. Lastly, it helps the reader place the objectives of this paper in the right perspective with regards to its unique contribution within the literature.

The research question is essentially an analysis of the EU’s engagement with ‘a neighboring region’ (European Security Strategy, 2003) with a specific focus on Georgia and Armenia. It is a comparative study and it is very important for one key reason; despite the fact that the EU engages with some of its neighbors to the East via its “Eastern Partnership” initiative (EaP), as well as its broader “European Neighborhood Policy” (ENP), it remains obvious that since the start of these

initiatives, some states have made significantly more progress in their relations with the EU. This phenomenon is puzzling, and this thesis aims to clarify it.

The literature on the European Union is considerably large. Due to spatial constraints, only an exclusively relevant body of works will be discussed here. These will focus on various contributions to Europeanization studies, its mechanisms and EU external governance modes. Also discussed are general overviews of the EU-Georgia/EU-Armenia relations, historical treatments of the relevant parties that bear some significance on the goals and objectives of this paper, and ultimately, some statistically oriented publications on the subject.

2.2.2 Key contributions

Robert Ladrech's (1994) paper represented a milestone in European studies. The paper titled "The Europeanization of domestic politics and institutions" focused on France as a case study. Ladrech took a rationalist approach to the Europeanization debate and argued that political actors within domestic institutions generally take a cost-benefit analysis in their approach to European integration and in their considerations of adopting European norms. For Ladrech, adopting the norms of the European community is not an inevitable spill-over from one sector to the other, but rather a consequence of a rational evaluation of the benefits and ramifications of adopting those norms (Ladrech 1994, p.69). He further defined Europeanization as the gradual processes whereby a state slowly orientates to a point where EC norms and practices become the organizational and institutional logic by which that state functions (ibid).

Another seminal work in the Europeanization literature was the impressive research by Borzel in 1999. In her "Towards a convergence in Europe?", she challenged the

previously established assumptions about the adaptations of domestic institutions to EU policies and norms by taking a strictly institutionalist approach to the issue. From this perspective, domestic institutions act as ‘mediating’ bodies between the European Union and the state. She argues that the central factor in adopting EU norms is the distribution of resources and those domestic actors oversee this distribution. Therefore, the degree to which EU policies will be accepted or resisted depends largely on the extent to which Europeanization might alter the distribution process (Borzel 1999, p. 574).

Radaelli (2000) defining Europeanization as processes of ‘construction’, ‘diffusion’ and ‘institutionalization’ argued that these processes has to be combined before including into domestic policies and political structures, and change ‘the logic of political behavior’. He found Europeanization as a broad concept that can explain modernization, political and cultural changes and new identities; and can be applied to other states, besides EU members (Radaelli, 2000).

One of the major contributions to the Europeanization approach was made by Tanja A. Börzel and Thomas Risse (2000). The main argument of the paper is that there is a necessity to mediating or facilitating factors besides adaptational pressure for effective domestic changes owing to Europeanization. They mainly focused on ‘top-down’ perspective trying to answer question of how domestic policies of member and non-member states is affected by Europeanization. Additionally, they used rationalist and sociological institutionalisms, where the former emphasizes on “logic of consequences” and the latter on “logic of appropriateness” (Borzel & Risse, 2000)

Among the most recent scholarly additions to the Europeanization literature, perhaps the most important contributions have been Vink and Graziano's "Europeanization" (2008) as well as Schimmelfennig and Sedelmeier's "Governance by conditionality" (2004). Vink and Graziano agree with Olsen in noting that despite the lack of clarity and precision inherent in the definition of Europeanization, it has gained widespread popularity among scholars as they have come to realize its usefulness as an analytical tool for assessing the complex relations between the state and regional entities (Graziano & Vink, 2008). Schimmelfennig and Sedelmeier's work is of particular relevance to this paper because it focuses on the influence that the EU often wields over the domestic policies of the Central and Eastern European countries (CEECs). They argue that domestic institutions within these states consider the "external incentives" involved in adopting EU policies and this is contrasted with the potential domestic costs of adopting such policies (Schimmelfennig & Sedelmeier, 2004).

Another beneficial work of Schimmelfennig (2012) "Europeanization beyond Europe" constitutes itself a review of the literature on Europeanization beyond EU member states. He stated that the most literature on Europeanization restricted itself to research on European integration and governance on member states and candidate states, but not non-members, outsiders. He made main focus on effects of Europeanization on domestic policies, democracy and human rights. Schimmelfennig use mainly the literature on EU external governance to study Europeanization. Moreover, considering the fact that the European Neighborhood Program (ENP) is an agenda that covers all close neighbor countries of the EU without membership prospects, it became a research object of many scholars. He was not an exception. Besides, he collected the literature on mechanisms and theoretical

frameworks on Europeanization to explain its effectiveness on non-member states with no prospective to membership.

2.2.3 Conclusion

Despite the differences between the schools and approaches to Europeanization and EU studies in general, there are several key points of agreements between scholars. One such point is the role of institutions in the adoption of EC norms and values within states. Virtually all scholars after Haas highlighted the role of institutions. Several scholars did not consider institutions to be central to the process of Europeanization, but they accept that to a great extent, institutions shape domestic goals and ultimately determine if the external objectives of the EU are aligned with the domestic goals of the state.

Another key agreement in the EU studies literature is the indisputability in the phenomenon of “Europeanization” itself. Despite Olsen’s questions regarding the precision of the label, he and virtually every other scholar, emphasize the importance of the scholarly efforts to understand what is generally assumed to be a normative spread of European norms, values, and policies. Basically, scholars generally agree that domestic actors within and around Europe continually experience the effects of EU policies, and also experience an influx of EU norms and values which they have to deal with either by accepting or rejecting them.

Chapter 3

GEORGIA-EU RELATIONS

3.1 Introduction

Georgia is a semi-presidential republic situated in the South-Caucasus region. With a population of 3.9 million, 2017 estimate (UN, World population prospects, 2015), it is the second most populous state in the region, surpassed only by Azerbaijan. Georgia achieved independence in 1992 after the break-up of the Soviet Union, to an extent, its Soviet past continues to affect its foreign policy choices till today. In the aftermath of the “Rose revolution” in 2003, President Mikhail Saakashvili announced Georgia’s intention to deepen its ties with the European Union and establish a feasible framework for bilateral cooperation and possibly future integration (Khidasheli, 2011).

The Georgia-EU relationship dates back to the post-Soviet declaration of independence and the Gamsakhurdia administration of 1992. However, following the civil war subsequent accusations of human rights abuses, Georgia’s relations with the West was considerably strained until 2003. Since then, there has been a surge in Georgia-EU relations as Saakashvili’s young government espoused pro-Western and pro-European aspirations. Georgia has also signaled intentions to join NATO. As part of its pro-Western initiatives, efforts have been made towards greater cooperation with the United States and the European Union. NATO membership

took particular importance for Georgia in the aftermath of the Russian-Georgian war of 2008.

The foreign relations of Georgia have been largely affected by the country's relationship with Russia. The Russian-Georgian conflict is a historical one that is traceable to the Soviet era. Soviet forces occupied Tbilisi in 1989 and intervened again during the Georgian civil war in support of embattled president Eduard Shevardnadze. These confrontations escalated when separatist movements in Abkhazia and South Ossetia flared-up again and ultimately led to the military confrontations between Moscow and Tbilisi which climaxed in 2008 (Indans, 2007).

The conflicts with Russia have come to dominate subsequent Georgian foreign policy initiatives. The desire to develop greater ties with the EU and the United States is inspired largely by a sense of insecurity and deep mistrust that Georgia feels towards its powerful neighbor to the North. For its part, Russia has always expressed dissatisfaction and anger over the prospect of an ever-growing NATO enlarging towards its near-neighborhood and threatening its regional influence. Russia partly views the Georgia conflict as an attempt by the West and pro-Western parties in the region to undermine Russia's interests as well as Moscow's ability to project power in the region and guarantee its security.

The EU-Georgia relationship is grounded on specific political and legal 'instruments' which entail the specific commitments of both parties and the obligations that must be met by both sides within specific timelines and toward the realization of their common goals. These instruments will be discussed briefly in this introduction and more fully in the subsequent segments of this paper.

In October 2006, the European Union and Georgia signed the action plan within the framework of the European Neighborhood Policy (ENP). This instrument detailed progressive goals aimed at establishing bilateral relations between Georgia and the EU towards increased cooperation in the spheres of immigration, economy, and security. This agreement was stipulated to run for five years and it was meticulously designed to prepare Georgia for further deepening economic and social engagement with the European Union. Moreover, ENP along with the principles of PCA adopted in 1999 contained several comprehensive inclusions which Georgia were obliged to comply with. Priority areas of reforms were in judicial system and state institutions to reinforce rule of law, democratic and human rights institutions, anticorruption and transparency reforms, trade liberalization and harmonization of the system to EU norms and standards (European Commission, ENP Action plan, 2004).

In 2013, the European Union and Georgia began negotiating an Association Agreement (AA). The agreement was considerably more comprehensive than the ENP action plan and covered additional areas such as freedom of the press, independence of the judiciary and the commitment to human rights as well as the rights of women. The agreement was officially signed in June 2014. The overarching objective for the EU here is the strengthening of democratic institutions in Georgia, the preservation of basic freedoms, and the promotion of a pluralistic democracy in a country that has previously experienced deeply polarized domestic politics that has often escalated into violent clashes between opposing groups (Goletiani, 2015).

An integral part of the association agreement signed between the European Union and Georgia was the “deep and comprehensive free trade area” (DCFTA) which was an important aspect of the association agreements because it detailed the economic

and trade benefits of the association for Georgia. The DCFTA aimed to eliminate customs and other potential barriers to trade and the free movement of goods and persons. Furthermore, both parties committed to trade liberalization and the reduction/elimination of other technical barriers to trade (European Union External Action, 2016).

This chapter discusses the Georgia-EU relationship in detail, with particular focus on the post 2003 period. Particular attention is paid to the political and legal instruments that serve as the framework upon which the relations are established. Also discussed in this chapter are the Georgia-Russia relations in so far as it is relevant to the Georgia-EU discourse and must unavoidably be touched upon for better elucidation of the relevant issues. The focus on Russia is restricted to the post-Soviet confrontations between the states and subsequent effect it has had on Georgia's foreign policy especially towards the European Union and the United States.

3.2 The European Neighborhood Policy (ENP)

The 2004 expansion of the European Union, which saw the accession of 10 new member states, constituted a drastic change to the borders of the union. As part of a policy of good relations with its neighbors, the EU initiated the European Neighborhood Policy to foster healthy relations with its immediate neighbors and ameliorate significant economic disparities between the EU and its neighbors. The provisions of the ENP covered four key areas: shared commitment to democracy and human rights, good democratic governance, respect for the rule of law, and gradual economic integration (European Commission, ENP Action plan, Georgia, 2004).

Georgia ratified the ENP Action Plan during the administration of Mikhail Sakaashvili and proceeded to implement it. The ENP action plan was envisaged in part as a fulfillment of the defunct Partnership and Cooperation Agreement (PCA) which was signed in April 1996. The PCA is strikingly similar to the ENP both in textual outline and legal objective. According to ENP progress report (2005) within the framework of PCA, political dialogue, legislative, economic, trade, investment and cultural cooperation were delivered. The main objectives for dialogue were mutual obligation of advancement international peace and security along with the peaceful conflict resolutions. Together they set up Cooperation Council, Parliamentary Cooperation Committee and Sub-Committee on trade, economic and legal affairs. Due to security incidents happened to the EC delegation authorities in 2001 and 2002, Country Strategy Paper were revised and adopted in 2003 (European Commission, ENP report, Georgia, 2005).

However, the ENP action plan was somewhat more comprehensive in extent than PCA and was backed by a specially determined administration led by Saakashvili. In addition, differentiation, joint partnership and positive conditionality were the primary basics of ENP. Commission for Georgia's integration into the EU directed by the Prime Minister was established in 2004. It aimed to ease PCA and ENP implementation and to harmonize Georgian legislation to the EU rules and standards. Moreover, government ordered all ministries to acquire action plans and realize them (ibid.).

The war between Russia and Georgia over South Ossetia and Abkhazia affected the pace of ENP Action Plan's implementation in 2008. After a ceasefire agreement, the EU decided to assist Georgia politically, financially and technically so as to stabilize

the after war situation. The situation contributed to bolster bilateral relations between the EU and Georgia. However, Georgia could manage to proceed some achievements on ENP Action Plan's implementation such as anticorruption reforms, some reforms on judicial system, to create advantageous environment for business and investment. On the other hand, as it is shown below on the table1 Georgia failed in implementation in areas of press freedom and pluralism (European Commission, ENP progress report, Georgia, 2009; OECD, monitoring report, Georgia, 2010).

Table 1. Perception of corruption, Georgia, 2009:

Georgia	Transparency International Corruption	Freedom House, "Nations in Transit 2009"	World Bank Worldwide Governance Indicators
	a scale of 0 to 10, with zero representing highly corrupt countries and 10 very clean countries	a scale of 1 to 7, with one representing the highest progress and 7 the lowest	on 0 – 100 rank, where 0 represents the lowest and 100 the highest rank
2009	4,1	5,0	51,67

Source: Organisation for Economic Co-operation and Development (OECD). Monitoring report, Georgia, 2010.
<http://www.oecd.org/countries/georgia/44997416.pdf>

According to ENP progress report (2010), Georgia made progress in elections management, constitutional reforms, justice system, women's rights, and anticorruption reforms in administrative structures, trade and economy. Along with these achievements, minority (ethnic, sexual and religious) rights, media freedom and access to public information, labour rights, civil service reforms, and poverty reduction remain as the main challenges in implementation of ENP conditions. Despite the fact that, Georgia gets benefits from the EU's General System of Preferences, it is pointed out that noncompliance with ILO and UN conventions endangers its inclusion in GSP+. On the other side, in spite of the war of with Russia

in 2008 and the global financial crisis, the report and the data below show slight economic and trade growth in 2010 (European Commission, ENP report, Georgia, 2011).

Table 2. Economic and trade growth, Georgia, 2008-2010:

Georgia	2008	2009	2010
GDP Real Growth (Percent)	102,3	99,9	106,2
Total goods: EU Trade flows and balance	1,996	1,457	1,795

Sources: European Commission, Eurostat Comext - Statistical regime 4, 2017; National Statistics Office of Georgia, www.geostat.ge, accessed 2017

Taking into the consideration latest changes and challenges that affected stability and security of partner countries, the EU revised the ENP in 2015, and in 2017, adopted the report on its implementations. The EU has admitted the partners' different expectations from bilateral relations and that economic development mainly depends on security and stability, it proposed tailor-made approach and flexibility principle. Moreover, along with good governance, democracy, rule of law and human rights, the objectives always is constituted in all EU initiatives; security and migration were added to the primary aims of the review ENP. Consequently, conflict prevention, crisis management and security sector reforms became the new areas of cooperation (European Parliament, resolution on the review ENP, 2015).

3.3 The Eastern Partnership (EaP)

As Gogolashvili noted in his 2015 article, the EaP was the most important development in the EU Georgia relationship. The EaP sought to markedly improve on certain key criteria of the EU-Georgia relationship that had not been properly

treated by the ENP. He points to the fact that the ENP was designed for basically the entire European neighborhood and was not specifically targeted at particular countries with unique appreciations for their distinct cultural and historical contexts (Gogolashvili, 2015).

The EaP can rightly be viewed as a policy initiative within the broader framework of the European Neighborhood Policy. The aim here is to recreate aspects of the ENP coupled with a specific Eastern dimension and the shared principles of positive conditionality, joint ownership, and differentiation (Rinnet, 2011). Respect for democracy, human rights and freedoms, rule of law and market economy continued being major determinants of EaP. The aim of EaP is to assist Georgia in political and socio-economic reforms implementation, and convergence laws to European rules and standard (The Council of the European Union, EaP, 2009).

Georgia was allocated 120.4 million euros from 2007 to 2010 under the European Neighborhood Policy's financial instrument but still fell short of meeting certain EU reform requirements. For instance, reforms in the legal sector alone to meet regular EU standards of rule of law and the independence of the judiciary was estimated to cost upwards of 130 million euros (Kratochvil & Lippert, 2008, p.5).

According to the European Integration index for Eastern Partnership Countries (2012), the major challenge of Georgia was establishment of competitive and pluralistic political system. Electoral legislation's amendments from 2011 did not fulfill international standards and principles. The implementation of judiciary reforms didn't change the situation related to human right violations and independence of the judiciary system. There were noted the violation of freedom to

peaceful protests and demonstrations and government's failure in management the processes (International Renaissance Foundation & Open Society Foundation, European Integration index report, 2012, p.28-29).

The EaP faced some challenges initially. Several Western and Southern European countries feared that some "special treatment" of some of the EU's neighbors would create some sort of imbalance that could ultimately have a destabilizing effect in the neighborhood. Several succeeding events eventually led to the abandonment of this argument, most notably, the Russian invasion and subsequent occupation of Georgia compelled the EU member states to formulate a separate partnership framework tailored to the unique challenges of its Eastern neighbors and offer them a real chance to make democratic reforms by providing plausible pathways towards greater cooperation and engagements with the EU.

The EaP should not be viewed solely as a vehicle for instrumentalizing ENP objectives. Despite the complementarity of both initiatives with respect to Georgia, the EaP was envisioned rather as a foundational instrument of its own that would serve as the basis for future Association Agreement (AA). The specific policy contributions of the EaP to the EU-Georgia relations are discussed briefly below.

EU Legal provisions within the framework of the Eastern Partnership with Georgia are aimed at incorporating EU legal norms with the Georgian judicial processes. Prior to the implementation of the EaP, Georgia and the EU differed substantially on trade and anti-monopoly laws as well as other technical barriers to the free passage of people. Further legal reforms were made in the areas of anti-corruption and judicial dynamics. According to the EU's "progress report" on Georgia for the year

2011, Georgia had established a commission in its supreme court tasked with the responsibility of strengthening the argumentation and sophistication of the Supreme Court's written judgments (European Commission, ENP progress report, Georgia, 2014, p.15).

In keeping with the goal of establishing free trade, visa regulations were eased in 2010 with a reduction in visa fees from 60euros to 35euros as well as the removal of several procedural measures that typically prolong and complicate the visa application processes. Georgia for its part has shown a great deal of willingness to work with the European Union and the implementation of the agreed objectives has only come by great political will on the part of the Georgian leadership.

Perhaps the greatest contribution of the EaP to Georgia is the Association Agreement. The EaP provided the roadmap towards the AA and the realization of the latter owed everything to the former. The AA was originally designed as an incentivizing device within the EaP framework. Georgia's commitment to realizing the mandates of the Eastern Partnership compelled the European Union to ratify a more comprehensive agreement that included a much deeper free trade arrangement and some appreciation for Georgia's security concerns (Council of the European Union, EaP, 2009).

3.4 Association Agreement and DCFTA

In July 2010 the EU and Georgia decided to strengthen bilateral relations and signed the Association Agreement (AA) within the structure of EaP. The Agreement includes a Deep and Comprehensive Free Trade Agreement (DCFTA) and a wide-ranging course of reforms on EU rules and norms. After Georgia complied with

conditions, DCFTA negotiations would have started. Therefore, the conditions on ‘technical barriers to trade, food safety, competition and intellectual property rights’ were implemented (European Commission, ENP report, Georgia, 2010).

In June 2014, the European Union and Georgia signed the Association Agreement. The agreement was the culmination of the recent history of the Georgia-EU relationship. It was reached as a result of hard-work and commitment especially on the part of the Georgian leadership and it was partly facilitated by Russia’s increasing aggression over the separatist Georgian regions of Abkhazia and South Ossetia.

The EU-Georgia AA is one of the most comprehensive agreements reached by the EU with a third country. The document which is approximately 1000 pages long covers numerous areas such as economic integration, democratic governance, basic freedoms, human rights, and rule of law. As stipulated by Article 6 (2) of the constitution of Georgia, the AA as an international treaty will be superseded only by the constitution of Georgia, but will take priority over all domestic laws. The Georgian parliament swiftly ratified the AA in July 2014 and it was passed by the European Parliament in November of the same year; and it entered into force in July 2016 (Ilic & Markozia, 2015; European Commission, 2017).

Amidst the political, legal, and trade dimensions of the agreement, the overarching goal of the AA cannot be ignored. The EU envisions a framework by which the door to deeper EU-Georgia ties can be thrown wide open. Georgia that is economically integrated and politically engaged with Europe is seen as a stabilizing factor in the region. Additionally, the EU hopes to typify the sort of procedural progress that it

expects with its partner states in Georgia, with the hope that other states in the neighborhood can find encouragement in the Georgian progress.

The Deep and Comprehensive Free Trade Agreement (DCFTA) is the trade component of the AA. As stated above, the goal of the DCFTA was essentially to integrate Georgia more fully within the single European market. As a result of DCFTA, customs tariff and quotas are abolished and all laws and rules on trade are converged to the EU rules and standards (European Commission, Association Implementation Report, Georgia, 2016). This represented a significant improvement on the ENP's financial instrument (ENPI) as well as the EaP. It also represented the most far reaching and all-encompassing trade agreement between the EU and Georgia in the history of their relations.

The effects and dividends of the DCFTA are wide-ranging. The DCFTA accorded Georgia with the opportunity to access the world's largest market in the European Union, the EU accounts for 20% of global trade. The EU is also the world's largest importer and exporter, making it a most appealing prospective trading partner. Furthermore, Georgia stands to gain from the sophistication that the implementation of EU's trade directives will guarantee. The rigor and efficiency of the EU's manufacturing and services sector will hugely boost the Georgian productive and delivery capabilities and will make Georgian products more desirable and accessible to both the European and global markets. In the one year period following the DCFTA, the impact of the agreement was already obvious in several sectors as shown below (Eurostat, statistics explained, 2016).

Table 3. Trade between the EU-28 and Georgia by product group, 2010-2017 (1)

Standard International Trade Classification (Rev.3) Product group	EU-28 exports to and imports from Georgia					
	Exports			Imports		
	Value (EUR)			Value (EUR)		
	Jan-Dec 2010	Jan-Dec 2015	January 2017	Jan-Dec 2010	Jan-Dec 2015	January 2017
0: Food and live animals	71.7	161.9	10.6	40.3	155.0	7.9
1: Beverages and tobacco	25.7	45.0	2.82	14.2	29.3	3.8
2: Crude materials (inedible) except fuels	19.6	36.3	1.6	191.7	159.9	13.5
3: Mineral fuels, lubricants and related materials	346.9	360.7	13.2	239.1	185.5	0.00
4: Animal and vegetable oil, fats and waxes	2.25	17.3	1.5	0.04	0.6	0.07
5: Chemicals and related products n.e.s	204.8	322.2	24.7	35.9	98.8	5.5
6: Manufactured goods	92.4	158.5	9.4	19.5	35.4	6.73
7: Machinery and transport equipment	346.2	504.6	36.2	10.6	11.0	0.3
8: Miscellaneous manufactured articles	108.0	207.8	12.0	11.5	39.0	2.8
9: Commodities and transactions not classified elsewhere	7.3	21.4	0.5	2.2	1.7	0.050
Total	1224.79	1835.67	112.45	565.0	716.21	40.51

Sources: Eurostat, http://ec.europa.eu/eurostat/statistics-explained/index.php/European_Neighbourhood_Policy_-_East_-_statistics_on_trade_flows_with_the_EU, accessed 2017

Another key dividend of the DCFTA is the market stability that it offers the Georgian economy. Georgia has endured several politically motivated economic sanctions imposed by Russia that has affected its economy and intermittently slowed its growth and development. The safety and stability offered by the European Union is welcome news to Georgian producers and also bodes well for Georgian foreign policy formulators because it eliminates that fear. Furthermore, Foreign Direct Investment (FDI) from EU member states to Georgia was bound to increase drastically after the agreement and as shown in figure 1 below, Georgia experienced a dramatic increase in FDI in the one year period following the agreement.

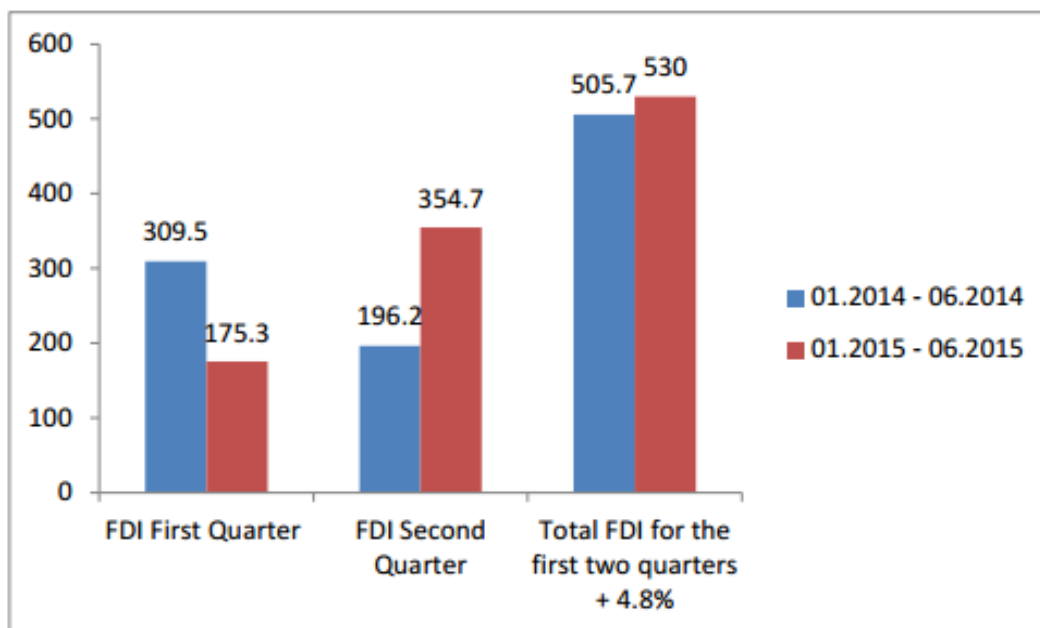


Figure 1. FDI statistics in millions USD (2014 – 2015)
 Geostat (Georgian National Statistics Service), FDI statistics (2015);
<http://geostat.ge/index.php?action=0&lang=eng>

The DCFTA also provides Georgia with an improved and generally healthier climate for business and investment. As indicated in the data above, foreign investors are now guaranteed not only reliable judicial processes for secure investments but also a safe environment that is now similar to usual European markets (Bolkvadze, Chokheli & Chelidze, 2015).

The compliance with commitments of Visa Liberalization Action Plan of Georgia ended up with the conclusion of dialogue and adoption in 2016. It entered into force in March 2017 and proved ‘to be an effective tool for advancing wide-ranging reforms’ (European commission, press release, 2017).

3.5 Conclusion

Georgia relationship with the EU has improved rapidly since the Rose revolution of 2003. Georgian leaders and policy-makers have shown remarkable commitment to the objectives they set for themselves. The PCA had been an effective instrument

upon which the Georgia-EU relations were conducted but it lacked the effectivity necessary to compel actors on both sides to commit to the relationship in any meaningful way. Georgia experienced domestic political turmoil amidst anxiety with respect to its foreign policy.

In the aftermath of the Rose revolution, the new government under Saakashvili declared Georgia's self-identification as a European entity both historically and culturally. This was therefore conveyed as a social impetus for greater political and economic engagement with the European Union.

It is important to note the significance of Russia in the EU-Georgia relationship. As Hughes puts forward (2013), prior to the Rose revolution, EU's aid to Georgia from its independence in 1992 till 2006 amounted to about 502million euros. In comparison, the EU's financial assistance to Georgia in the 3year period running 2014-2017 is expected to exceed 400million euros (European External Action Service & European Commission – Europeaid, 2014, p.8). Prior to Russia's 2008 invasion, it already had a looming presence over Georgia and considerably affected its foreign policy initiatives. However, the invasion and Russia's continued occupation of Abkhazia and South Ossetia has compelled Georgia to look towards NATO and the European Union for security and the protection of its sovereign integrity.

Russia continues to play a key role in Georgian foreign policy considerations today. As noted by Jones (2014) although the fall in gas prices weakened Russia's influence over Georgia's economy, the security threat would prove far more difficult to erode. Russia is unlikely to give up its control of Georgia's separatist regions, and the threat

of a Russian invasion will continue to loom over Georgia for the foreseeable future (Jones, 2014).

Ketevan Chakhava considers the EU-Georgia relationship in the aftermath of the Russia-Georgia conflict of 2008 and assesses what it meant for Georgia with regards its political and economic policies going into the future. In his paper titled “Road leading Georgia to the European Union membership”, Chakhava (2012) argues that the real challenge for Georgia was more internal than external, in his view, despite the considerable influence of Russia in Georgian domestic policies, a thorough and meaningful reform in the Country will make European engagements and perhaps integration not only feasible but also likely.

The progress made in implementation the EU conditions and building institutions explains by the priorities of political elites and society given to the relationship with the EU. As it is stated in Georgia’s strategy papers, the membership in the EU has always been one of the major policy objectives. Playing an important role in the Russian-Georgian war, economic growth and democratic reforms, promoted the EU as guarantor of security, economic development and democratization (International Renaissance Foundation & Open Society Foundation, European Integration index report, 2012, p.29).

Chapter 4

ARMENIA AND THE EU COOPERATION

4.1 Introduction

Armenia gained its independence in September 1991 following the break-up of the Soviet Union. A semi-presidential unitary republic was set up and the first elections brought Levon Ter-Petrosyan to power in October 1991. Armenia is bordered by Georgia, Azerbaijan, Iran, and Turkey. Since independence, the foreign policy of Armenia has been largely shaped by its relations with its neighbors particularly Azerbaijan with whom a long and bitter war was fought over the disputed territory of Nagorno-Karabakh. The war and the political uncertainty about it, that still lingers till this day has considerably affected Armenia's policy choices both domestically and internationally.

The European Union-Armenia relationship goes back to the 1996 signing of the Partnership and Cooperation Agreement (PCA). After the 1994 cease-fires in Nagorno-Karabakh and Abkhaz, the European Union (EU) proceeded to establish partnership and cooperation agreements with all three Transcaucasian states (Commission of the European Communities, 1995). With respect to Armenia, the PCA was conceived as an instrument that would set the first and most basic principles for the establishment of a framework of political and economic engagements between the EU and Armenia.

The PCA addressed various areas of reforms that Armenia was expected to undertake. The rule of law was one of the primary principles of the document. Armenia was tasked with the implementation of a transparent democratic process with accountable leaders and honoring the supremacy of the law. This was to be safeguarded by a free and apolitical judiciary. The PCA also highlighted the need for reforms in the areas of trade liberalization, the institution of human rights, the transition into a market economy and greater cooperation with the EU in legislative as well as socio-cultural and scientific policies (European Commission, PCA, Armenia, 1999).

The European Neighborhood Policy (ENP) was established in 2004 by the EU with the stated aim of bringing the states in the European neighborhood closer to the union through the instrument of a series of joint partnership proposals that targeted deep reforms in certain key areas. The ENP Action Plan was signed by the EU and Armenia in March 2004. Under this agreement, Armenia was expected to continue to undertake the reforms that were outlined in the PCA but with several other key inclusions that were also more comprehensive than the PCA stipulations (European Commission, ENP report, Armenia, 2005).

One of the key components of the ENP was the required reforms in the democratic and judicial sector specifically with respect to the fight against corruption. Further reforms were also required in the legislative process as greater separation of powers and improved representative laws such as the creation of the ombudsman were required by the ENP (ibid.).

Armenia entered the Eastern Partnership Agreement (EaP) along with Ukraine, Moldova, Azerbaijan, Georgia and Belarus in 2009. The goal of the EaP was pointedly to create a comprehensive framework for agreement with the states in the Eastern neighborhood. As pointed out in chapter 3, the EaP was aimed at improving the European Neighborhood Policy but with a specific Eastern dimension. Armenian leaders for their part expressed their intentions and desire to work with the EU within the EaP framework. However, tangible progress in terms of actual policy formulation and implementation has not been achieved (Babayan & Shapovalova, 2011). Armenia's inability to meet some of the reform requirements of the EaP obstructed further progress with the EU especially with respect to particular aspects of the Association Agreements (AA) which had been negotiated with the EU but ultimately failed to materialize.

The EU and Armenia began negotiating an Association Agreement in 2009, and negotiations were expected to be finalized in 2013/2014. However, in September 2013, the president of Armenia Serzh Sargsyan announced that Armenia would no longer be signing the AA but would rather be joining the Russia-led Eurasian Customs Union. The announcement rocked the political world as the agreements had been negotiated for a considerably long time (Emerson & Kostanyan, 2013; DerGhougassian, 2014; Paul, 2015; Chitaladze & Grigoryan, 2015). The reasoning behind Armenia's rejection will be fully discussed in subsequent sections of this chapter, but it is comparatively needful to note that Georgia signed its AA with the EU in 2014. Furthermore, Russia's role in the determination of Armenia's foreign policy objectives is analyzed more critically, with special attention paid to the security dimension of the Russia-Armenia relations and how it directly affects Armenia's stated objectives of closer ties and greater engagements with the EU.

This chapter follows a similar outline as the previous one in comparatively assessing Armenia's progress in its relations with the EU. A step by step overview of the specific programs and instruments are given in full details, both countries' similar experiences as regional partners and as states generally offered similar packages by the EU makes the assessment comparatively easier.

Lastly, The EU-Armenia relationship is analyzed with the theoretical tools of Europeanization and EU external governance modes. The effect of top-down Europeanization and its mechanisms are discussed as well as the positions of the various Europeanization perspectives on the EU-Armenia relations.

4.2 The Partnership and Cooperation Agreement (PCA)

The PCA was signed in April 1996. Prior to its signing, the EU had been one of the highest donors to the war-torn Transcaucasia. However, the PCA was viewed as an opportunity for the EU to bolster its relations with its neighbors in a region of ever increasing importance. The PCA covered several areas where Armenia was expected to undertake reforms and involved a greater EU aid and assistance package.

The PCA addressed the need for good democratic governance in Armenia. As post-Soviet states, the Transcaucasia was prone to witnessing authoritarian regimes and the EU hoped that the PCA would serve to provide a lucrative impetus for a willful transition into democracy and the absorption of democratic principles (Hussain, 2008, p.60). Democratic reforms in Armenia under Levon Ter-Petrosyan were actually impressive. Hopes for a steady progress in Armenia's democratic reforms were high in the late '90s (Astourian, 2001).

The PCA also addressed Armenia's adherence to human rights norms as well as the norms of international law. A nascent republic birthed into war, Armenia lacked a strong constitutional and judicial framework for the adoption and implementation of international norms especially with regards to prisoners of war, internally displaced persons (IDPs) and the protection of minority rights. The EU's objective here was to strengthen the Armenian judicial system and overseeing the institution and implementation of a strong legal framework that would eventually stand as a secure foundation for Armenia's democracy as well as guarantee the possibility of future EU-Armenia relations (European Commission, PCA, Art 68, p.21, 1999).

The final key components of the PCA were the economic and trade regulations. A comprehensive agreement on trade was obviously not possible at this time. The EU wished to establish a general framework that could serve as the basis for future trade and economic relations. The general principles established in the PCA trade relations with Armenia touched on issues such as; liberalization of the economy, lowering of tariffs and potential barriers to trade, as well as the easing of customs and duties. Armenia's neighbors in the South Caucasus initially received more attention from the EU with respect to trade; this had more to do with energy and natural gas than adherence to EU stipulations. Eventually, the EU sought to establish a key partner in Armenia, hoping that the two sides can cooperate more regarding trade issues (European Commission, p.6, 14, 17, 1999).

The PCA can largely be considered a success with respect to Armenia. It was always intended to basically set the groundwork in place for future bilateral relations. However, relative to Georgia, Armenia's slow reform pace has complicated its relationship with the European Union. Despite the significant progresses made in

compliance with the PCA stipulations, more reforms were required especially with respect to trade (European Commission, ENP annual report, Armenia, 2005). This will ultimately take its toll on the relationship with the break-down of the AA negotiations.

4.3 The European Neighborhood Policy (ENP)

Armenia was included in the ENP in 2004. Negotiations had been ongoing for several years and mostly aimed at complementing and improving the PCA protocols. The Armenian ENP Action Plan addressed all the areas covered by the PCA but more comprehensively and with greater attention paid to the details regarding the implementation of the specific stipulations. The 2004 EU expansion prompted the Union to explore ways to deal with the possibility of a disparity arising between the now enlarged EU and its immediate neighbors. Therefore, with respect to Armenia, the ENP was conceived as a comprehensive way to establish vital ties with a near neighbor that has shown considerable interest in future cooperation along with other neighboring states of the EU (European Commission, ENP, 2004; EU-Armenia Action Plan, 2004).

The EU demanded further reforms in the Armenian judiciary under the ENP protocols. Armenian legislations were considered to be a considerable level away from European standards (Grazaryan, 2006, p.24). The ability to fight corruption was primary in the EU's concerns about the judicial sector. Prior reports by Transparency International, Freedom House and World Bank had scored Armenia relatively lowly in the corruption indices (OECD, Monitoring report, Armenia, 2011). Emphasis was therefore laid on institutional reforms to strengthen the judiciary. The 2009 ENP

progress report on Armenia, the EU expressed concerns over the independence of the judiciary in Armenia (European Commission, ENP report, Armenia, 2009, p.3).

Table 4. Perception of corruption, Armenia, 2009:

Armenia	Transparency International Corruption	Freedom House, “Nations in Transit 2009”	World Bank Worldwide Governance Indicators
	a scale of 0 to 10, with zero representing highly corrupt countries and 10 very clean countries	a scale of 1 to 7, with one representing the highest progress and 7 the lowest	on 0 – 100 rank, where 0 represents the lowest and 100 the highest rank
2009	2,7	5,50	33,8

Source: Organisation for Economic Co-operation and Development (OECD). Monitoring report, Armenia, 2011.

<http://www.oecd.org/corruption/acn/istanbulactionplan/48964985.pdf>

As it is stated in monitoring report of Organization for Economic Co-operation and Development (2011), in spite of all programs and actions taken by government to implement reforms on governance and fighting corruption, all measures and legal changes are meaningless without political will and policies on changes mentality and practices (OECD, monitoring report, Armenia, 2011).

Another major area of concern to the EU was the conditions of Armenia’s prisons. Cases of torture were cited in the report and further reforms in the sector were required. The EU acknowledged the steps Armenia have taken towards implementing the Optional Protocol to the Convention against Torture (OPCAT), but insisted that Armenia was falling short of its ENP commitments with regard to these issues (European Commission, ENP report, Armenia, 2009, p.4).

Lastly, press freedoms and civil liberties were central to the ENP requirements. The composition of the regulatory organs responsible for the freedom of the press was

required to be non-partisan and neutral. Freedom to peaceful protests and demonstration was to be guaranteed and safeguarded, suppression of opposition demonstrations had occurred severally in Armenia as confirmed in the 2009 progress report, therefore Armenia was urged to implement its ENP pledges (European Commission, ENP report, Armenia, 2009, p.4-5). The World press freedom index ranked Armenia 79th in the world. The report raised several issues with press freedoms in Armenia, prominent among them were issues related to lack of pluralism in the media as well as the use of violence against journalists (Reporters without Border, World Press Freedoms index, 2017).

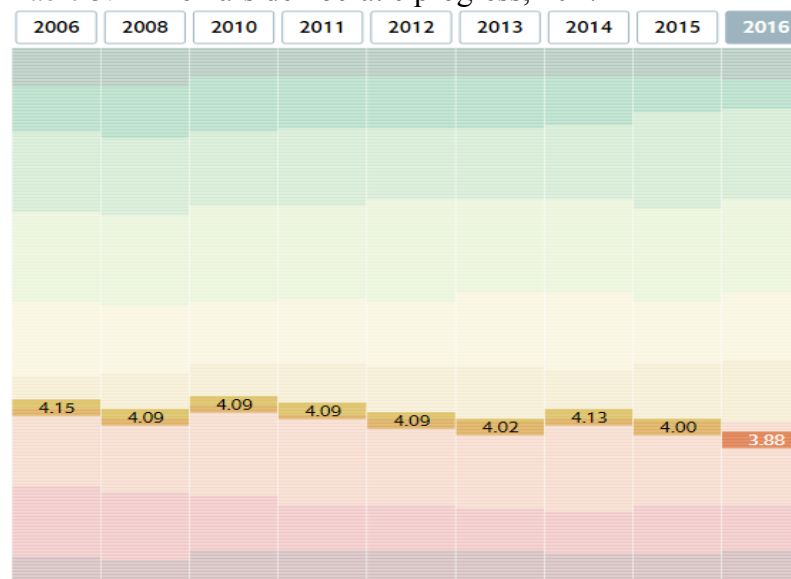
Overall, the ENP has had mixed successes in Armenia. After the collapse of the Association Agreement talks, the ENP continues to be the primary legal basis for the EU-Armenia bilateral relations (European Commission, ENP report, Armenia, 2014). The European Commission decided to do a review of ENP in 2015 and adopted the report on implementation of the reviewed ENP in May 2017. According to the report, the further bilateral cooperation between the EU and Armenia concentrated on economic and governance reforms that bolster the strength and economic development of the country. A new Comprehensive and Enhanced Partnership Agreement were achieved in February 2017. Regional cooperation continues within the framework of EaP, with the emphasis on fighting corruption and the rule of law. Besides, the Reviewed ENP supports technical and financial assistance of Armenian Development Strategy for 2014-2025. Moreover, Armenia joined the EU projects, such as Horizon, Erasmus+ in 2016, and goes on benefiting from TAIEX instruments and Twinning projects (Armenia Development Strategy for 2014-2025, 2014; European Commission, Report on the Implementation of the European Neighbourhood Policy Review, 2017).

4.4 The Eastern Partnership (EaP)

The Eastern Partnership (EaP) was concluded between the European Union and its six Eastern neighbors: Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine. As explained in the previous chapter, the aim of the EaP was to create a distinct framework for the EU's relations with the states that too their unique political, historical, and geographic contexts into proper account. However good a framework that may be, it does not obscure the fact that these states are uniquely different in character and experience disparate political desires.

As a framework tailor-made to the specific needs of Armenia, the EaP addressed issues that directly affect the democratic progress of Armenia (Grigoryan, 2013). It was considered to be a precursor to an ultimate Association Agreement because conformity to the required reforms of the EaP was certain to put Armenia well and truly on the path towards cooperative engagements with the EU and possible European integration.

Table 5. Armenia's democratic progress, 2017



Source: The economist intelligence unit's democracy index.2017

Table 5 shows Armenia’s democratic progress as ranked by the Economist magazine for the period 2006 when the ENP took effect up to 2016 thus encompassing the EaP and AA negotiation periods. The index assesses states on criteria such as pluralism, political culture, and basic freedoms (The Economist Intelligence unit, 2017).

One of the key areas Armenia was criticized in the ENP reports was its lack of sustainable progress in reforming the judicial sector as well lowering corruption. 2015 data from the freedom-house database show relatively little progress made in this front even after the signing of the EaP (European Commission, ENP report, Armenia, 2014; Freedom house, report, Armenia, 2015; Grigoryan, 2013)

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
5.75	5.75	5.75	5.50	5.50	5.50	5.25	5.25	5.25	5.25

Figure 2. Freedom house report on corruption index, Armenia, 2015

Source: Freedomhouse.org. 2015 report, Armenia.

As the figure shows, Armenia scored even lower in the corruption indices after the signing of the EaP in 2009, but as figure 3 shows, Armenia held steady in the judicial independence indices.

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
5.00	5.00	5.25	5.50	5.50	5.50	5.50	5.50	5.50	5.50

Figure 3. Freedom house report on judicial independence index, Armenia, 2015

Source: Freedomhouse.org 2015 report, Armenia.

As it is stated in European Integration index report, Armenia showed considerable improvements in implementing the EaP. The EaP covers all the areas addressed in the ENP with the inclusion of certain key clauses that institute rigorous enforcements. Such as the setting up of joint EU-Armenia committees that met at

regular intervals to discuss the progress of the reform implementations. However, the report shows on the example of the business climate that in spite of achievements in adopting law, changes structures and agreements ratifications, “there are no signs that the monopolies that control the most profitable segments of business are losing market share, or that market competition has increased” (International Renaissance Foundation & Open Society Foundation, European Integration index report, 2012, p.36-37).

4.5 Association Agreement and Deep and Comprehensive Free Trade Agreement

The Association Agreement (AA) between the European Union and Armenia was necessitated by the wording of the EaP document which stipulated that progress made by any country in implementation the reform requirements of the EaP would be rewarded with an AA if such a country sought deeper engagement with the European Union. The AA is the most comprehensive partnership agreement that any third-state can reach with the EU. It includes a key trade component; the deep and comprehensive free trade agreement (DCFTA). This component addresses key issues relating to trade regulations between the EU and the third-state and generally seeks to integrate the state’s economy into the common European market.

The key aims of the EU-Armenia AA were to considerably build on the progresses of the PCA, ENP, and EaP (Hovhannisyan, 2010). Deep and lasting reforms were expected to be undertaken in key areas of the Armenian economics and politics. An implementation of the mandated requirements stipulated in the aforementioned cooperative frameworks was also required. The DCFTA was also expected to seal a unique trade deal between the parties.

Armenia was expected to conclude the AA and DCFTA negotiations in 2014. However, on the 3rd of September 2013, President Serzh Sargsyan in a meeting with Russian president Vladimir Putin announced Armenia's decision to snub the EU's DCFTA proposal in favor of the Eurasian Customs Union (EACU). The move sent shock-waves through the Armenian political elite, civil societies and general public, because it signaled a sudden end to a negotiation process that had lasted several years (Shirinyan & Ralchev, 2013).

The DCFTA talks were rendered null and void because the EACU agreements were deemed to be fundamentally incompatible with the DCFTA. The agreement contained tariff-related clauses that the EU deemed unacceptable. Armenia therefore, basically walked away from continuing the AA negotiations of which the DCFTA was a central component.

Armenia's foreign policy objectives cannot be understood without due contextual considerations. The Nagorno-Karabakh war left Armenia economically blockaded by Turkey and Azerbaijan, greatly limiting its economic prospects. Armenia therefore relies heavily on Russia to its North and Iran to the South for trade routes and economic sustenance. This unique situation brings Armenia heavily under Russia's sphere of influence and constantly undermines its ability to cooperate and engage with the European Union particularly on matters relating to trade and environmental security.

4.6 Conclusion

Armenia has always expressed its desire for greater cooperation and closer engagements with the EU. Successive leaders of the country have all voiced this

sentiment; however, a major criticism has always been its lack of distinct political action to back-up its public declarations. The progresses made by Georgia were achieved on the back of both strong political statements and policy-oriented institutions set-up uniquely for the implementation of EU's reform requirements. In Armenia the lack of a clear direction exemplified by a lack of political will on the part of the Armenian leadership continues to erode the EU's trust in Armenia's willingness to truly carry out reforms and increase its political and economic engagements with the European Union.

The domestic politics of Armenia offers some key insights into its foreign policy decisions. The Levon Ter-Petrosyan administration showed a great deal of desire for a more pro-European foreign policy stance, it also showed appreciable interest in reaching a solution with Turkey and Azerbaijan over the Nagorno-Karabakh conflict which sits at the heart of all EU initiatives. After the brutal and abrupt end to Petrosyan's tenure, subsequent administrations led by Robert Kocharyan and Serzh Sargsyan showed less desire for the adoption of the aforementioned goals despite public declarations to the contrary.

Armenia depends largely on Russia, both economically and militarily. Being blockaded by Turkey and Azerbaijan, Armenia's trade and supply outlets are Russia and Iran, and as the Nagorno-Karabakh conflict remains frozen and with the possibility of its flaring up at any moment, Russia plays an essential role in Armenia's foreign policy objectives. The DCFTA snub was basically a security decision rather than an economic one. Armenia's trade with the EU accounts for the greatest contribution to its GDP. Therefore, the real answers as to why Armenia

backed out of the AA negotiations lies not in the stipulations of the agreements, but in its domestic politics.

In their 2016 paper titled “EU-Armenia relations”, Kostanyan and Giragosyan discuss the past and present of the EU-Armenia relationship. In this work, due consideration is paid to the influence of Russia on Armenia’s domestic policies, the impact of the Armenia genocide and the Nagorno-Karabakh conflict on Armenian foreign policy, as well as the effects of Armenia’s 2015 accession into the Eurasian Economic Union on its relationship with the European Union. The authors ultimately urge the EU to establish an “association agreement” with Armenia that would contain stringent requirements accompanied by a strictly enforced timetable where necessary. It is their belief that this represents the only means of salvaging the EU-Armenia relationship (Kostanyan & Giragosian, 2016, p.4).

Europeanization offers an insightful glimpse into the Armenia case. Along with top-down approach, all mechanisms of Europeanization, especially conditionality were at play over the course of the EU-Armenia relations. On the other hand, EU external governance modes also explain initiatives and ways of effective adaptation of EU rules and norms. Based on the above written sections, Europeanization in Armenia hasn’t achieved its aims as much as it was planned and expected, but the EU continuously providing financial and technical assistance and even included Armenia to many common projects. Thus, the EU gives many carrots to Armenia and doesn’t use sticks at all.

Chapter 5

CONCLUSION

The South Caucasus has endured a tumultuous post-Soviet drive towards democracy. Following the collapse of the Soviet-Union, Georgia and Armenia set about implementing Western-style democracies with capitalist economies that they hoped would transform their societies and standards of living of their people. As the two most important global players in the region, the European Union and the Russian Federation have both had enormous influence on the domestic and foreign policy initiatives of both Georgia and Armenia. The EU through numerous comprehensive initiatives has attempted to shape the democratic futures of both states and act as a guide in their journey to democracy and sustainable growth. The Russian Federation's interests have been both economic and security-oriented. It sees the South-Caucasus as an important sphere of influence in the near-abroad and it remains wary of possible NATO expansion into the region.

The European Union through the PCA, ENP, EaP, AA, and DCFTA has historically set-up complex platforms for cooperation and engagement with both states. The essential goal of these “instruments” from the EU's perspective is to facilitate good governance and solidify democratic institutions whilst fostering good relations both in trade and also diplomatically (Alieva, 2006). Although the specific terms and conditions offered to each state may differ considerably depending on the specific challenges and “areas of improvements” agreed upon by the state and the EU, the

overall aim is to nudge the state ever closer towards a healthy and stable democracy with ideals that are identical to those of the European Union.

Russia's incursions into the politics of Georgia and Armenia have been for different but quite similar reasons. In Armenia, Russia's primary interest is best understood through the narrative of the Nagorno-Karabakh war. Russia has essentially played the role of "security guarantor" to Armenia in defense against what is perceived in Moscow as an alliance of Turkey and Azerbaijan against the republic of Armenia (Minassian, 2008). Russia and Armenia are both members of the Collective Security Treaty Organization (CSTO) which is a NATO-like military alliance spear-headed by Russia requiring all members of the alliance to come to each other's aid if any member-state is attacked. Additionally, Armenia is an important market for Russian exports. Being blockaded by Turkey and Azerbaijan, Armenia's heavy reliance on Moscow for economic traffic has significantly boosted the Russian economy.

Russia's interest in Georgia has been primarily security-oriented. The Georgian regions of Abkhazia and South Ossetia have experienced separatist uprisings intermittently since Georgia's independence although the conflicts are traceable to the Soviet period. Ethnic Abkhaz and South Ossetians fearing the widespread Georgian nationalist sentiments that swept Gamsakhurdia to power, declared independence from Georgia, a bitter conflict ensued in the aftermath. Both Abkhaz and South Ossetian leaderships have publicly courted support from Moscow, and have received plenty of it. Russia has actively supported both regions militarily in their confrontations with Georgia. Additionally, Russia has been the largest financial donor to both separatist regions and continues to support them economically as well as aid their capacity to trade (Jones, 2014).

Georgia and Armenia generally signed similar agreements of cooperation and partnership with the European Union. They both signed the PCA in 1996, and together they were integrated into the EU's ENP framework in 2004. Following discussions over a special cooperative framework with the states in the EU's Eastern neighborhood, Georgia and Armenia signed the Eastern Partnership in 2009 and adherence to most of the stipulated reforms led to the opening of AA discussions with both states in 2013.

Basically, the progress made by both states with respect to their engagements with the European Union can be measured in terms of their compliance with the reforms. The more a state complies with the EU reform agendas, the more advances it makes in terms of engagement and cooperation. By all indices, Georgia has been more compliant with the EU's reform requirements than Armenia. This is evidenced by a higher score in indices regarding human rights, good governance, and press freedoms.

Europeanization is a broad multi-faceted theoretical approach to understanding European integration and engagement. As Radaelli puts it in his 2004 paper titled "Europeanization: Solution or Problem", the goal of contemporary Europeanization studies is to investigate the domestic factors within states that inspire the willingness to and propensity for engaging with the European Union as well seeking European integration at the economic and political level. According to Radaelli, Europeanization studies today also explore how those domestic factors compete with the European institutions to create the specific dynamic that arises between the EU and the state whilst avoiding the tendency to view these relations through the

misleading lenses of balance of power between states and EU institutions that tilt in one direction or the other (Radaelli, 2004).

Europeanization offers plenty of insights into the cases of Georgia and Armenia. The domestic politics of both states since independence has significantly impacted on their differing degrees of engagement and cooperation with the EU. War in Abkhazia and South Ossetia has pitted Georgia continually against Russia and therefore closer to the EU, whereas, war in Nagorno-Karabakh has seen Armenia rely heavily on Russian support both militarily and economically and consequently nudged away from full European engagement. Political leaders within both states have risen to power on the back of pledges to align with either the EU or Russia. The Rose revolution brought Mikheil Saakashvili to power in Georgia amidst promises to steer the country towards Europe, conversely, Robert Kocharyan swept to power in Armenia pledging the restoration of Russia-Armenia relations supposedly damaged by the Levon Ter-Petrosyan administration.

Evidently, Georgia's willingness to meet the reform objectives of the EU has been a major impetus for progressive engagement, cooperation, and partnership with the EU in virtually every sphere. The political will on the part of the Georgian leadership has been evident not only in public declarations and policy formulation but also enactment and implementation. For its part, the EU has congratulated Georgia's efforts very positively; it recognizes Georgia as a unique example of partnership in the neighborhood and pledges continual support and rapprochement.

The future of Armenia's relations with the EU looks perilously bleak at the moment. With the abandonment of the DCFTA, the AA now seems unfeasible. Armenian

leadership have touted the idea of negotiating an AA without a DCFTA component as a form of “PCA-plus” or “AA-light” but so far there has been no indication of such an agreement materializing in Brussels. The decision to join the Eurasian Customs Union has been viewed across Europe as a stark admission of inability to meet the trade reform requirements of the AA.

Broader lessons can be drawn from the comparative analysis of both these states’ interactions with the European Union. For third countries, it is clear that progress in engagements with the EU can be significantly shaped by a concentration of domestic political objectives around EU ideals. The Georgia model indicates a domestic political and economic orientation of the state’s objectives around the norms of the European Union. However, for the EU an important lesson can be drawn, security lies at the heart of the Armenia challenge. Obviously, the EU ultimately has to play a more active role in not only arbitrating conflict in the neighborhood but assertively intervening and standing up to other regional players who may be willing to acknowledge the EU’s economic clout and therefore seek to exploit the EU’s reluctance to militarily engage in promoting security.

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