

# *Post* *Lisbon EU-* *South Caucasus relations* | **Licínia Simão**

## **Abstract**

*When the Lisbon Treaty entered into force, there was a qualitative shift in the relations between the European Union (EU) and the countries covered by the European Neighborhood Policy (ENP). Several of the institutional changes brought about by the new Treaty have already promoted positive developments to the ENP, namely through the close cooperation between the new High Representative for the Common Foreign and Security Policy (CFSP) and the Commissioner for Enlargement and the ENP. This paper looks at some of the key institutional changes within the CFSP, and assesses their interaction with the realities of the South Caucasus on two specific principles: differentiation and regional cooperation. The paper argues that although the Treaty per se did not make major changes to how the two principles are perceived by the EU, other steps such as the creation of the Eastern Partnership and the revision of the ENP offer valuable insights into how the EU addresses the conflicting nature of these two principles in its relations with the South Caucasus. Thus the paper seeks to illuminate the ways in which EU policy interacts with the realities of the South Caucasus states, both in terms of their bilateral relations with the EU and in their regional dynamics.*

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Relations between the European Union (EU) and the South Caucasus have been gradually evolving into a broader partnership, as envisaged by the European Neighborhood Policy (ENP) and its Eastern “spin-off”, the Eastern Partnership (EaP). The early ENP documents emphasized “jointly agreed Action Plans” and the development of a “privileged relationship with neighbors [based] on mutual commitment to common values”<sup>1</sup>, whereas the Prague Summit declaration confirmed the establishment of “a more ambitious partnership between the European Union and the partner countries”, by deepening political association and economic integration.<sup>2</sup> Following the 2008 war in Georgia, and the Arab Spring of 2011, the EU has further reinforced its commitment to the neighborhood policy and the stabilization of the regions in its borders.

With the adoption of the Lisbon Treaty, the EU fully integrated the ENP into its institutional framework. Article 8 Treaty of the European Union (TEU) of the Lisbon Treaty establishes that

“The Union shall develop a special relationship with neighboring countries, aiming to establish an area of prosper-

ity and good neighborliness, founded on the values of the Union and characterized by close and peaceful relations based on cooperation.”

The decision to fully institutionalize the ENP into the EU’s legislative framework, as opposed to keeping it as an ad-hoc policy framework, has important implications for the development of the ENP. Beyond the symbolic importance of acknowledging the ENP’s centrality to EU external relations, this action also opens the way for its integration into the EU’s institutional foreign policy structures, which have been considerably changed under the Lisbon Treaty. One area in which this complete integration could yield important improvements in terms of efficiency and horizontal coherence (among EU policies) is conflict resolution and crisis management. This, of course, is highly pertinent to the South Caucasus region. Although political and security issues are strictly speaking beyond the scope of the ENP and, in accordance with the pillar structure within which the ENP was conceptualized, should be dealt with by EU member states and Common Security and Foreign Policy (CFSP) institutions, the Lisbon Treaty provisions change this in a number of ways. Although the community and intergovernmental methods remain distinct with regard to CFSP issues<sup>3</sup>, the dou-

<sup>1</sup> European Commission (2004) *European Neighbourhood Policy Strategy Paper, COM(2004) 373 final*, Brussels, 12 May, p. 3.

<sup>2</sup> Council of the European Union (2009) *Joint declaration of the Prague Eastern Partnership Summit. Adopted in Prague, 7 May 2011. 8435/09 (Press 78)*, Brussels, 7 May.

<sup>3</sup> Wessels, Wolfgang and Bopp, Franziska (2008) *The institutional architecture of the CFSP after the Lisbon Treaty – Constitutional breakthrough or challenges ahead?*,

ble hating of the High Representative for the CFSP, acting simultaneously as Vice-president of the Commission (HR/VP) and the creation of the European External Action Service (EEAS), bringing together Commission, Council and EU member states' officials, have provided the opportunity to overcome the contradictions resulting from different working methods and autonomous decision-making and resource allocation.

Finally, the revision of the ENP (ongoing since 2010) has repositioned the EU *vis-à-vis* its neighbors, and provides a useful illustration of the new institutional arrangements of the Lisbon Treaty in action. The “new” Commissioner for Enlargement and the Neighborhood Policy, Stefan Füle, has been closely collaborating with the HR/VP to streamline EU policies and goals, namely by linking improvements in governance and the protracted conflicts in the region.<sup>4</sup> Reinforcing the centrality of shared values and principles, the joint communication from the European Commission and the HR/VP clearly states that “increased EU support to its neighbors is conditional. It will depend on progress in building and consolidating democracy and respect for the rule of law”.<sup>5</sup>

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*CHALLENGE* Research paper, 10, June.

<sup>4</sup> European Commission (2010) *Taking stock of the European Neighbourhood Policy. Communication from the Commission to the European Parliament and the Council. COM(2010) 207, Brussels, 12 May.*

<sup>5</sup> European Commission & High Representative (2011) *A New Response to a Changing Neighbourhood. Joint Communication*

All of these steps demand a reassessment of the institutional possibilities for the development of this closer partnership. The Lisbon Treaty does not account for all the changes in the EU's relations with its neighbors, given that many of its provisions have not yet been implemented. There is a complex dynamic at play, with the establishment of the EaP, the strategic revision of the ENP, and the fast changing contexts of the Eastern and Southern neighborhoods in addition to the Lisbon Treaty, with many elements that demand analysis.

This paper addresses a particular dynamic within the ENP framework, namely the attempt to strike a balance between the ENP principles of differentiation and regional cooperation in the post-Lisbon context. This dynamic is crucial to EU relations with Armenia, Azerbaijan and Georgia. On one hand, relations have developed through a regional approach, focusing on competitive democratization and confidence-building activities, highlighting the security concerns of the EU and its preference for structural approaches. On the other hand, the EU has recognized the clear need for differentiation, as the foreign policies of these three states continue to diverge. Considering these various factors, this paper will examine how these institutional changes address the conflicting goals of regional cooperation and increased

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*to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. COM(2011) 303, Brussels, 25 May.*

differentiation, and how this has affected the relationship between the EU and its regional partners. In this way, the paper will contribute to better understand the EU's complex foreign policy tools and its approaches towards the neighborhood, as well as its ability to act as a security actor in the South Caucasus.

### **Differentiation and regional cooperation in official EU documents**

The Prague summit and the final Declaration it produced represent an important stage in EU relations with its Eastern neighbors, and contributed decisively to balance the bilateral and the multilateral (regional) dimensions of the ENP. The Summit was the first high-level multilateral meeting of the EU and the Eastern neighborhood countries, and responded to two long-time requests on the part of the Eastern partners: firstly for greater differentiation within the ENP (*vis-à-vis* the Southern neighbors), and secondly for official acknowledgement of their European aspirations. It also upgraded and personalized political relations, bringing together Heads of State and Government from the EU and the Eastern neighbors. This deepening of political relationships had been long resisted by most EU member states, due to the political instability and the undemocratic nature of the majority of the regimes in question, in addition to the political costs of raising the EU's regional profile. As Ariella Huff demonstrates, the Commission-sponsored non-political

approach, which sought to avoid objections to the EU's reform agendas, was the preferred policy.<sup>6</sup>

Both the Prague Declaration and the Joint Communication from the Commission and the High Representative (2011) seek to upgrade and give substance to the partnership between the EU and the neighbors, in a number of directions. Firstly, there is the advancement of concrete proposals, especially in the East, which include political association, market access, visa facilitation and energy security. As emphasized by the European Commission “[t]he partners do not have identical objectives for their relationship with the EU, but they all share a common wish to deepen relations”.<sup>7</sup> This can be seen as a display of willingness by the EU to tackle traditional resistance to providing tangible incentives for reforms among some member states. By advancing these concrete commitments, the Commission is reinforcing and giving substance to the principle of joint ownership.

The EaP constitutes the EU's most marked attempt to balance differentiation and deeper bilateral relations with multilateral relations and regional cooperation. Deeper bilateral relations will be pursued through the negotiation and celebration of As-

6 Huff, Ariella (2011) “The role of EU defence policy in the Eastern neighbourhood”, *Occasional Paper*, 91, 11 May, pp. 11-16.

7 European Commission (2008) *Eastern Partnership. Communication to the European Parliament and the Council. COM(2008) 823 final, Brussels, 3 December, p. 4*

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sociation Agreements (AA), through which political association will be developed. This dimension will reflect the differentiation and conditionality principles more clearly, “taking into account the specific situation and ambition of each partner country”.<sup>8</sup> Other provisions include Deep and Comprehensive Free Trade Areas (DCFTAs), visa facilitation and energy security, historically key demands of the Eastern neighbors. By finally creating the political consensus to act on these dimensions, the EU is laying the ground for positive conditionality and greater legitimacy.

Furthermore, the 2008 Commission Communication on the EaP<sup>9</sup> as well as the 2011 Joint Communication with the HR/VP on the revision of the ENP<sup>10</sup> include a clear commitment to use conditionality as a reward for partners who demonstrate commitment to the shared values of Human Rights, Democracy and the

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<sup>8</sup> Council of the European Union (2009) “Joint Declaration of the Prague Eastern Partnership Summit, Prague, 7 May 2009”, 8435/09 (Press 78), Brussels, 7 May. p. 7

<sup>9</sup> European Commission (2008) *op cit*, p. 3.

<sup>10</sup> European Commission & High Representative (2011) *op cit*, pp. 2-3

Rule of Law. This move towards a stronger rhetoric on these values, the fundamental principles of the EU’s normative foreign policy, is a response to the Arab Spring and to claims that EU actors often neglected these values in pursuit of short-term interests, thereby compromising the normative image the EU has of itself in international affairs.<sup>11</sup>

Of course, it remains to be seen how this strong language will be translated into action, but for now the legitimacy of the EU to use value-based conditionality towards the neighbors has been enhanced, both by the more attractive offers on display and the popular protests against authoritarian leaders throughout the neighboring countries.

The Prague declaration also returns to the issue of regional cooperation, seeking to develop a realistic trajectory for multilateral development and to foster regional cooperation. Regional cooperation has been repeatedly emphasized as a necessary and positive component of regional stability, mainly regarding confidence-building and conflict resolution, but also in terms of economic development and trade relations. The effectiveness of this strategy has been severely limited by the recent nature of national independence in this region after years of Soviet rule; state sovereignty is highly prized and care-

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<sup>11</sup> Manners, Jan (2002) “Normative Power Europe: A Contradiction in Terms?”, *Journal of Common Market Studies*, 40(2), 235-58.

fully protected, which gives rise to resistance to integration processes. Mistrust of neighboring states has also hampered inter-governmental regional cooperation initiatives, especially in cases where the regimes are undermined by separatist conflicts. The South Caucasus is particularly vulnerable to these dynamics, as will be discussed further below. The nature of the current regimes and the very different paths that each country has followed (for example, Belarus has become a dictatorship, Moldova and Ukraine are caught between pro-western and pro-Russian orientation) further restricts regional cooperation.

The EaP's response to this diversity of political identification has been to foster links among Eastern partners *through the EU*. The EU's proposal is that this multilateral dimension focuses on information sharing among partner countries on their reform efforts. This is a very "light" form of regional cooperation, with limited impact on hard security issues, but it opens the way for important steps towards new frameworks of interaction in a different context. Another obvious advantage is the reinforcement of competitive democratization, or as the Commission puts it, "structured approximation process".<sup>12</sup> Information sharing on EU standards and legislation are the main issues covered by this approach. The multilateral track will also aim to harness the positive potential of contributions from

different stakeholders in the societies in the region, through the active engagement of national parliaments in the partner countries in the Euro-NEST Parliamentary Assembly and Civil Society Organizations (CSOs) in the Civil Society Forum.

There are four thematic platforms being developed, through which all of these new contributions will be streamlined and discussed in a multilateral setting: democracy, good governance and stability; economic integration and convergence with EU sectoral policies; energy security; and contacts. All of them hold great potential with regard to improving regional stability, confidence-building and conflict resolution, in line with a long-term, structural approach. However, this broader engagement and new instruments need to be supplemented by a clear strategy and strong political will; engagement in high-level political dialogue for conflict resolution is crucial, enacted within the framework of existing international organizations and relationships with other regional actors, including Russia, Turkey, Iran and the US.

### **Differentiation and regional cooperation in the South Caucasus**

Among the South Caucasus countries Georgia has been actively pushing for high-profile political relations with the EU. Following Ukraine's demands for deeper political engagement by the EU in post-Soviet affairs, Tbilisi's calculations went be-

<sup>12</sup> *European Commission (2008) op cit, p. 10*

yond a “bandwagon” foreign policy strategy to completely shift its foreign policy towards the West. European and Euro-Atlantic integration remain the country’s main foreign policy goals, and under the current leadership of President Saakashvili, these objectives have become synonymous with the preservation of the state: Georgia depends on European partners for financial, economic, and political security – or indeed, survival. From an external perspective, Georgia has been the driving force in terms of the EU’s regional presence, actively demanding the deepening of the EU’s political engagement in the South Caucasus.

Besides the need to support Georgia, especially after the August War in 2008, the EU has its own strategic interests in the South Caucasus. Internally, the crucial factors of energy security and Caspian energy resources have been fundamental drivers of the EU’s relationship with Azerbaijan. The EU signed a Memorandum of Understanding with Azerbaijan in 2006, followed by an important Joint Declaration on the South Corridor in 2011. Both documents seek to uphold the ongoing commitment of the Azerbaijani and European governments to the energy projects linking the European and the Caspian markets. As Shirinov emphasizes, the Azerbaijani government has demonstrated its preference to commit to projects with visible political backing from

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European governments, as opposed to proposals from private companies, such as the Nabuco pipeline,<sup>13</sup> thus raising the political profile of relations with the EU.

Armenian views on the upgrading of relations with the EU, as envisioned in the Eastern Partnership initiative, yield further differences. Armenian foreign policy has traditionally been guided by the interests of the large Armenian diaspora, particularly those living in Russia, the United States, France and the Middle East. Relations with the EU represent an important change in this regard, since they focus primarily on administrative changes and long-term transformation. Since the geopolitical implications of this approach are less visible, the Armenian government has now the opportunity to conduct its foreign policy based on the interests of the Armenian state, rather than the needs of its diaspora. This is particularly evident in three main areas: the consolidation of a political partnership that will reinforce Armenia’s “complementarity” foreign policy, with important implications for

13 Shirinov, Rashad (2011) “A Pragmatic Area for Cooperation: Azerbaijan and the EU”, *Journal for International Relations and Global Trends*, issue 3, July, pp. 74-81.

regional balance and the Nagorno-Karabakh conflict; assurance of EU financial assistance; and the expan-

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sion of Armenia's economic perspectives through the establishment of a DCFTA.<sup>14</sup>

Considering these different and occasionally irreconcilable interests, differentiation remains a fundamental aspect in EU relations in the region. In this regard, the ongoing negotiations for DCFTAs and visa facilitation demonstrate not only an important bilateral dimension, seeking to reward those who reform faster and better, and increasing the legitimacy of the EU's conditionality, but it also reinforces a regional competitive approach, whereby neighbors assess the pace of their own integration processes against their neighbors'. An Armenian diplomat commented, "Armenia had to struggle to get visa facilitation, despite the good work it is doing, while Georgia got it sooner, by speaking louder".<sup>15</sup> Moreover,

<sup>14</sup> Navasardian, Boris (2011) "Armenia: Imagining the Integration of the Southern Caucasus with the EU", *Journal for International Relations and Global Trends*, issue 3, July, pp. 62-73.

<sup>15</sup> Interview with Armenian diplomat, Brussels, 17 January, 2011.

despite the EU's emphasis on joint ownership and partnership, there remains a clear element of asymmetry in the EU relations with its neighbors, since the EU often determines what reforms the neighbors should pursue. Even if this is a natural outcome of the relative power differences, the fact remains that it undermines the EU's desire to be seen as normative power in its neighborhood, and reinforces a hierarchical approach to its external relations, which is incoherent with the desire to build a partnership with the neighbors.

Integration without accession has been the logic behind the ENP from the very beginning, and is now clearly reinforced by the EaP. A crucial part of these reforms is the normalization of regional relations. The EU is fostering a regional cooperative approach, though the opening of closed borders, which are clearly impeding economic cooperation, in addition to the development of regional projects, such as the rehabilitation of the railroad linking Baku, Gyumri, and Tbilisi, as set out in the TRACECA program. Additional focus has been directed towards the importance of analyzing the regional dimension of domestic security concerns (for example, the fight against transnational crime, including drug trafficking), which could be addressed via the promotion of Integrated Border Management initiatives. In the past, the EU has advanced several regional



frameworks through which the three South Caucasus states could address areas of interdependence. Either under the South Caucasus regional label, or under the wider Black Sea dimension, or even within the EaP, two fundamental obstacles remain in the way of thriving regional relations: the formats are deemed either too restrictive (i.e. the South Caucasus label), or too broad (i.e. including Russia and Turkey).

This demonstrates that each of the South Caucasus states has developed privileged regional structures through which they are happy to cooperate, deepening the fault lines across the region. Although it is rhetorically committed to strategic partnerships with both Armenia and Azerbaijan, Georgia has repeatedly disregarded the potential for greater cooperation with its neighbors, preferring instead to cooperate via frameworks that place it symbolically closer to the EU, namely the Wider Black Sea area. Georgian leaders perceive their country as part of the European family, but find themselves unable “to escape their South Caucasus neighborhood”.<sup>16</sup> Azerbaijan has clear strategic interests in developing regional cooperation around the Caspian Sea, avoiding frameworks where Armenia is also involved. On the other hand, Armenia continues to push for a South Caucasus regional approach, where it has a central position.

The main obstacle to the development

<sup>16</sup> Interview with Georgian official, Tbilisi, 10 May, 2011.

of regional relations in the South Caucasus remains the Nagorno-Karabakh conflict, which has long prevented Armenia and Azerbaijan from sitting around the same table on any other issue, contributing to the hypercharged character of the conflict.<sup>17</sup> However, this is a rather limited view of the level of interdependence of the region.<sup>18</sup> As illustrated by the war in Georgia in 2008, Azerbaijan’s energy security is not independent of regional events. The dynamics of the Nagorno-Karabakh peace-negotiations are also affected by the progress (or lack thereof) in Georgia’s conflicts. Finally, Georgia is extremely vulnerable in relation to the Nagorno-Karabakh developments, as well as on Armenian-Turkish relations. It stands to lose a great deal if conflict escalates (a “nightmare scenario” according to Georgian officials<sup>19</sup>) and also if Armenian-Turkish relations normalize without Georgia playing a key role in the process.<sup>20</sup>

The EaP’s multilateral tracks are conceptualized to circumvent the absence of bilateral and regional interaction, anchoring regional dialogue within the broader EaP family, through the EU. This process has two clear dimensions: on one hand it deepens these countries’ commit-

<sup>17</sup> Interview with senior EU diplomat, Yerevan, 12 May, 2011.

<sup>18</sup> Simão, Licinia and Freire, Maria Raquel (2008) “The EU’S Neighborhood Policy and the South Caucasus: Unfolding New Patterns of Cooperation”, *Caucasus Review of International Affairs*, 2(4) Autumn, pp. 225-239.

<sup>19</sup> Interview with Georgian officials, Tbilisi, 10-11 May, 2011.

<sup>20</sup> Interview with senior EU diplomat, Yerevan, 12 May, 2011.

ment to shared values, thus bringing the whole region closer to the EU; on the other hand it fosters a new identity for these states, gradually building on shared practices and interactions at different sectoral levels, such as trade facilitation, education, energy, foreign policy, etc.. These practices depend to a large extent on the ability of these structures to address the obstacles to regional cooperation, without being co-opted. The Euro-NEST Parliamentary Assembly, for instance, has been divided on whether or not the protracted conflicts should be on the agenda. The GUAM countries have pushed for this, while the other partners have been reluctant to do so, fearing that the whole process will be hijacked.<sup>21</sup> There is still a long way before these EU-based formats for regional cooperation can lead to a new shared identity among the Eastern neighbors, including in the South Caucasus. The EaP seems to focus more on the establishment of a shared community of practices,<sup>22</sup> from which a common understanding of regional realities can develop. By widening the participation in these formats to members of parliament, civil society and businesses, the EU can make a fundamental contribution to the democratization of these societies, through the empowerment of other actors – beyond the political elite.

<sup>21</sup> Navassardian, Boris (2011) presentation at the international seminar "The EU's Role in the South Caucasus. From Cooperation to Partnership through Reforms: Challenges and Opportunities", Yerevan, 12 May.

<sup>22</sup> Adler, Emanuel and Pouliot, Vincent (2011) "International Practices" *International Theory*, 3(1), pp. 1-36.

## Conclusion

With the Lisbon Treaty, the EU has taken an important step to redesign the institutional framework of its external relations. Although we might argue that there has been no fundamental shift towards a supranational approach to EU foreign policy, member states have nonetheless accepted important challenges to their sovereignty. This has gradually reinforced relations between the EU relations and its Eastern neighbors. Following the war in Georgia in 2008, some of the new member states pushed for a stronger EU engagement with the Eastern neighbors, in part as a response to Russian assertiveness in the "near abroad". This commitment has remained in place. With the entering into force of the Lisbon Treaty, on December 1<sup>st</sup>, 2009 and the appointment of the HR/VP along with the transference of the neighborhood dossier to the Enlargement Commissioner, the EU seems to be confirming the idea that in addition to its political commitment to its Eastern neighbors' peace and security, it may be looking to fully incorporate them in its institutional structures and reinforce the Commission's portfolio in close cooperation with conflict resolution and crisis management issues, managed by the HR/VP.

Expectations are certainly high in the South Caucasus. The EU is taking on a central role as regional security actor, especially in Georgia, and with the appointment of a new

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Special Representative for the South Caucasus<sup>23</sup> it reconfirms its full commitment to a regional approach to security. Regional cooperation is also more balanced in the multilateral platforms of the EaP, with other actors actively profiting and contributing to the establishment of shared practices, norms and values, among the neighbors and with the EU. Different stakeholders have now the opportunity to push for more inclusive forms of dialogue, although their interests often mirror those of the political elites to which they are linked. Differentiation is addressed at the bilateral level, where inter-state relations are dealt with. This is where the greatest benefits of European integration are being played out, including trade, visa policies and closer political relations with the EU. Although

the EU will most likely resist the connection between advances at the multilateral stage to advances at the bilateral level, there should be room for joint assessments of the overall performance of the neighbors. These assessments can serve as learning experiences, to be translated into commitment towards the consolidation of a shared area of responsibility and cooperation. Moreover, because conflict resolution en-

compasses both high-level political contacts as well as continuous work at the grass-roots level, along with clear regional dimension cross-cutting EU relations with the South Caucasus, these links must be consolidated, and guided by an overarching strategy for the region. This certainly has not been seen so far, but there is a great deal of expectation that the new post-Lisbon institutional structures, including the EEAS and the HR/VP, will gradually push all EU actors in a single direction.

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23 European Union (2011) "Statement by High Representative Catherine Ashton on the appointment of Philippe Lefort as EU Special Representative for the South Caucasus and the crisis in Georgia", A328/11, Brussels, 26 August.