Chess and Monopoly

Georgian and Armenian interest in participation in the European Neighborhood Policy

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Abstract

This paper deals with states that cooperate with international organizations without being a member. I study the theoretical implications of the fact that Georgia and Armenia have different reasons for being part of the European Neighborhood Policy. Georgia can be understood as playing chess, strategically positioning itself in relation to the Russian opponent. Armenia on the other hand seems to be playing Monopoly, as it primarily seeks to achieve economical benefits.

Two different theoretical approaches are tested on the cases to shed light on the question: Can a realist approach complement the external governance theory when it comes to explaining Georgian and Armenian motives for participating in the ENP?

Realist theory provides a perspective about security as motive for state action. The external governance approach focuses on sectoral interests, such as economic interest, as drivers in institutional integration. These two perspectives provide a background for the analysis which is structured around two hypotheses:

$H_1$: Armenian/Georgian policy toward the EU seeks support against foreign intervention. In the case of Georgia against Russia. In the case of Armenia against Azerbaijan.

$H_2$: Georgian/Armenian policy toward the EU is based on sectoral interests, in this case economic interests, resulting shared institutional values and interests between the EU and Georgia/Armenia.
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The responsibility for any omissions, errors or mistakes rests solely with the author.

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“I’d like to see any power of the world destroy this race, this small tribe of unimportant people, whose wars have all been fought and lost, whose structures have crumbled, literature is unread, music is unheard, and prayers are no more answered. Go ahead, destroy Armenia. See if you can do it. For when two of them meet anywhere in the world, see if they will not create a New Armenia.”

William Saroyan, 1936

“At the head of our misfortune is that we love to dance to other’s music.”

Konstantin Gamsakhurdia
1.0 Introduction

States are getting organized. The international system is bearing the mark of an ever increasing fauna of international organizations and institutions. Some of these organizations are destined for glory days and others for oblivion. The regional organizations of the west have become increasingly popular, and as the geopolitics of Europe changed dramatically after the collapse of the Soviet Union the main international organisations of the continent have changed as well. In a somewhat concerted effort the EU and NATO have admitted member-states formerly belonging to the Warsaw-pact and even from the Soviet Union itself. Even though the NATO-alliance is commonly perceived as the guarantor of safety and stability on the European continent, pundits also agree that the EU has played a major part in easing the transition to democracy and market economy for its new member states. Furthermore the EU has, by extending membership to these states, contributed to the peaceful resolution of conflicts that might otherwise have escalated into full-blown war.

The EU has come to the conclusion that it needs to adjust to the fact that it enlarged from 15 to 27 members from 2004 to 2007. Even though the Union is ready to accept new members in the future, and is involved in membership negotiations with several countries, it is not willing to offer the prospect of membership to all potential candidates just yet. That is one of the reasons it has developed an alternative approach to enlargement for countries that want closer relations with the EU. This new policy is called the European neighbourhood policy (ENP) is based on the EU Security Strategy from 2003, and offers an extended hand to the countries encircling it, in what is called the crescent of instability, stretching from the Finno-Russian border in the North, through the Black Sea region, the Middle East, all the way to the Strait of Gibraltar in the South West.

The ENP was developed to give the Union a tool to contribute in the construction of a stable and friendly neighbourhood, without offering full-fledged membership. Or as then President of the Commission, Romano Prodi, put it: “everything but institutions” (Prodi 2002). The enlargement fatigue of the Union made it necessary to formulate a policy which would actively encourage reform in a wide range of sectors, from market to judiciary, without the end goal of complete integration. The EU on its side offers financial support, market access and an easier visa regime for the citizens of the ENP countries. The ENP countries on the
other hand ideally develop into likeminded, stable democracies, which reduce the risks and threats in the immediate vicinity of the EU.

It seems natural for an organization like the EU to have the ambition to be able to shape and influence the developments in its neighbourhood, but what do the neighbouring states stand to gain from participating in a process like this? The policy goals of the ENP are loosely formulated and the end goal is to make the neighbour more similar to an EU state, adapting an approximated legislation but without becoming a member and thus be able to influence the formulation of that legislation. At a glance it seems as the partner state stands to lose the most, so there must be some benefit that attracts them in order to make a sacrifice of this kind. The subject of this paper is to understand what states wish to gain by joining such cooperation.

1.1 Research question

Studies of international relations have generated different theoretical approaches to interpret the actions of states and organizations. The purpose of this thesis is to analyse the theoretical ramifications of an anticipated difference between Armenia’s and Georgia’s interest in the ENP. Based on this assumption I have formulated the following research question:

*How can a realist approach complement the external governance theory when it comes to explaining Georgian and Armenian motives for participating in the ENP?*

1.2 The unit of study

The two theoretical approaches have different units of study. In realist theory the actor is the state. According to the external governance approach the unit of study is a system of rules and norms, as a consequence it focuses on processes of norm diffusion and policy transfer (Lavenex and Schimmelfennig 2009: 794). Given that it is government authorities that have conducted the negotiations and implements the policy I have limited the study to policies of the primary authority, namely the president, and its subsidiary the Ministry of Foreign Affairs.

There is an ongoing debate on the importance of the EU institutions in shaping EU’s foreign and security policy, both in the field of International Relations (Howorth 2007; Diez et al. 2008) and the institutional and organizational studies (Christiansen and Vanhoonacker 2008;
Cameron and Spence 2004). The purpose of this study is not to debate the role of the EU on the international stage and how its *sui generis* nature fits with the existing structures of international relations. It is rather a study of how states define their interest vis-à-vis the EU, understanding the EU as a unitary rational actor.

The crescent of instability encircling the European continent has become an area of increasing interest in the foreign policies of all the major powers, especially after 9/11 where the questions of porous borders and control with weapons of mass-destruction came in focus. By studying the ENP we also gain insight into how the EU is building capacity as a major foreign policy actor. Secondly, the ENP represents a holistic approach to security, something that distinguishes the EU from organisations such as NATO, OSCE and other regional organisations. And lastly, by focusing on Armenia and Georgia the imbalance in the relationship between the partners becomes clearer, in terms of differences in development of political institutions, territorial integrity and rule of law. By studying an on-going project one faces challenges both methodologically and theoretically. As a research paper it contributes to the understanding of a policy which is both a unilateral foreign policy, on behalf of the EU, and an attempt at regional integration. But it primarily contributes to an understanding of what small states seek to gain by participating in this cooperation.

The relationship between the EU and the two Caucasian republics are regulated through the Partnership and Cooperation Agreements (PCAs). These entered into force in 1999, but the ENP was established in 2004 and extended to the South Caucasus only in 2006. As a result this study is limited to the cooperation between the EU on one hand and Armenia and Georgia on the other in the period 2006-2010. The ENP represents an addition to already existent agreements on technical cooperation, such as TACIS¹, and the study is limited to the development and implementation of that policy.

The South Caucasus is as we will see a region torn between various larger regional powers. And in some cases the threat perceptions in the partnership countries are on an existential level. In Armenia and Georgia, Russia is the guarantor of Armenia’s external borders, and a threat to that of the Republic of Georgia.

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¹ Technical Assistance to the Commonwealth of Independent States, was established in 1991 as a foreign and technical assistance programme by the European Commission to help members of the Commonwealth of Independent States in their transition to democratic market-oriented economies.
The policy development process is seen as an effort of establishing a concerted EU response to a common challenge. And that common challenge is the security risks originating from weak or failing states, such as organized crime, human trafficking, illegal migration and terrorism. The goal of the Union is to reduce the gap in living standards between East and West and to contribute in building stable institutions, in order to increase government control over illegal activity and to decrease the migratory push-factors in the partner countries, and thus reduce the security risks.

In this complex region, where other regional powers compete, where the security threats to the neighbouring states are tangible, the EU needs to develop a policy which seeks to ease tensions and indirectly resolve conflicts. And this policy must appeal to partner states, not simply as reform without membership. If these states are to cooperate, they must feel tangible results.

External factors that come into consideration are the threats emanating from the neighbourhood due to weak institutions, instability as a consequence of the dissolution of the Soviet Union and unresolved conflicts. Another explanatory factor is the growing assertiveness of Russia, that has been working to increase its influence in what it calls the ‘near abroad’. These factors combined constitute the background that has laid down the grounds for a renewed approach to the Eastern and Southern neighbourhood.

By offering a number of incentives the EU wishes to encourage economic development, stability and democratic reform. The ENP is a reciprocal policy which offers greater integration if the partner country fulfills its obligations, but there’s a natural asymmetry in the relation, as the EU represents a much larger market and power than the partners. Furthermore, the lack of conditionality reduces the possible incentives, or scope of punitive action on behalf of the EU. So the ENP apply so-called ‘conditionality-lite’ (Sasse 2008: 296) and this paper argues that this work to a certain extent responds to European values in Armenia and Georgia. The EU also represents an alternative security provider for Georgia, whereas Armenia to a larger extent is concerned with achieving economic goals by participating in this process.
1.3 Theoretical and methodological approach

This paper explores two different theoretical approaches to understanding why states cooperate. Realist theory provides a focus on external balancing. As an answer to territorial threats states join alliances to protect themselves. Based on the concepts of statism, survival and self-help I develop expectations to the empirical findings. Security and the motive of survival is the main motive for entering into cooperative regimes.

The theory of external governance chooses instead to study the institutional links across the borders as a process of Europeanization and an “external projection of internal solutions” (Lavenex 2004:695) from the EU point of view. In contrast to, for instance, constructivists that have understood European integration as a transformative power that has an impact on and shapes agents’ identity, and subsequently their interests and behaviour (Christiansen et al. 2001: 529), the external governance perspective reflects how the partner state responds to institutional interest based on a model of regionalism, a neo-liberal economic model, constitutional norms and institutional identity. This is based in part on Schimmelfennig (2007) and Schimmelfennig and Scholtz’ (2008) work on efficient promotion of democracy in non EU-member states, especially the role of sectoral interests as drivers. Partner states are persuaded to adopt EU rules when they are considered legitimate and they themselves identify with them. This paper present an adaptation of this theory to understand how these shared values influence preferences in non-member states.

With these different approaches to what shapes actors preferences a qualitative methodological approach is applied to answer the research question. In order to get a better understanding of what states seek to gain from participation in the ENP it is necessary to look at the founding documents in the agreement, the progress made and to get a sense of how the actors present their interests. Because of that the methodological framework consists of a comparative case study of Armenia and Georgia based on interviews and text analysis.

The content of the policy is naturally limited by the competence the member states are willing to give to the Union’s institutions, but it is the Commission and the Council that are the actors in the Common Foreign and Security Policy. As a result the documents in the study are all EU documents and interviews are conducted with Commission staff. Since I have also chosen to take a sectoral approach to the study, as well as a statist one, sources come from both the bureaucracy and the political level, as well as from civic society.
Limiting the object of study to the ENP is in itself a challenge, because it is not only a security policy or a democratization process, it is also i.e. a trade policy. By examining the aspects of security and economic development, contrasts between the interests of the two states become clearer. Furthermore, these two sectors can provide a clear link to the theoretical approaches.

1.4 Demarcations in time and space and clarification of concepts

It’s necessary to make a clear distinction between the object of study and its surroundings. This paper seeks to explain events occurring within a limited time and space. The first EU-Armenia and EU-Georgia Partnership and Cooperation Agreements (PCAs) were concluded in 1996, and entered into force in 1999, but the ENP as such is not developed to include these countries until 2004, when the country reports are concluded. So the temporal limitation of this paper is set by the decision to include both Armenia and Georgia.

The decision to limit the geographical scope to these countries is based on the fact that there are significant similarities between them. They are, for instance, both relatively small countries, heavily dependent on remittances and foreign will to invest, in transition to democracy after the disintegration of the USSR and they face security threats perceived to be existential in nature. It is interesting to look at both Armenia and Georgia, since they face different existential threats. At the time of entering into this agreement they were also both facing the challenges of frozen conflicts; in Armenia the territorial dispute over Nagorno Karabakh and in Georgia the breakaway republics of South Ossetia and Abkhazia. Furthermore these two countries were of relatively equal importance, or irrelevance, to the EU. I have chosen to omit Azerbaijan from this study based on the fact that it is comparatively of much greater interest to the EU, based on its extensive energy resources. Furthermore, this territorial limitation allows for a more in-depth study of the developments in countries entering into the ENP, and by studying two cases one can examine if there are differences between them.
1.5 Structure

The paper is organized in the following manner. After this introductory chapter follows a chapter that elaborates the two theoretical approaches alluded to in the introduction. The next chapter looks into the methodological challenges posed by conducting a theoretical case study, using both document analysis and interviews. The fourth chapter presents a brief background of the developments in Armenia and Georgia that affect and shape relations to the EU, and a presentation of the other regional power interests in the South Caucasus. The fifth chapter presents an analysis of the collected data. And the final chapter is dedicated to concluding remarks.
2 Theoretical framework

In this chapter I present two theoretical approaches, realism and external governance, which will inform the forthcoming analysis by suggesting two distinct and plausible, yet competing, explanations of the data. According to Hollis and Smith (1990:1) international relations can be studied by two different approaches. One way is to study an event from the “outside”, and to look for causality. The other way is by getting a grasp of the situation from the “inside”, and the idea is to gain an understanding of the situation, not necessarily by pointing to causal relations. Theory is used to interpret the situation, not as an explanation. In this study the case is used to evaluate which theory gives a more fruitful interpretation of developments. Since the ENP represents a comprehensive approach to the governance of neighbourly relations, I have for analytical purposes chosen to explore to which extent security and marked concerns are significant factors.

Social science studies are studies of variation. In this study I utilize different models explaining why states choose to cooperate. On one hand, state interaction is hallmarked by power rivalry and concerns for the state’s survival, existential threats, such as occupation by a large neighboring power. On the other hand, states often identify interdependence and mutual interest. Although the spectrum of perspectives for the study of state cooperation is wide, I have chosen two perspectives that give different accounts of the driving force behind cooperation. First I will present a realist approach to cooperative regimes, and then I will present the institutionalist external governance approach. Finally I will present hypotheses based on these different approaches. These hypotheses model provides the structure for the analysis of the empirical data in the fifth chapter.

2.1 Realism

Instead of pursuing the ideas of a single realist, such as Morgenthau or Mearsheimer, I will in the following present an integrated synthesis of realist ideas in the field of international relations. By presenting the core principles of realism, instead of my adaptation and understanding of one person’s ideas, I get a stringent but still flexible version of the realist argument. As there is no realist equivalent to the external governance model developed by Lavenex and Schimmelfennig, I need to create a similar explanatory model based on a realist account of a cooperative regime.
The reason I have chosen to include realist theory in this study is Legro and Moravcsik’s (1999: 6) reference to Waltz and Morgenthau that:

“Viewed realism as the bulwark against claims about the autonomous influence of democracy, ideology, economic integration, law, and institutions on world politics”.

It seems as if realist theory provides a counter-balance to the external governance theory. Focusing on the main principles of realist theory will give an understanding of the conditions that must be met in order for states to cooperate. First we need to identify the actors, then the goal of the actor’s actions and finally the strategy for achieving that goal. Only when these elements are in place can we deduct expectations and test them empirically. The following is largely based on a synthesis made by Dunne and Schmidt (2001: 150-159), who sum up the three elements as statism, survival and self-help, and a reading of Waltz (1979).

2.1.1 Statism

In realist theory the main actor is the state. A state’s distinguishing trait is sovereignty, based on the Weberian ideal type stating that it has “monopoly of the legitimate use of violence within a given territory” (in Mann 1986). As a consequence a state is the only entity that can make and enforce laws. This idea can be traced back to Hobbes’ contract theory in Leviathan claiming that individuals trade their liberty for a guarantee of security. Order and stability, and perhaps even the development of civil society come only after authority is ceded to the state. The essence of the state is power and community is based on individual acceptance of state supremacy.

This interpretation of the organization of society domestically has implications for the international system as well. The external environment of the state is insecure and threatening since there is no established authority above states. The international system is anarchic in its nature, and the lack of a sovereign creates a competitive environment summed up by a zero-sum game – if someone gains another loses. This is not a very fruitful backdrop for cooperation, but it describes conditions where a state would find cooperation a viable alternative. A state would only cooperate when it is in its security interest, and interest is to enhance prospects for survival.
2.1.2 Survival

If international politics’ primary characteristic is anarchy, then states’ primary goal is survival. States seek power to ensure their own survival, but as Waltz states “beyond the survival motive, the aims of states may be endlessly varied” (1979: 91). It follows that in a hierarchy of state priorities security is the most important. There is a distinction between offensive and defensive realists. The former claiming that the ultimate goal is to achieve a hegemonic position, whilst the latter claim that states are unwilling to jeopardize the appropriate amount of security in order to gain power.

From this logic we assume that there is no community beyond borders. The extension of values and principles is the imposition of one state’s principles on another. All harmonization of legislation and cooperation on democratic development becomes part of an extended strategy for the survival of the dominant power. The state that adjusts to these changes does so to avoid complete submission and the imposition of the dominant state’s rule. This remains a simplification, but it illustrates the underlying logic in realist explanations of why states interact.

2.1.3 Self-help

The fundamental structure of the international system makes it difficult, though not impossible, to rely on other states to guarantee your survival. Since there is no global government states are facing an everlasting condition of uncertainty. The only entity that can provide security is the state itself. This opens up for a security dilemma, as the security of one state leads to the insecurity of another. Coexistence is achieved by balancing power among nations, this opens up for cooperation as several states have coinciding interest in balancing greater powers.

Individual states can increase their power both by participating in international regimes that establish norms and rules where the cost of defection is higher than the cost of compliance, and by balancing geopolitical interests of great powers internally. Waltz (1979: 105) formulates the state logic for cooperation in the following way:

“When faced with the possibility of cooperating for mutual gain, states that feel insecure must ask how the gain will be divided. They are compelled to ask not ‘Will both of us gain?’ but ‘Who will gain more?’”.
Cooperative regimes are established only when states feel the profit is relative.

There are various strategies available to small states facing a larger power. One of these is *bandwagoning*, this occurs when a relatively weak state decides that the cost of opposing a stronger power is larger than the benefits. The stronger power will sometimes give incentives; prospects of territorial gain, trade agreements, or protection, to convince the weaker state to join it.

Realism predicts that states rarely bandwagon. When there is no possibility of balancing power through a coalition or geography makes balancing challenging (for instance if the state is surrounded by enemies). This strategy is considered dangerous because it allows a rival state to gain power.

Another strategy is *hegemonic cooperation*, that is to cede autonomy in a trade for security guaranteed by a hegemon. The smaller states commit to the larger state and lose partial independence. It is a strategy where the smaller states hope to be freeriding that is to receive the benefits without contributing when the hegemon is challenged. NATO is often thought of as an example of this type of cooperation regime.

### 2.1.4 Realist expectations

On the basis of these principles it is clear that some fundamental conditions must be met in order for states to cooperate. First we need to identify the states’ interest, or what power could be gained from participating in cooperation with the EU, which is the case in this study. Then we need to analyze in what way this contributes to the security of the state. Finally we must understand the relative gain, in relation to whom and how? The operationalization of these theoretical concepts presents several challenges. Defining power is the topic of an unsettled debate in political science, so in this study we shall be confined to the study of state pursuit of interest.

The primary interests are survival and security, followed by economic growth and wealth. The economic benefits of closer ties to the EU seem self-explanatory, as it represents a huge market and one of the largest trading partners of both Armenia and Georgia. There’s a greater challenge in determining the security benefits of EU cooperation. The EU is no defense alliance, but it has been developing a common foreign and security policy since 1992.
Furthermore the EU represents no threat since it has no army, so it must act as a provider of security. As a consequence we must look for aspects in the cooperation agreements that establish security liaisons between Armenia and Georgia on one hand and the EU on the other. In doing so we must also identify the primary security concerns of both states, which provide the basis for an understanding of how the agreement contributes to the states’ survival. Finally we must look at the potential rivals of the states. In what manner is there a relative gain involved in the process? Any relation between the EU and a state will be founded on unequal terms, since the EU is a relatively powerful organization compared to all the other partner states in the ENP. This means that the gain can not be relative in the relation between the EU and the state, but in relation to rivalling states.

In order to establish the relevance of this power-based approach we must observe statements and policies following this logic. The expectations to the data is that insecure states will seek to enhance the security aspect of the EU relation, and secure states will to a greater extent advance the economic agenda as well as other policy issues that are in the states’ interest. Then we must further expect that the needs of the state will vary accordingly. Finally we will have to observe the state’s competitive advances. It can take the form of prestige or real financial or security gains in comparison with rivals. Cooperation and compliance to obtain economic gain can conceal the factor that states comply in order to be part of a network that can enhance their chance of survival. It could be an indirect strategy to obtain something else.

2.2 External governance

Institutionalist approaches to international relations focus amongst other things on the formation of institutions. The central question in this respect is why sovereign states agree to establish international institutions. Oran Young (1989: 32) defines institutions as “social practices consisting of easily recognized roles coupled with clusters of rules or conventions governing relations among the occupants of these roles.” Institutions may sometimes involve organizations, which are understood as “material entities possessing physical locations (or seats), offices, personnel, equipment, and budgets.”

The ENP represents an institutionalization of relations between the EU and non-member states. In the following I will present some key elements of a string of institutionalism called external governance in order to provide a basic framework for analysis of Armenian and
Georgian participation in the ENP. Governance refers to institutionalized forms of coordinated action that aim at the production of collectively binding agreements (Lavenex & Schimmelfennig 2009: 795). External governance in this case takes place when parts of the *aquis communautaire* are extended to non-member states (Lavenex 2004). Such an analysis centres around three sets of factors; institutions, power and domestic structure (Lavenex & Schimmelfennig 2009: 792). When these factors have been explored we’ll have to look at conditions under which the governance approach is effective. We need to understand both why and when states decide to cooperate. If this theory is to be proven to be more fruitful we must be able to identify sectoral interests, such as economical interests as the most important driver, in opposition to pursuit of security.

2.2.1 Institutions

Participation in institutions can be decided by many different criteria. One overarching principle is interest-based. Other selection criteria can be geographic location, history or economy. In Young’s definition rules and conventions play an essential role in making an institution. All the participants must share them, and they are usually grounded in common values and norms. These are all fundamental elements in what constitutes identity. So when you are part of an institution, you share part of the same identity.

When speaking about sharing values in the study of the EU, one often comes across the term Europeanization that refers to spreading and the internalization of EU values. There is an external effect of creating strong internal norms, such as competition rules in EU’s internal market. Exporting countries must comply with these rules even though they are formally outside. The point of departure for a governance analysis is the system of rules (Lavenex & Schimmelfennig 2009: 795). Understanding the criteria and rules for participation is important, because any self-identification by the participating state facilitates the internalization or further expansion of the set of rules.
2.2.2 Power

The organizational form of the cooperation reveals the power structures. The most structured one is a hierarchical relation, as it implies an asymmetrical relation between the ‘ruler’ and the ‘ruled’. It is a formalized relationship, which in a modern state is exercised by the state.

Networked governance signifies a relationship where all parties are equal. Despite power asymmetry institutional arrangements gives everyone the same rights and obligations. This means that no party may bind any other to measures without consent. Networks produce less binding instruments than legislation, and are based on mutual agreement. The literature also refers to networks as ‘negotiation systems’ in which conflicts of interest are not solved with laws and jurisdiction but through negotiations and voluntary agreements on the basis of arguing or bargaining (Lavenex & Schimmelfennig 2009: 798). These networked institutions are located not only on macro-level, but also in sectoral levels where internal EU networks have been extended to include representatives from the outside.

A market represents the third type of institutional model. In a market competition between formally autonomous actors produces the outcome. The actors are again formally equal, and the institutions are loosely organized and informal (Lavenex & Schimmelfennig 2009: 800). Markets are institutionalized forms of political market interaction. EU presence can sometimes produce an impact in political processes through the dynamics of regulatory approximation through competition. Lavenex and Schimmelfennig (ibid.: 799) mention the application of the principle of mutual recognition in the Single Market:

“mutual recognition unleashes a regulatory dynamic in which, owing to consumers’ demand, the most competitive products and services prevail”.

The production and service standards lead to a voluntary approximation of legal standards.

2.2.3 Domestic structure

The final element that the external governance theory scrutinizes is the domestic structure.

We find both external and internal factors that contribute to shaping these structures. International negotiations and agreements constitute the external factor, and domestic legislation and political and administrative practice constitute the internal factors. International standards and rules, such as those provided by the UN or other states like the US
or Russia, constitute a competitive environment. In the relation between the EU and a third-country it cannot be taken for granted that EU rules dominate the negotiations. If they do so we must also see to what extent these rules are reflected and adopted in national legislation. Finally adopted rules must come into political practice and be applied. Only then can we say that EU rules are effectively institutionalized.

2.2.4 Expectations to external governance

The external governance theory outlines a template for analyzing the conditions under which an international regime, in this case EU practices and rules, is made effective. And the assumption made is that only when externalized practices are internalized the state has effectively complied and is cooperating. We need to understand the competing interests and alternatives for the states in order to identify which type of practice sets the standard.

First I will identify the institutional surroundings in which the states may participate. Since institutions are founded on norms and values this is something they will have to share, and ultimately will have to identify with. Since the ENP is an EU-policy we will have to explore their attachment to a European identity. This can be expressed in many ways, and in this study we’ll settle for symbolic action or proclamatory statements. Any expression of European identity indicates a common system of values, and we expect to find that both Armenians and Georgians share this identity.

Secondly we’ll observe the power structure of the cooperation mechanisms. According to the external governance theory there are three different structures that can be identified; hierarchy, network and market. Since there’s no conditionality involved, such as in the enlargement processes, we expect there to be little hierarchical structures in place. The preferred mode of cooperation should be the network type, as this is supposed to give higher effect.

Finally the domestic structure will give an indication as to how the cooperation is made effective. Actual changes in legislation will provide an indication pertaining to the real consequences of cooperation, but the strongest evidence would be to observe altered political practice. Traces of this can be found both in the process documents and in subjective opinion. All of the above can be summed up as a participatory, horizontal and process-oriented approach to cooperation, based on a suggestion that economic integration is the key driver.
2.3 Challenges

In the following I discuss elements that must be taken into consideration when applying a theoretical framework. Other questions related to causality, reliability and validity are dealt with in the chapter addressing methodological challenges.

The two theoretical approaches highlight different explanatory factors as roots of international cooperation. In order to illustrate the main differences I have chosen to examine two different policy areas within the ENP, namely market issues and security affairs. These areas represent dissimilar interests and sectors. Secondly, they epitomize the varying logic between the two theories. Market adaptation is closely linked to the sectoral interests that the external governance theory emphasizes, whilst issues pertaining to security policy are closely linked to the realist approach.

Understanding the root cause of a decision or an actor’s motives poses serious challenges for a researcher. The first challenge is related to measurement. It is possible to gain insight through examination of outcomes of decisions. That presents us with challenges in distinguishing between intended consequences and unintended consequences.\(^2\) When possible we can refer to predating strategies for an overview of the intentions behind actions and we can consult with the relevant actors that implement and shape actions.

Another challenge relates to rationalization. When confronting actors with the consequences of actions, intended or unintended, the actor will be tempted to construct a rational argument in order to keep up appearances. The researcher might also be tempted to analyze data according to a stringent argument. In this study there is no agenda in either theoretical direction, and respondents are understood as having the best intentions. Resulting from that, everything is taken at “face value”.

Furthermore these theoretical approaches presents a challenge related to actorness. By the term actorness we refer to the judgment by third actors, such as the US, pertaining to the EU’s ability to achieve results with its foreign policy (Gebhard 2007). Since the EU is in the process of establishing a credible foreign policy it might be tempted to create extensive foreign policy tools only in name and no to really address the appropriate issues, in order to

\(^2\)For a discussion on intended and unintended consequences of conduct see Merton (1936).
be taken seriously.\textsuperscript{3} By examining the partner countries’ assessments of the relevance of the ENP one can avoid consideration of potential exaggerations of results resulting from the process, thus refraining from making conclusions based on one-sided information.

Finally, there is a challenge related to the analytical level of the aforementioned theories. Realist theory presupposes a rational unitary actor model with the state as the relevant actor. The external governance theory focuses on institutions or sectors as the main actors. It is difficult to determine what entity an actor represents. Decisions are made at different levels, even though the states in this study are relatively centralized states, we cannot exclude the influence of non-state actors, such as powerful oligarchs. But given that the ENP is based on EU third-state relations it appears most appropriate to study state actors.

2.4 Hypotheses

Having briefly explored the theoretical approaches and the resulting expectations I here present the relation between the two theories and the policy areas I study within the ENP.

The EU is first and foremost a powerful economic market. As a consequence it is important for non-member states to have access to this market. From an external governance point of view this provides strong incentives for neighboring states to comply with EU-standards and legislation. From a Realist point of view it is a question of second degree, because the primary interest is to augment state security in a hostile environment.

The first hypothesis is derived from the security-oriented focus of the realist school, and the expectation that security is the first priority in the foreign policy of Georgia and Armenia:

\( H_1: \) Armenian/Georgian policy toward the EU seeks support against foreign intervention. In the case of Georgia against Russia. In the case of Armenia against Azerbaijan.

Empirically investigating the first hypothesis, I will study if the actions of the governments of Armenia, through political statements and in the ENP documents mention the external threats. The Action Plans and the Progress Reports constitute part of the empirical material. The interview data also provide key information to the analysis of \( H_1 \)’s credibility.

\textsuperscript{3} I do not debate the question of \textit{appropriate human action}, addressed by March and Olsen (2004), which focuses mainly on the course of individual action and the act of taking choices. The analysis rather evaluates the relevance of the ENP in addressing state’s concerns.
The second hypothesis is based on expectations derived from the External Governance approach, emphasizing common institutional bonds and values as a potential source of foreign policy:

\[ H_2: \text{Georgian/Armenian policy toward the EU is based on sectoral interests, in this case economic interests, resulting shared institutional values and interests between the EU and Georgia/Armenia.} \]

The same EU documents are used to map the foreign policy intentions of the Georgia/Armenia in the economic sector. The data collection for this paper has its limits so I focus primarily on the trade with goods between the Georgia/Armenia and the EU. I focus mainly on the institutions that have the closest contact with the EU through the ENP process, in this case the Ministries of Foreign Affairs of Georgia and Armenia. The main emphasis lies on interest in developing export relations and fulfillment of integration to the EU’s Internal Market. Some news articles and data from the interviews are central to the analysis of the plausibility of H2.

Whereas the security aspect is one among many in the external governance perspective, it is the most important factor to realists. A summary of the different perspectives and the expectations is presented in Table I.

Table I

|                      | Market                                             | Security                                                       |
|----------------------|----------------------------------------------------|                                                               |
| Realist              | Commercial interests are secondary to security interests in a state’s priorities | Entering into agreements with superior powers provides security guarantees, overruling the need for sovereignty |
| External Governance  | Common interest and identity lead to converging standards in the third country and increased interaction | Rules and norms of behaviour limit potential for aggression when all partners participate |
3 Research design

Aimed with the competing theories sketched out in the previous chapter, I here turn to the methodological design challenges encountered in this case study. The research design is a plan for a study, and contains four analytical components; a research question, theory, data and the use of data (King et al. 1994:13). These components will be applied to this case study, based on the research question and the theoretical approach. I have both conducted 12 interviews and done document analysis. Here I account for the validity and reliability of the data, and the potential for generalisation of the relations between the variables.

Those subscribe to the realist approach to science (Malnes 2002:134), also labelled critical realism (Lund 2005:118), claim that it is possible, though difficult, to generate objective and certain knowledge about the world. Social phenomena are often complex, so greater uncertainty is attached to these than to those originating from natural sciences. A realist will anyway claim that a statement about social reality to a certain degree corresponds to this reality. Resulting from this we can conclude that there are strict criteria about validity related to scientific conclusions (King et al. 1994:6-7, Lund 2005:116). The realist approach is the philosophical backdrop in this paper, and thus the criteria of validity are the focal point of this chapter. Realists tend to follow the ideal that scientific activity should be directed at falsification of theory. Therefore, I will also discuss the use of theory in this case study.

According to Yin (2003:19) a case study with an explanatory and generalizing ambition must satisfy the criteria of concept validity, data validity, internal and external validity. In addition the methods for data collection must be trustworthy, so that the data meets the demands of reliability. This study is here confronted with the following questions:

1. What are the implications of Yin’s criteria for drawing conclusions for my study?

2. Have I taken the proper methodological considerations to satisfy these demands?

3. Are there different considerations to make in a case study, compared to quantitative research?
3.1 Operationalization

Having chosen the topic for this study, the availability of data created natural restraints on the research design. The case study design shapes how existing theory is applied. Through the use of theory researchers can, on one hand, access a tool to structure and explain variations in empirical material. On the other hand, critical testing of theory on new empirical material can strengthen or weaken its credibility. Finally a case study can test the potential limits of generalisation of existing theory.

Andersen (2003:35), inspired by Yin, distinguishes between a-theoretical, theoretically interpretive, concept developing, generating hypotheses and testing hypotheses. A-theoretical case studies are loosely, if at all, connected to existing theory. The purpose of such studies is to explore the empirical variations in a case without prejudice and theoretical influence. This presents the researcher with a challenge, since there are no guidelines for what to look for when examining a case. So, in principle, all observations become relevant. Theoretically interpretive case studies have a stronger tie to existing theory. One relies more strongly on theoretical knowledge in order to interpret empirical variation in a case. The motive behind such studies is to gain deeper insight into a particular case, or to solve a specific problem, rather than to contribute to a general understanding of a phenomenon. This is what some refer to as applied science (Andersen 2003:69; Hellevik 1999:84).

Case studies can be used to test hypotheses about causality when researchers are firmly grounded in established theory (Andersen 2003:69). This study falls under the category of a hypotheses testing case study. One of the advantages of this design is its ability to generate insight of a general character (ibid:84). Yin (2003:38) points to the fact that established theory is a necessary tool if you want to generalize based on a case study. It is possible to obtain analytical control through theoretically guided selection end examination.

In developing my case I faced difficult choices related to which design I should choose. Initially an a-theoretical case seemed alluring, as there, to my knowledge, was no existent literature and thus no theory on this field. After some time I realized that I’d have to rely on theory developed in related fields in order to provide me with a structure and adequate guidelines for what to look for. Interpreting will and ability to reform sectors as distinct as market economy and democratic governance made it evident that I needed theories that were holistic in character. Since I’m not developing the case based on one concrete problem, a
theoretically testing case design did not seem possible, since I also had to take into account
the limited availability of case specific theory. This led me to conclude that a hypotheses
testing case design would be more apt for this study. By developing hypotheses based on
competing theories I gain insight into opposing explanations to the phenomena under
examination. On the one hand I have realist, power based, theory, which is well established
and on the other a theory of external governance, derived from institutionalism. Realist theory
in the study of IR gives a reasonable explanation to why the EU would be interested in
influencing countries in the South Caucasus, but what conditions must be in place for these
states to be dictated by a foreign power without gaining influence? This is a challenge to
existing theory, and therefore my case is interesting.

The theory is relevant to the case, and it represents a critical test of it. Furthermore the case
represents an opportunity to generalize, as many other states are part of the ENP processes.
Based on these arguments, I define my study as a hypotheses testing case study.

3.2 Research question and theory based hypotheses

The theories of external governance and IR Realism are the basis of this paper, and in the
following I will briefly defend the choice of theory, the research question and the hypotheses. 

When developing theory one should, according to King et al. (1994:19-20), follow these three
advices:

1. Choose a theory that might be wrong. More can be learned from erroneous theory than
those that are so broadly stated that they seem infallible.

2. Make sure the theory is falsifiable. The theory should have as many observable
implications as possible. This will on one hand expose it to many tests, but will on the other
hand potentially provide strong evidence in its support.

3. Be concrete when formulating theory. Vague formulations and lack of precision only create
confusion.

This advice corresponds with the scientific ideal presented initially.

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4 Realist theory is well established in the study of IR, so here I focus on external governance theory which is
relatively new.
Lavenex and Schimmelfennig (2009) represent a new approach to understanding EU external governance. The theory traces its roots to institutionalist theory. I have also made a theoretical framework based on realism. In this study I test which one of these theories provides the most fruitful interpretation the Armenian and Georgian decision to be part of the ENP process. The institutionalist approach focuses on processes of norm diffusion and policy transfer, not the unified state actor models of traditional foreign policy studies.

The unit of analysis becomes the system of rules, and addresses the “external dimension of integration and hence adopts a sectoral optic on norms, policies ands regulation and their external dimension” (2009: 795).

According to this approach norms are diffused in external institutions, and in that manner change the procedures and behaviour of non-member states. This influences the foundation of identity and is internalised as habit. By so doing opposition to externally influenced change is reduced. So if the theory is correct the ENP process will be perceived as a positive contribution in harmony with European and self identity. Furthermore, it will eventually result in the existence of a common system of rules beyond the EU borders and its formal competences. Finally it creates a co-operative regime, with horizontal and inclusive structures of governance.

The two countries are in the midst of the ENP process. If the institutionalist external governance approach is to be the most fruitful, it should be able to explain the reasons for which Armenia and Georgia take part in the process, and are willing to reform. That leaves me with the following research question: How can a realist approach complement the external governance theory when it comes to explaining Georgian and Armenian motives for participating in the ENP?

In order to test the theory I deduct hypotheses that can be tested empirically. In theory there are many arguments (true or false) pertaining to causality. They can be part of the basis for deductive reasoning. From this reasoning we can construe empirical statements or hypotheses to be tested on a case (Stinchombe 1968:16). Here one hypothesis is that:

Georgian/Armenian policy toward the EU is based on sectoral interests, in this case economic interests, resulting shared institutional values and interests between the EU and Georgia/Armenia.
The hypothesis has to be formulated as boldly as possible for the study to be considered an honest attempt at falsification of theory. The empirical material will show which of the theories that is strengthened, but the result might also leave room for methodological interpretation. Methodological interpretation makes it evident that hypotheses must be boldly formulated.

### 3.1.1 Reliability and construct and data validity

Institutional theory relies on abstract terminology and statements about how these terms relate to each other. The challenge for me was that this terminology cannot be measured directly (Adcock and Collier 2001:531). When going from a theoretical approach to an empirical one, the theoretical definitions of relevant terms will in most cases not provide a clear indication as to what should be observed. “Diffusion of norms” is an abstract term that cannot be directly observed, so it needs an operational definition. This definition indicates what procedures you must follow in order to categorize an empirical phenomenon (Hellevik 1999:50). When making conclusions in research it is important that the operational and theoretical terms coincide, thus adding construct validity.

One way of operationalizing diffusion of norms is to look closer at legislation. This is more observable, but needs further specification. First of all we need to define what part of the legislation. Should it be all legislative changes, or only core elements of sector specific legislation? Then again, norms are not only spread through laws, they must also be identified in altered behaviour, so how to measure results of legislation? The sum of the answers to these questions will decide whether or not it is a good operationalization of the term. By using different kinds of data from varied sources we can achieve data triangulation that strengthens the validity (Yin 2003:97-99; Checkel 2003:2). Through triangulation one is able to measure the occurrence of the same phenomenon in different ways. In this study I use data both from interviews and official documents.

Construct validity is one of the preconditions for data validity. The criteria for data validity are met when the data material in a study is apt at answering the research question (Hellevik 1999:52). The other precondition is reliability, which relates to precision in data collection and treatment. If you conduct the same study, under the same conditions, with the same operational definitions you should be able to reproduce equivalent results. In my case it
relates to the interviews I conducted and the questions I posed. It is also relevant in the interpretation and understanding of the official documents.

The operational definition at the basis of my questions should be precise. As my interviews were semi-structured there is a great potential for irregularity. In order to get insight into thought processes and motives the open questions provides more validity, but reduces the reliability. The questions were formulated in a way that reduces the potential for non-systematic measuring errors. The respondents would most likely answer the same question in the same manner at a later time and they would understand the questions in the same way.

Having reliable measuring tools is a necessary but not adequate precondition for data validity. If the data doesn’t correspond with the research question the reliability provides little comfort for the researcher. The criteria for reliability and construct validity might come in opposition to each other, for instance when posing extremely precise questions, that leave little room for interpretation, the value of the question is reduced and will only relate to purely objective matters. In my case subjective opinion is of greater value, and I avoid systematic measuring errors because of the flexibility of the interview template. I have room to divert from the standard format whenever necessary to formulate questions that will aid the respondent to express his/her opinion.

Since I have conducted interviews in different languages (English and Armenian) the precision level is decreased, but the respondent’s understanding is increased. Conducting interviews in Armenian, the respondent’s mother tongue, gives him/her greater liberties, and removes inhibitions one might have in speaking a foreign language. Furthermore it creates a sense of common cultural understanding between the interviewer and the interviewee.

The respondents were selected on the basis of their relation to the implementation process of the ENP. I wanted to hear the opinions of all the different levels, ranging from the political and the bureaucratic to civil society. I also wanted to get an impression of the EU’s point of view, and thus conducted interviews both with EU representatives stationed in Armenia and Georgia, and in Brussels. The point was not to conduct as many interviews as possible, but to get the opinion of those closest to the process.
3.1.2 Is there causality and internal validity?

Internal validity is relevant when you make statements about causal relationships between variables (Yin 2003:36). There are two core problems threatening the internal validity of causal conclusions, the problem of direction and the so-called third variable problem. The problem of direction relates to the direction of the causal relationship between the variables. Does a change in variable x lead to a change in y, or is it the other way around? In my case it is probable that for instance change in the ENP might lead to a change in norms, i.e. legislation and policy, but a changed policy might also lead to changes in the ENP, since it is a bilateral agreement between national government and the EU. So a setback in European standards in national legislation or policy could have a negative effect on the relationship to the EU. It would strengthen power based theories if the phenomenon I am looking to observe, resulted in a more nationalistic approach to the ENP. One might say that the problem of direction does not apply to this case. A more systematic approach to the resolution of this problem would imply data collection at different time intervals and comparison of this data (Skog 1998:70). Limited data availability limits the potential for a comparison over time, so I am obliged to make this a study with a limited time scope.

The third variable problem can sometimes cause greater difficulties. This problem relates to the fact that there is an infinite mass of other potentially causal relationships, so variable z can make a presumed causal relationship between x and y spurious. You can only control the causal relationship between x and y through making the z variables constant (Smelser 1973:64). Since I am operating with only one unit in my study I cannot perform statistical control, which is based on few variables and many units. Yin (2003:113) suggests some analytical strategies to provide internal validity. Firstly this can be achieved through making theoretical assumptions deduced from theory, since the theory contains presumptions about causal empirical relationships.

Secondly, and even more relevant to this study, is to actively seek, define and test alternative explanations. The empirical material can be interpreted in many ways, and by providing rival explanations you strengthen the internal validity (Stinchcombe 1968:118). In this study it is done by testing a rival theoretical explanation, and through testing on two different cases.
3.3 Is there potential for generalization? Testing external validity.

The ENP process involves 14 other countries outside this study. One challenge is to provide insights that can be applied to these other countries, or, as Andersen (2003:10) puts it, to identify regular occurrences despite unique variation. For my conclusions to have general value, they need to comply with the criteria for external validity.

There are two types of generalizations, both statistical and analytical. Working with case studies it’s important to understand the differences between these (Yin 2003:32). A statistical generalisation is founded on statistical selection criteria. If the selected units in a study are representative of a larger population, the conclusions can be generalized for the whole population. Since case studies usually have very few units, statistical generalization makes no sense.

Generalization on the basis of case studies therefore relies on analytical generalization, which is related to the use of theory in a study (Yin 2003:38). Well established theory can be considered a generalization based on earlier observations (Andersen 2003:85-86), and thus link case studies and make them comparative. Singular observations are, strictly speaking, not testing the validity of a theory, unless you commit to a confrontation of data and theory. Given that I have conducted several interviews with respondents from various sectors, and from both sides of the process, I have multiple observations of the phenomenon I am describing.

In this study theory and cases are not an obvious fit. External governance theory was developed to analyze the totality of the universe (all 16 ENP states), and this is an adaptation of existent theory in order to describe a relatively unexplored phenomenon. I try to avoid the generation of hypotheses that have been generated on the basis of existent data. If there is a mismatch between theory and data, the theory must specify the units it covers and the conditions it works under. The main goal of this study is to identify these conditions.

Given that theory is an important tool in the generalization of findings from a case study, it’s also important to understand to which degree the theory is general. A theory can be general in different ways. It can be inclusive, by being applicable to various phenomena. In this case it
refers to all policies of external governance undertaken by the EU. It can be valid independently of temporal or spatial limitations.

My theory is intrinsically linked to cooperation with international regimes, such as the EU, and is thus limited in both time and space. And it is limited to explaining the workings of the EU external policy. Realist IR theory on the other hand is a more general theory pertaining to all inter-state relations. But theory can also be valid in the description of other phenomena. And in my case the theoretical framework can be applied to other organisations that develop partnerships of the same nature, such as NATO’s Partnership for Peace program. So I can draw conclusions that might have relevance outside the EU-ENP area and that can be tested on other cases.

3.4 Why a qualitative research design?

Since case studies usually cannot be submitted to statistical analysis since they have few units and several variables, they are considered to be qualitative studies, as opposed to quantitative (Ragin et al. 1996:750). The distinction between qualitative and quantitative research has lead to confusion, often based on the varying practice in the use of the terms. It can either be as different research strategies or as ways of collecting data on micro-level. Some, as Grønmo (1996:73), claim that it refers to the qualities of the data. He underlines that they are not rivalling approaches, but that they rather should be seen as complementary sizes. This approach gives case studies a distinct advantage, as it opens up for using bot qualitative and quantitative data. In my study the focus lies on a process of interaction between two actors, Armenia-EU or Georgia-EU. A quantitative approach would not yield the desired benefits, and is therefore not apt for this kind of study.

It’s also a common misperception that the system of validity that is described in this chapter is not apt for qualitative research. On one hand some point to the limited ability of generalizing from case studies, and that it is unable to generate general scientific knowledge and therefore validity is superfluous. I have argued for an understanding of case studies as having the ability to generate scientific knowledge through analytical generalization, and so consider this argument to be irrelevant. On the other hand there are those that consider this system of validity unfit for qualitative study, since research, in their opinion, is about understanding, not about objective reality or description (Lund 2005:115-118). Even though this paper is about
gaining insight into policy processes I don’t exclude objective descriptions or explanations of this phenomenon. This process can, quite to the contrary, be perceived as objective. But it is extremely difficult to conclude on the basis of felt objectivity. The procedures for gathering data and the tools available are what mark the greatest distinction between qualitative and quantitative research, not the manner in which you conclude from this data (King et al.1994). Some researchers may have an agenda, but I’ve tried to demonstrate that it is possible to identify causal relationships and to generalize on the basis of case studies, and that such a study can be scientific in its approach through the application of general criteria of validity and reliability.

3.5 Implications for the study

Having set down strict scientific criteria for my study, I have had to face the consequences in shaping my research design accordingly. I have made conscious and informed decisions when formulating my research strategy. By so doing I have had to be critical of both the formulation of my interview guide and the analysis of documents. This has been of special importance since I’m committed to a hypotheses testing design that has theoretical implications.
4 The ENP among rivaling regional power interests

This chapter provides the reader with a background and an understanding of the situation in the South Caucasus. In the description of the challenges in Georgia and Armenia the focus is on the economic and security situation, linking the information to the theories presented in chapter 2. An analysis of the empirical findings and their theoretical implications comes in chapter 5.

The EU does not operate in a power vacuum; there are several regional powers that have an interest in the development in both Armenia and Georgia. And the states themselves have differing interests, but are facing the same dilemmas. For the analysis of the data from the two theoretical perspectives to make sense, it’s important to grasp the context in which the ENP operates. First we need an understanding of the security concerns and economic challenges of Georgia and Armenia. Secondly, we must understand the rivaling forces’ interests in the region. Finally, we need an idea of how the ENP has developed, and the challenges it has been set up to address.

4.1 National and regional security aspects

The South-Caucasus has historically been the playground of rivaling superpowers, going back to the Roman Empire. It has been invaded by Romans, Mongols, Turks, Persians and Russians, and only gained independent statehood when the Soviet Union collapsed in 1991. In the wake of independence the region has been conflict-ridden; Georgia has been in a state of constant civil war over the breakaway regions of Abkhazia (1992-94) and South Ossetia (1990-92), and Armenia has been at war with Azerbaijan since 1988 over the Nagorno-Karabakh enclave.

Georgian Security concerns

Georgia has aspirations of becoming a member of both the EU and NATO. In order to do so it must settle all conflicts and demonstrate stability. But Georgia has been struggling to establish

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legitimate control over its territory. Prolonged cease-fires have made it a relatively peaceful and low intensity conflict, until the Russo-Georgian war in 2008. In August 2008 Russia occupied parts of Georgia, in order to protect its citizens. Russia had for an extended period of time issued passports to citizens of Georgia residing in Abkhazia and South Ossetia.⁶ There are still Russian troops on Georgian territory.

Relations with Russia have been strained since long before the 2008 conflict, and Georgian politicians have remained skeptical towards Russian intentions in the region. The last Russian military base was reportedly dismantled in 2007 (BBC), and Georgian president Mikhail Saakashvili has been very vocal about reducing Russia’s influence in the country.⁷ After the Rose Revolution in 2003⁸, which brought Saakashvili to power, one of his main political priorities has been to establish control over the whole of Georgian territory.

Despite a thaw in relations with Russia in 2004, Georgian attempts at bringing South Ossetia back under control led to a dramatic worsening of the situation. Saakashvili was able to re-establish control over the semi-autonomous region of Adjara in the summer of 2004. This led to optimism concerning the possibility of obtaining similar results in South Ossetia. The Georgian side also made an effort of internationalizing the conflict, by questioning the Russian peace-keepers’ objectivity, claiming they weren’t “peace-keepers, but keeping in pieces”, referring to the fragmentation of the Georgian state.

Facing Russian aggression, the much smaller Georgian army had little prospect of a military victory, and the only alternative was to seek international backing. The president had been pushing for Georgian membership in both NATO and EU, and registered a record 70 % support among the Georgian population for such a move (Caucasus analytical digest 05/09: 11). The NATO summit in Bucharest in 2008 opened up for an eventual membership for Georgia, but did not grant MAP⁹ status and made it clear that NATO was unwilling to give security guarantees to Georgia.

Georgian Euro-Atlantic aspirations had been dealt a blow, and Russia acted swiftly on Georgian military advances in South Ossetia in August 2008. The number of casualties was

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⁶ For a report on the war see the Independent International Fact-Finding Mission on the Conflict in Georgia.
⁷ As recently as Feb. 25 2011 he declared it the day of Soviet Occupation, saying Russia “is dreaming about abolishing Georgia’s sovereignty” (Eurasia review 26.02.2011).
⁸ A public uprising that ousted president Eduard Shevarnadze and his government.
⁹ MAP (Membership Action Plan) is considered the final step before membership in NATO.
Conditions for the IDPs from the conflicts in the 1990s were poor, and the second wave of IDPs put strain on the government’s limited funds. International donors pledged USD 4.5 billion for the reconstruction after the war, an amount similar to the national budget (3.9 billion). And by October 2008 more than 200 monitors from the EU were in place to observe that the peace accord was respected.\textsuperscript{10}

Georgia is a multi-ethnic country, with 6.5\% Azeris and 5.7\% Armenians constituting the largest minorities. The Azeris are mainly residing in the Kvemo Kartli region and the Armenians are mainly located in the southern region of Samtskhe-Javakheti, bordering Armenia. There has not been any movement for independence of these regions, but they are potential sources for further instability. The treatment of the Armenian minority is frequently reported in Armenian media, and historical claims for the region are not completely forgotten. In sum there are strong forces for the disintegration of the Georgian territory, and it remains a top priority for the government to establish and maintain territorial integrity.

**Armenian security concerns**

Armenians present their history as a history of suffering. A small Christian nation locked between large Muslim countries and an imperial power in the north. The genocide executed on the Armenians in the Ottoman Empire has engraved the Armenians with a fear of extinction. So the political priority since gaining independence has been to assure survival. To achieve that Armenia pursues a security policy of complementarity. It tries to balance the interests of the main actors, balancing security cooperation with Russia with extensive cooperation with NATO and the EU. It also works to maintain good relations with Iran.

Through the CSTO Russia is a guarantor for Armenia’s security and a close military ally. In order to maintain some level of independence Armenia pursues all other options so as to provide a balance. This balancing act was put to the test during and after the Georgian August war, but Armenia managed to avoid taking sides in the conflict and did not recognize the independence of Abkhazia and South Ossetia. Despite the fact that the country hosts Russian military bases and is member of the Russian-dominated Collective Security Treaty Organization (CSTO) it apparently withstood Russian pressure.

Both the eastern border with Azerbaijan and the western border with Turkey remain closed. This makes the country heavily reliant on Georgia and Iran for transport and market access. When the Russians closed the border to Georgia, Armenia also felt the consequences, as it blocked the flow of goods. The diplomatic efforts to re-open the Turkish border underlined the heavy dependence on Russian security guarantees, as there seems to be little hope of getting out of the current impasse.

Turkey’s decision to close the border, and its unwillingness to re-open it, is linked with the unresolved conflict over Nagorno Karabakh. The enclave is *de jure* part of Azerbaijan, but *de facto* independent and relying on Armenian support. A cease-fire came in place in 1994, but it has not prevented some 3000 casualties since it came into effect (ICG 2009: 1). Non-resolution of the conflict is the major obstacle to development, both political and economical in Armenia. In Armenia the conflict led to the demise of the republic’s first president, Levon Ter-Petrossian, and it remains a major domestic policy issue. It is also an important issue for the large Armenian diaspora, which is spread worldwide but is largely based in the US, France, Russia and Lebanon. The diaspora has played a political role with its continuous effort to gain recognition for the Armenian genocide and as a financial supporter of the reconstruction of Nagorno Karabakh.

### 4.2 Economical development

It seems clear that intra- and interstate conflicts has put breaks on the economic development it both countries. Fighting wars are extremely costly, as demonstrated by continuous increases in defense spending in both countries. And the conflicts have had consequences for export, Turkey and Azerbaijan blocking Armenia and Russia blocking Georgia. These blockades have had opposing results, since Armenia has made itself more dependent on economic relations with Russia, whereas Georgia has been forced to reorient itself towards western markets.

**Commonalities**

The value of merchandise exports has been relatively modest, Georgia’s exports amounting to approximately 2 billion USD and Armenia’s to 1 billion USD in 2010 (EBRD statistics).

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11 Nagorno Karabakh is a region with approximately 140 000 inhabitants, of Armenian ethnic origin.
Structurally the two economies bear many resemblances. Although the Georgian economy is a bit more open, due to its role as transit country for goods to and from Turkey and Russia. Both countries have had stable economic growth around 10% since their independence. This number conceals the fact that both countries have been forced to undergo a major restructuring of the economy, as the breakup of the USSR also brought with it a break-down of industry.

Armenian industry in Soviet times was among the most technologically advanced in the USSR, and they produced amongst others satellite components and cars. As the industry collapsed annual consumer price inflation was around 5000% in Armenia and 16000% in Georgia in 1994 (EBRD data). Since year 2000 it’s been below 10%. And provision of goods has been more stable, as food, water and electricity is available to everyone.

Approximately 40% of the population is living below the poverty line, and remittances have become an essential mechanism to provide income for the average family. Large scale migration took place from 1991 to the 2000s, when it dropped pace. One of the major challenges for the governments has been to maintain population patterns and to become attractive for diasporans to return to.

Another similarity between the two countries is the strong negative impact of the international financial crisis from 2007. Armenia’s GDP was reduced with 14% in 2009 and Georgia’s with 4%. The Georgian economy suffered a longer period of limited growth from 2008, but the Armenian economy is back to double digit growth (10% in 2010). There’s an ongoing debate whether the economies have actually recovered, and the long-term consequences remain unclear. The reason these economies are so fragile, is that they are both heavily influenced by the international investment climate. Remittances in Armenia went down as fewer workers could leave for seasonal work in Russia. In Georgia the Saakashvili government has worked hard to attract FDI, and it slumped as a consequence of the crisis.

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12 According to EBRD’s “Life in transition” publication, approximately 80% of Armenian and 70% of Georgian families have access to tap water. Around 98% are connected to the electricity grid in both countries.
13 In Georgia remittances amounted to an estimated USD 732 million and in Armenia to USD 1 062 million in 2008 (IOM).
14 IOM operates with the following numbers: Georgia: Net Migration Rate (2005-2010): -11.5migrants /1,000 population. Armenia: -4.9 migrants. According to migrationinformation.org some 800 000 Armenians left the country between 1991-2003.
The plague of corruption remains a similar characteristic. According to Transparency International Georgia ranks 68th, out of 178 countries, in their Corruption Perceptions Index (CPI) 2010 and Armenia’s rank is 123rd. Georgia is between Romania and Turkey, whereas Armenia ranks the same as Niger, Eritrea and Madagascar. The efforts of the administration of president Saakashvili have given results, and petty corruption is largely reduced. In Armenia corruption is a systemic problem, and little initiative has come from government to deal with the issue. Georgia’s relative success in this domain conceals the fact that much remains to be done, in order to be perceived as a relatively safe investment opportunity.

Much of the corruption is linked with the relative lack of transparency in the business sector. The private sector is largely dominated by oligarchs, and political and financial interests are often tightly intertwined. In Armenia several oligarchs are represented in Parliament, and thus immune from legal prosecution. The wealthiest oligarch, Gagik Tsarukyan, founded his own political party, Prosperous Armenia, in 2004 and joined a coalition government with the power party the Republican Party.

Differences

Geographically and politically Georgia has some advantages compared to Armenia, which is a land-locked country. Georgia is a transit country for goods and energy, the most sought-out commodity from the Caucasus. Azerbaijan, located east of Georgia and Armenia, produces oil and gas. The oil is brought to the European market through the Baku-Tbilisi-Ceyhan (BTC) pipeline, and has a capacity of 1 million barrels per day. Due to the unresolved conflict over Nagorno Karabakh the pipeline does not cross Armenian territory. The pipeline made Georgia an important strategic partner for western countries.

Furthermore, the Rose revolution in Georgia gave the country a government that actively promotes Georgia as an investment opportunity. Reduced taxes and stricter anti-corruption measures are just two examples of a wide array of initiatives made by the government to attract foreign capital. They are pursuing a policy of liberalization in order to develop a market economy. So far FDI has gone up, but the largest investments come from South Korea and Kazakhstan buying into the energy sector and not the desired western partners the

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15 Due to methodological changes in the approach the CPI is not an appropriate tool for comparisons of a country’s performance over time but provides a good snapshot of perceived corruption throughout the world.
Georgians were hoping for. There are prospects for developing hydro power plants for production of electricity destined for the Turkish grid.

Significant parts of the Armenian economy are owned by Russian companies, such as the Metsamor nuclear power plant, which provides around 40% of Armenia’s electricity (Arka news agency 2008). There’s also a strong link between the oligarchs and Russia, as most exports are destined for the Russian market. Armenian goods are not perceived as being competitive on the European market. The oligarchs’ strong position in the economy also makes it difficult to operate as a foreign investor, as the legal framework is not sufficient to protect investments.

The build up to the August war also played a role in the reorientation of the Georgian economy. A Russian blockade on Georgian goods, such as wine and cheese, made it necessary to find new marked for these products. And this operation has been moderately successful. The deportations of ethnic Georgians from Russia in 2005 also made it pressing to obtain entrance to other labor markets, as it seemed the remittances from Russia were in peril. Around 75 000 Georgians living in Russia were returned 16.

4.3 Regional powers

As demonstrated Russia plays a major role, both in the current and historical developments in the South Caucasus. Other major powers have taken an interest in the region, either because of threats emanating from the region or a strategic interest in energy resources. Ever since international terrorism became a priority on the international security agenda, the region has received more attention. The unresolved conflicts have led to weak border control and it has made it interesting for criminal smuggling operations and terrorists. Russia has on several occasions bombed in the Pankisi Gorge in Georgia, claiming that it was a refuge for Chechen terrorists (New York Times 15.08.2002).

Ethnic groups divided by borders is another factor that contributes to external actor involvement in the region. It is part of the explanation of Turkish, Iranian and Russian interests. And it is a source of continuous unrest especially in Georgia and Azerbaijan, since

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16 According to the National Statistics Office of Georgia.
they are the targets of this interest. In the following we briefly explore the interests of the major regional powers.

**Russian sphere of influence**

Russia maintains that Caucasus is in its sphere of “privileged interest”.\(^\text{17}\) In its foreign policy Russia distinguishes between the far- and near-abroad. The Southern Caucasus is within the near-abroad. It is of strategic interest to avoid encroachment by other major powers, and for that reason they maintain a strong interest in the development in the post-Soviet space. The Georgian ambitions of NATO-membership were contrary to expressed Russian interests, and can be interpreted as a trigger for the 2008 war.

The support to the breakaway republics of South Ossetia and Abkhazia can be understood as a reaction to Western acknowledgement of the independence of Kosovo, a move that Russians could interpret as strengthening the legitimacy of Chechen claims for independence. Territorial integrity is of utmost importance to Russia, and developments to the detriment of this are countered by all means necessary. So far there has been little international support for the recognition of these states, as besides Russia only Venezuela, Nauru and Nicaragua have done so. Russia also plays a key role in the Nagorno Karabakh conflict, as it co-chairs the Minsk group, a negotiating instrument created by the OSCE.

Russia is also the largest energy provider to the EU, and as such has an interest in the development of transport corridors from the Caspian region to mainland Europe. The construction of the BTC was perceived in Russia as an attempt to limit Russia’s dominance in the European oil market. Talks about a new gas pipeline from Erzerum in Turkey to Austria, called Nabucco, comes in direct opposition to the Russian South Stream project that envisages a pipeline from Russia across the Black Sea to Bulgaria. Political instability in Georgia plays to the Russian’s advantage, as it becomes a less tempting investment opportunity.

It can seem as if Russia understands international relations in its neighborhood and globally as a zero-sum game. In March 2010 foreign minister Lavrov stated that “We are accused of having spheres of influence. But what is the Eastern Partnership, if not an attempt to expand

EU’s sphere of influence, including to Belarus?” (in Muller 2011: 69), which confirms the Russian world view.

**US protection of emerging democracy**

American involvement in the South Caucasus has to a large extent depended on the cooperation climate with Russia (Zolyan 2010: 2-3). In the 1990s the region was of little interest to the US. But with the involvement of American oil companies in developing fields in Azerbaijan and a more troubled relationship with Russia the US expressed a keener interest in developments in the region.

From 2002 Georgian forces received American training in order to respond to border incursions from Chechnya. And president Saakashvili received strong backing from the Bush administration when he came to power, as the color revolutions in the CIS-countries was a good fit for the neo-conservative democratizing aspirations. In May 2005 Georgian-American relations peaked as president Bush made a brief visit to Georgia.

The Americans have actively supported Saakashvili’s opposition to Russian influence as well as his ambitious reform program. The US backed their Euro-Atlantic aspirations and their NATO-membership. Western-European reluctance to include them in the Alliance led to the compromise stated at the NATO summit in Bucharest in April 2008. During the August war it became clear that the US was unwilling to wage war against Russia over Georgia, but American Navy ships arrived with humanitarian aid and sent a signal to the Russians that there were limits to their tolerance of Russian aggression. But relations to president Saakashvili have cooled down, as it seems that president Obama prioritizes improving relations with Russia.

Armenia’s lacking Euro-Atlantic aspirations explains the limited security relations between the two countries, but it has like Georgia contributed to international peace operations in Kosovo and Afghanistan. Armenia is on the other hand one of the major recipients of American development aid. This can be understood as a result of the active lobbying of the Armenian diaspora.

It seems the overall American strategy in the region has been to support the young democracies and attempt to limit Russian influence over oil and gas supplies to the European
market. Furthermore, it has supported attempts of improving Turkish-Armenian relations, and follows with interest developments in Iran’s relations with the region.

**Iran’s bridge to the West**

Northern Iran borders Armenia and Azerbaijan, and is home to an Azeri minority of around 25 million.\(^{18}\) Although there’s no political irredentist movement, Teheran has had poor relations with Azerbaijan and remains vigilant towards pan-Turkic ideas. In the conflict over Nagorno Karabakh Iran has quietly sided with the Armenians. Recently a gas pipeline between Iran and Armenia was opened, although modest in capacity it has a maximum operational capability of approximately 2.3 billion cubic meters of gas per annum, making Armenia less dependent on Russian gas flowing through Georgia (Socor 2007). The Iranians are positioning themselves as an important actor in the region.

Traditionally Iran has had a good working relationship with Turkey as well as with Russia. It seems unlikely that it will jeopardize these relations in order to increase its influence in the South Caucasus. It is more likely that Iran sees an opportunity to create closer ties to Russia through cooperation with Armenia. By increasing the capacity of the gas pipelines and linking with the Russian pipelines Iran can in the longer term offer gas to the European market.

Once more it becomes clear that the South Caucasus is interesting because of its geostrategic location as a crossroads of East and West.

**Turkey’s new diplomacy**

Azerbaijan is Turkey’s closest ally in the region. The two countries have close cultural and linguistic ties, Azerbaijani being a Turkic language. As a result of the Nagorno Karabakh conflict, Turkey established a blockade of Armenia closing the border and cutting economic ties. In recent years Turkey developed a “no problems” approach to its neighbors, and was part of negotiations to re-open the border and re-establish diplomatic contacts. The process has so far yielded no results, but it has reinvigorated debate about Turkey’s role.

Turkey’s long term strategy is to become an energy hub that provides an outlet for hydrocarbons from Russia and the Caspian, including Iran and Azerbaijan. It drafted a “Caucasus

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\(^{18}\) Estimates vary between 16 million according to the CIA fact-book and an estimated 30 million by the UN human rights report on Iran.
Platform for Cooperation and Stability”, to strengthen regional cooperation between the three South Caucasus countries. The August war threatened Turkey’s objective of stability, and in the immediate aftermath it launched this initiative to limit the political fallout (Larrabee 2011: 106). Equally, the cooling in relations between Georgia and the US is worrying Ankara which is dependent upon political stability to realize its pipe-dreams.

Relations with Russia have changed character and Russia is now Turkey’s largest trading partner. 70 % of gas imports come from Russia (Hill and Taspinar 2006: 89), and Russian companies have invested heavily in energy, telecommunications and tourism. Finally Russia plays a central role in Turkey’s nuclear energy development. The improved political climate has also made Turkey more sensitive towards Russian interests in the Caucasus, and is likely to influence Ankara’s decisions about the region.

4.4 The ENP – a process and an end

The development of the ENP can be traced back to 2002 when the UK in particular pressed for the development of a ‘wider Europe’ initiative. Initially it was aimed at Belarus, Ukraine, Moldova and Russia, but lobbying by the Caucasian states made the European Council extend the geographical to include them, and the Mediterranean countries did the same (Smith 2005: 759). Russia declined to participate, preferring cooperation on a more equal level.

The EU’s Security Strategy from 2003 states that “building security in our neighborhood is one of three strategic objectives”, and sees the ENP as a tool to manage relations with countries without offering membership. It is an instrument for promoting “a ring of well governed countries to the East of the European Union and on the borders of the Mediterranean with whom we can enjoy close and cooperative relations” (European Security Strategy 2003: 8). The ENP is a supplement to existing agreements between the EU and the partner states, such as Partnership and Cooperation Agreements (PCA), the TACIS assistance program or the Euro-Mediterranean partnership. So far the ENP has been able to go beyond the European Conference, which did not produce much in the way of concrete results. Compared with other programs the ENP is a bilateral approach, based on bilaterally

19 The 16 ENP countries are: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Occupied Palestinian Territory, Syria, Tunisia and Ukraine. 20 The European conference was created in 1997 to link the EU and the then 13 applicant countries. Periodical meetings with heads of states or governments without decision-making capacity have not produced the desired effect.
negotiated agreements between the EU and the partner-countries, and the EU offers political association and deeper economic integration, increased mobility and more people-to-people contact. A long term prospect for the partners is to have a stake in the EU’s internal market. The EU on the other hand has a basis to influence domestic and external policy of its partners.

Through a process of legal approximation the neighborhood country moves closer to EU standards and values. In the outlook it seems to be a policy objective with benefits for both parties. The Action Plans are individually adjusted plans that sets out specific targets for the country, based on their specific needs and circumstances. There’s a wide range of policy areas targeted by the ENP, ranging from democratic reform to environmental policy. The action areas are not prioritized and are not very specific, in the Action Plan for Armenia (European Commission 2006b: 4) the first priority is “Strengthening of democratic structures, of the rule of law, including reform of the judiciary and combat of fraud and corruption”, which is an ambitious undertaking in 5 years. One specific action under that priority is to “Ensure proper implementation of the Constitutional Reform providing better separation of powers, independence of the judiciary and functioning of local self-government” (European Commission 2006b: 4). So even though the intention of the ENP is to be more concrete in setting targets, it seems as the end goals are roundly formulated and the rewards for the partner even more so.

The gradual deepening of the relationship illustrates how the EU works slowly but towards an ever deepening integration in almost all areas. Starting with technical cooperation the EU now has developed a cross sector policy that now not only targets government but also civil society. Through the Black Sea Synergy, launched in April 2007, and the Eastern Partnership, launched in May 2009, the EU seeks to enhance cooperation in a number of key sectors. No additional funds are to be disbursed through these initiatives, but they coordinate different regional initiatives through sector partnerships (European Commission 2007). But there have been gradual increases in the budget allocations for the ENP from EUR 1433 million in 2007, to EUR 3003 million by 2013, an indication of the EU’s willingness to strengthen the policy. On the other hand the increases are moderate and the total is limited, bearing in mind that is divided on 16 countries.

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21 The Action Plans can be found on the ENP website http://ec.europa.eu/world/enp/documents_en.htm#2
The EU has since the beginning been clear that the ENP is distinct from the process of enlargement, so it remains a goal in itself. Progress is measured in the progress reports that are prepared biannually, and is monitored by a PCA Committee and sub-Committees. So the institutional framework in itself is very limited, but the agreements are quite extensive.

4.4.1 The ENP in Georgia and Armenia

Georgia and Armenia, as well as Azerbaijan, were initially not included in the ENP. After this initial delay the South Caucasus countries have been part of all the developments. In the analysis I will examine closer the agreements between the EU on one side and Georgia and Armenia on the other, and determine what these two countries in particular wish to obtain from this cooperation.

The EU’s relations with Armenia and Georgia are governed by the individual Partnership and Cooperation Agreements that entered into force in 1999. ENP Action Plans were agreed upon and finally adopted in November 2006 between the EU and the Armenian and Georgian government (European Commission 2006b; European Commission 2006a).

The main co-operation objectives, policy responses and priority fields can be found in the Country Strategy Papers 2007-2013. Based on bilateral priorities the National Indicative Program (NIP) for 2007-2010 was adopted in consultation with the authorities. EU made an allocation of an indicative amount of €98.4 million for Armenia and €120 for Georgia. For 2011-2013, the EU’s budgetary assistance allocation to Armenia and Georgia is expected to increase, to €157 million for Armenia, and €180 million for Georgia (ENPI Armenian NIP 2011-2013: 12; ENPI Georgian NIP 2011-2013: 10). Armenia and Georgia also participate in the ENPI regional and interregional program, and a number of thematic programs.

In 2010 both Georgia and Armenia started negotiations on an Association Agreement to succeed the Partnership and Cooperation Agreement. The goal is deepening the political association and economic integration between the two countries and the EU. When the relevant conditions are met there are plans for a Deep and Comprehensive Free Trade Area.

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Armenian initiative is behind the creation of an EU Advisory Group which provides policy advice to the Armenian authorities in several areas such as: human rights and democracy, justice, liberty and security and the Deep and Comprehensive Free Trade Area. Georgia has not expressed an interest in developing a similar structure.

The EU has provided €6 million in humanitarian aid for people affected by the conflict in Georgia. An international donor's conference for assisting Georgia's economic recovery was held in Brussels on 22 October 2008. As a result of the peace agreement brokered by the EU under the French Presidency a civilian European Union Monitoring Mission in Georgia was deployed on 1 October 2008.
5 Why Georgia and Armenia are in the ENP

The ENP Action Plans lay down the main areas for cooperation between the EU and the partner state. Based on the theoretical approaches we understand that there are different ways of understanding how states define their interests, and that states can have different priorities. In this chapter I discuss the priorities of Georgia and Armenia when it comes to cooperation with the EU through the ENP. The priorities have been uncovered by interviewing actors in the two countries and the EU, as well as an analysis of the relevant EU documents pertaining to the internal development in these countries.

In the first part I will discuss Georgia’s interests and priorities. It is followed by a discussion of the Armenian case. Finally the findings are compared and related to other possible explanations.

5.1 Have Georgian security interests influenced its EU policy?

A Euro-romantic Georgia

Is there factual support for the hypothesis that Georgian EU policy is supporting Georgia’s efforts to limit Russia’s influence? Kenneth Waltz’s assumption that the survival motive drives states’ action on the international arena (Waltz 1996:309) made up the theoretical foundation for this hypothesis. Waltz portrayed states as unitary actors that first and foremost are security maximizers in a system —formed and maintained due to the principle of self-help that applies to the units (Waltz 1996:309). The hypothesis pointed to Georgian the security interests of the as a source and explanation of its foreign policy toward the EU.

Georgia’s leadership has been quite vocal about is aspirations to join both the EU and NATO. When president Saakashvili was sworn in in January 2004 standing in front of an EU flag he said:

“Our direction is towards European integration. It is time for Europe finally to see and appreciate Georgia and undertake steps towards us. And first signs of these are already
evident. Today, we have not raised the European flag by accident - this flag is a Georgian flag as well, as far as it embodies our civilization, our culture, essence of our history and perspective, and vision of our future.” (Saakashvili 2004)

Again in 2008 speaking about the European Community he said:

“For many years, our nation has had the privilege to stand side by side with nations from around the world, serving a cause that is larger than ourselves - the cause of liberty and security”. (Saakashvili 2008)

He again underlined the importance of security and prosperity by saying:

“Georgia is forever yoked to Europe. We are joined by a common and unbreakable bond-one based on culture-on our shared history and identity-and on a common set of values that has at its heart, the celebration of peace, and the establishment of fair and prosperous societies.” (Saakashvili 2008)

These quotes show that the Georgian EU aspirations are linked to an improved security situation. I have found further indications that Georgia’s priorities are related to security. All the Georgian informants spoke about the importance of EU-membership for Georgia’s long term security. One informant said that:

“The EU can not help improve relations with Russia directly, so we have been dependent upon American support. But for the long term security of the nation we must become a member of the EU. Of that there is no doubt.”

Another senior political figure said the following when asked about Georgia’s priorities in relations with the EU:

“We are interested in cooperation with the EU both for economic and security reasons. Both are important.”

This suggests that the political leadership is pursuing several interests, which is natural. But this is of particular interest because the security dimension is relatively low key in the ENP. There is no security guarantee mentioned, and in the progress reports the chapter on security refers mostly to border security. Security interests are a natural cause for Georgia’s interest in NATO-membership, but it also plays a dominant role in developing closer ties to the EU. This
suggests that the realist theory that a state’s primary concern is security is confirmed to a certain extent.

**Sovereignty**

Georgia’s willingness to cede sovereignty to the EU is also interesting in this context. One of the main arguments of the Realists is that a state would only surrender part of its sovereignty if it is certain to gain prospects of survival. Despite its newly won independence, Georgia is seeking full integration into the EU. As one informant put it

“The question of sovereignty is not a topic of political debate in Georgia.”

And both the political opposition and the general public are supportive of the government’s EU-aspirations. A survey from 2009 reveals that 79.3% would vote in favor of a Georgian membership of the EU (Muller 2011: 73).

A different reading of this from an external governance point of view is that the EU represents a community of shared values with Georgia, so sovereignty as such is not a goal in itself. It is more important to integrate with those that share Georgian values and identity, as opposed to the Russians that tried to assimilate them without success. Survival is somehow achieved by joining a larger European community, and it’s easier to influence the shaping of the value preferences from inside rather than outside.

Saakashvili has invested a lot of political capital into strengthening territorial integrity, first by regaining control in Adjara and second by loosing a war with Russia over South Ossetia and Abkhazia. It is therefore noteworthy that the overarching compromise of ceding sovereignty to the EU does not seem counter to this logic for the Georgian president. Quite to the contrary Georgia is in a period of what one respondent called a period of Euro-romance, but predicted that Georgia would enter a period of Euro-disappointment that could result in Euro-skepticism. It is the same image of a Euro-romantic Georgia that was portrayed by an EU-diplomat who revealed that the Georgian side, in its eagerness to achieve results in the judicial reform process, had proposed to relieve all Georgian judges of their duties and replace them with European judges. This information also reveals a Georgian understanding of everything European to be of a superior quality. It likewise illustrates that independence in itself is not essential, but the important part is who you are independent from, in this case Russia.
One informant that was part of the team that negotiated the ENP Action Plan revealed that:

“The EU was envisioned an important part as mediator in the conflicts over South Ossetia and Abkhazia. And we have since the conclusion of the Action Plan repeatedly invited the EU to take a more active part to gain support against Russia.”

It seems that the Georgians have in part obtained what they wished, as the EU has deployed a large Monitoring Mission to Georgia as a follow up of the peace agreement after the 2008 August war with Russia.

5.2 Have economic interests influenced Georgia’s EU policy?

To what degree is do the findings support the hypothesis that Georgia’s EU policy was based on a shared European identity and values? The external governance approach of Lavenex and Schimmelfennig (2004) provides the theoretical basis of this assumption.

The quotes above from the president’s inaugural speech show that it’s a relationship based on common values and identity. The flag is a strong symbol of identity, and is placed next to the Georgian flag whenever the president addresses the nation and outside all government buildings. Putting the symbolism aside, the informants and the president’s grand words suggest that there is a prevalent European identity in Georgia. They underline the importance of common values and shared commitments to democracy, rule of law, market economy, working institutions and political coherence. One informant said:

“All government in Georgia has been pro-European. It doesn’t matter if it was corrupt or no, good or bad. We are European because we have Christian values. We have long historical and cultural ties. (…) The Georgians have always been favorable towards Europeans. And we have a European identity.”

When asked about the European interest of the Georgian government prior to the Rose Revolution, four respondents confirmed that Shevarnadze also had worked to improve cooperation with the EU. At that time the EU had not extended the ENP to include the South Caucasus countries, but the Georgians were “working hard to be included”. This suggests that the decision to include Georgia and the South Caucasus may have come as a result of the
Rose revolution and that the EU considered Georgia to be democratizing and wanted to give its support to this process. But it also confirms the external governance theory’s emphasis on shared values as an important component in developing institutional ties. This is confirmed further by the preamble to the Action Plan with Georgia stating that:

“The level of ambition of the relationship will depend on the degree of Georgia’s commitment to common values as well as its capacity to implement jointly agreed priorities, in compliance with international and European norms and principles. The pace of progress of the relationship will acknowledge fully Georgia’s efforts and concrete achievements in meeting those commitments.” (European Commission 2006a: 6)

The development of the cooperation is apparently closely linked to compliance with European norms and values.

**Deregulation as economic policy**

Further evidence that supports the Realist approach is found when examining the economic developments in Georgia. Both the informants from the EU side, the Georgians and the Progress Reports confirm that the national political agenda is to achieve economic development by liberalizing the economy and deregulating to the greatest extent possible. The eagerness to achieve considerable progress on the economic agenda has complicated relations to the EU. One senior EU bureaucrat said:

“The Georgians are very vocal about their EU ambitions. But we have noticed a lack of progress in the implementations of reforms. This is clear from the process of deregulation.”

Another EU diplomat referred to the Saakashvili government’s need of achieving instant results in Georgia as an obstacle for achieving progress in the implementation of the ENP. And in the Progress Report from 2008 this is highlighted stating:

“Moreover, the implementation of the Action Plan has revealed the difficulties in reconciling the government’s drive for a radical reduction of the role of government in the economy and the EU regulatory approach reflected in the Action Plan.” (European Commission 2008a: 2)

This can be interpreted in different ways. One interpretation is that political legitimacy is an important motive for government action. The economical liberalization is understood by the
government as necessary for achieving results in poverty reduction, creating a basis for market economy and to contribute to prosperity. This interpretation is to the detriment of Realist theory, suggesting that Georgia doesn’t comply with the EU despite the fact that it seeks security guarantees, giving prevalence to domestic policy issues over security. It lends support to the external governance approach, because the values expressed through this approach are related to an American understanding of the role of government. Saakashvili and many of his closest allies in government have an American education. The contraction of the Georgian economy is widely described in the Progress report about 2008, and notes that the feasibility study for a deep and comprehensive free trade agreement which was finalized the same year concluded that Georgia would benefit from such an agreement (European Commission 2009a: 11). Further progress is noted in the field of financial services (European Commission 2009a: 13), which illustrates the Georgian ambition of becoming an interesting investment opportunity. The Progress report concerning 2009 highlights the progress made in the fight against petty corruption trade facilitation and improvement of the business climate (European Commission 2010a: 2) but also expresses concern with the democratic development in the country (European Commission 2010a: 4). It can seem as if Georgia is in a squeeze between the need for reform and democratic development.

Despite the fact that Georgian economical policy seems contrary to the EU regulations that is of little consequence to the cooperation since the EU has no mechanism for punishing governments that don’t comply according to the Action Plan, and progress in other sectors, such as judiciary reform, shows that Georgia is still committed to the process. The end goal, integration to the EU’s Internal Market, also suggests that Georgia eventually will have to comply with EU standards of regulations, as legal approximation to the aquis communautaire is a precondition for joining the Internal Market.

5.3 Have Armenian security interests influenced its EU policy?

A Euro-pragmatic Armenia

In the case of Armenia the security interests should be expected to have a negative effect on its relations to the EU, since the borders are guaranteed by Russia. Armenian president Serzh
Sarkisian makes no reference to the European Union in his presidential program. The absence of the EU flag gives no indication that there’s a wish to play on symbolism in the same way as the Georgians. But President Sarkissian (2008) makes the following comment on the security priorities of Armenia:

“The National security strategy will be targeting the stability of our country and the region, and seek to surmount the differences. What does this primarily mean? Independence of the state and protection of the people, peace and international cooperation, preservation “Armenianness” and welfare”

It is stated that the preservation of “Armenianness” is a target of the national security strategy. This does not indicate a willingness to culturally integrate with European identity. He goes on to say that

“The first ring of protection from external threats is the army (...) We need to build national structures to counter all threats and hazards”.

This rhetoric does not reflect any insistence upon multilateral approaches and reliance on EU soft power. References to the Nagorno Karabakh conflict also emphasize the need for a resolution based on the needs of the people of Karabakh. There is at no point any reference to the EU.

There is a large section dedicated to the importance of international cooperation, but it is first and foremost about the economic benefits of such cooperation for Armenia. The informants on the other hand brought up included the EU when discussing the security interests. One informant said:

“The EU’s potential role as a security provider depends on the successful implementation of the Action Plan. (...) So far the slow pace of progress has been disappointing, and makes it necessary to maintain close relations to Russia”

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24 Author’s translation. The original reads “Ազգային անվտանգության ռազմավարությունը ուղղվելու է մեր երկրի ու տարածաշրջանի կայունության ապահովմանը և հակասությունների հաղթահարմանը, ինչն առաջին հերթին նշանակում է անկախություն, պետության և ժողովրդի պաշտպանությանը, խաղաղության և միջազգային համագործակցության և բարեկեցության պահպանմանը:”
25 “Armenianness” (հայապահպանություն) is a term that refers to preservation of Armenian culture.
Another informant stressed that the Russians were not opposed to Armenian participation in the ENP and that they were expecting the Armenians to be considerate towards Russian interests when proceeding with the cooperation. The informant also noted that the Russians were curious about the ENP and what it would entail for their interests in Armenia.

In the Action Plan on Armenia (European Commission 2006b: 7-14) four of the eight main priorities concern economic development, and only the seventh point concerns EU involvement in the peaceful settlement of the Nagorno Karabakh conflict. This point refers to increased diplomatic and political support to the ongoing process, and envisages no further role for the EU in this matter. In the following general objectives there is again referral to the conflict resolution (European Commission 2006b: 18), but it is simply a repetition of the initial point made in the list of priorities.

The Progress report for 2007 (European Commission 2008b: 6-7) makes a brief reference to events in the peace process, but none of the developments have been under EU auspice. The same is valid for the 2008 (European Commission 2009b: 6-7) and 2009 (European Commission 2009b: 7-8) reports. In an interview with a senior MFA representative this perspective is confirmed, stating that “We have no wish for EU involvement in the conflict resolution, but appreciate their support of the Minsk group. The initiatives with the EU are related to people-to-people contact and support of increased contact across the border.”

To further support this idea the ENPI (2010a) makes no reference to the conflict resolution, but clearly states that “the commitment of the Armenian government to the implementation of the ENP Action Plan remains strong” (ENPI 2010a: 6).

It seems clear from a reading of these documents that Armenia does not envisage a role for the EU in achieving one of its most important security priorities, which is the resolution of the conflict over Nagorno Karabakh. It also seems as if the EU does not have a stated interest in any deeper involvement in the process either. This is confirmed in an interview with a senior Commission employee that said: “The EU has no role in Karabakh. There’s no invitation to the EU to play a bigger role, so limit our involvement to confidence building measures (...) This does not mean we are against any involvement.”
What we might derive from this is that Armenian involvement in the EU is in line with the foreign policy strategy, which is to seek complementarity in order to balance Russian influence. This can be the motive behind participation in the ENP.

5.4 Have economic interests influenced Armenia’s EU policy?

It should be expected that sectoral influences have had a strong impact on Armenian preferences in developing closer relations with the EU. Although the scope of this study does not allow for an in-depth study of the whole sector’s influence in shaping state preferences, the documents at hand provide a certain indication.

Both in the Action Plan and in progress reports there seems to be a distinct focus on trade and economic development. The preamble to the Action Plan states that the enlargement of the EU “(…) offers the opportunity for the EU and Armenia to develop an increasingly close relationship, going beyond co-operation, to involve a significant measure of economic integration(…)”(European Commission 2006b: 7).

It further makes reference to “compliance with international and European norms and principles” and “commitment to shared values”. As indicated in chapter 4, is corruption in Armenia a major obstacle for compliance with European norms and standards, and it also slows down the tempo of economic development. The fight against corruption is mentioned under priority area number 1 in the Action Plan, the progress report for 2007 notes some positive developments but underlines that “the issue of implementation of corruption legislation and strategies still needs to be addressed” (European Commission 2008b: 4). The report for 2008 on the other hand makes no reference to any progress in this field, and notes that the new anti-corruption strategy to be in place by 2008 has still not materialized (European Commission 2009b: 3). In 2009 the strategy is finally in place, but the Commission notes that “no reduction of perceived corruption was reported by international surveys in 2009, demonstrating the need for effective enforcement in this area” (European Commission 2010b: 4).
This indicates that systemic corruption is not effectively targeted by the ENP, and that a lack of political will hampers progress in an area of crucial importance in the process of approximation of standards.

There is further evidence of a connection between economic interest and the development of cooperation with the EU. One informant said:

“We thought the MFA was going to be the key actor in coordination of EU policy, since we negotiated the agreements. In the end the ministry of Trade and economic development was designated to be coordinator for implementation, much to the disappointment of the MFA. Internally the policy is overseen by ministry of Trade and Economic development. The same goes for financial assistance for implementation. The MFA negotiates with the EU and heads the Political Cooperation council, but the committee is headed by the ministry of Trade and Economic development. In all the other ENP countries the MFA plays the key role.”

This statement provides strong support for the idea that economic interest is a key driver in Armenia’s relation to the EU.

The informant also reflected on the role of the Diaspora in contributing to the attachment to Europe. This led on to an explanation of Christian values that create tight historical bonds and a shared identity. She ended this by saying:

“Unfortunately the complicated geopolitical situation of Armenia makes it difficult to establish closer relations”.

Implicating that Armenia’s dependence on Russian security guarantees and the complicated relationship with Turkey makes Armenian aspirations of EU-membership a thing for a distant future.

On the other hand the EU has in a short time span become Armenia’s largest export market, but gemstones are a large part of Armenian exports and for that reason Belgium has become the most important destination for Armenian goods. As a result of that the most significant export article remains in the hands of a few companies according to the ministry of economy.26

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26 Presentation of a representative of the Ministry of Economy 12th March, Yerevan.
5.5 Theoretical implications

Studying the bilateral agreements, the strategies and the Progress Reports does not provide a complete picture necessary to fully appreciate and evaluate the relevance of the external governance theory. What I have been able to establish on the other hand is that there are different political priorities in the two countries. Armenia, whose security is fragile but none the less guaranteed by Russia, seeks to gain economical benefit from participating in the ENP process. Georgia has a political program for economic development which is not in line with the EU modus operandi. It has on the other hand actively sought out EU involvement in conflict resolution, and it seems to be part of a larger security policy priority to distance itself from Russian influence.

From this study not been able to ascertain which sectors have influence over government priorities. It is clear that the two states have different priorities when it comes to cooperation with the EU, and that the EU has not been able to influence policy areas where there are strong national interests. In the case of Armenia one can only speculate with regards to the involvement of oligarchs in the formation of policy.

I have further not been able to establish a link between participation in the ENP and the concept of relative gains. This is most probably due the fact that “a small increase in the number of actors dramatically decreases the impact of relative gains in impeding cooperation” Snidal (1991: 752).

In support of realist theory I have found a clear indication that security concerns play a major part in a states’ decision to participate in cooperative regimes when they feel their security is compromised, as in the case of Georgia. Herein lays the major criticism of the external governance approach, because there seems to be an overarching cross-sectoral issue that is seemingly neglected in the theory. The focus on the structural framework for cooperation, results in a lacking perspective of a state’s security considerations.

But in defense of the external governance approach there seems to be a strong linkage between values and policy development. The connection is made both in the documents and by the respondents. In the case of Armenia and Georgia this seems particularly related to the Christian heritage and traditions. This leaves room for speculation on the potential for success of the ENP in non-Christian countries.
Furthermore it seems evident that prospects for economic development are a strong driver in the development of closer relations between the two countries and the EU. But we have also seen that political priorities and a different understanding of the road to economic development can provide stumbling blocks in the relationship. In the long term this does not seem to be a large obstacle for the deepening of economic integration, because as one informant in the EU says

“The association agreements will legally, gradually, tie them to the EU through legal approximation. This is something they have chosen to do.”

I have also found that it is challenging to measure where cooperation has been effective, i.e. where it has altered political behavior. This is due to the research design of this study, which has not provided the opportunity to follow progress in the legislation and how it has affected practice. This leaves room for further inquiries into the development of European values in political institutions in countries outside the EU.
6 Summary

In this chapter I provide a summary of the findings in the study. Secondly I provide an account of limitations to this study before I suggest some avenues for further research that can contribute to the debate about empirical testing of theory.

The starting point of the study was that theory can provide different interpretations of the same events. In this case realist theory and external governance theory has shown that there are variations in the understanding of what small states seek to gain by participating in the European Neighbourhood Policy. The Realist theory provides a focus on external balancing. The theory of external governance chooses instead to study the institutional links across the borders as a process of Europeanization and an “external projection of internal solutions”. A comparison of these two theories provided the background for the formulation of the research question:

How can a realist approach complement the external governance theory when it comes to explaining Georgian and Armenian motives for participating in the ENP?

In an effort to provide a structure for the analysis I formulated the following two hypotheses:

H1: Armenian/Georgian policy toward the EU seeks support against foreign intervention. In the case of Georgia against Russia. In the case of Armenia against Azerbaijan.

H2: Georgian/Armenian policy toward the EU is based on sectoral interests, in this case economic interests, resulting shared institutional values and interests between the EU and Georgia/Armenia.

The choice of theory and the research question shaped my formulation of a research design. I chose a case study where existing theory is applied. Through the use of theory I gained access a tool to structure and explain variations in the empirical material. I applied theory to critically test it on new empirical material in order to provide support for my idea about the limitations to the external governance theory. I conducted interviews with informants in Armenia, Georgia and Brussels and I studies documents related to the process. These were the sources of my data material.
Armenia and Georgia are small countries on the European periphery. They are not given much attention by the mass media, and are little known in large parts of Europe. To provide the reader with an understanding of the geopolitical situation in the South Caucasus I elaborated a little on aspects of security and economic development. I also presented the development of the ENP and the process it entails in relevance to Armenia and Georgia.

Finally I proceeded to analyse what Armenia and Georgia seek to gain from being part of the ENP, doing so I relied heavily upon the process documents and my interviews. I found some support to the notion that Georgia seeks security gains from being in the ENP. There are also indications that it benefits economically, but EU regulations proved to be in opposition to the government’s laissez-faire approach to economic policy. In the case of Armenia the security situation makes it difficult to involve itself in a deep integrational project, but the ENP corresponds well to the needs for economic development as long as it is not to the detriment of Russian interest.

These findings have minor ramifications for the theory of external governance. It can be argued that it does not incorporate fully the importance a state attaches to its security. This leads me to conclude that realist theory complements the external governance approach to a certain degree.

This leads me to some introspection. Having completed the study it is time to reflect critically over the choices made. The processes of refining the research question and collection of data were overlapping. In hindsight I note that further progress should have been made on the development of the theoretical approaches before I proceeded to data collection. This would have allowed for more finely attuned questions to the respondents. While listening back on the interviews I also realize that in the excitement of finally meeting high-ranking officials I strayed from my interview guide and lacked adequate follow-up questions. Finally a few words about the sources. EU documents provide a somber interpretation of events. The linkage between ENP programs and outcomes is weak. Seeing that, I conclude that I should have sought out informants in different government agencies below ministerial level to get a grasp of what influences day-to-day decision-making.

In order to provide a critical appraisal of the external governance theory I would recommend further studies of the process of Europeanization. There is now a large literature proceeding from constructivist analysis of this process that would provide an interesting test for
institutionalist theory. The ENP includes 14 countries besides Armenia and Georgia, with more resources it would be relevant to conduct a comparative study of all the participating countries. Finally an analysis of *cui bono* internally in the partnership countries could reveal interesting connections between political and economic interests.
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Appendix

Appendix 1 Interview Guide

Interview guide
Tbilisi/Yerevan/ October 2009
Brussels December 2010

Characterization
How would you describe Armenian/Georgian foreign policy toward the EU from the inclusion to the ENP in 2004?
How would you describe EU’s objectives in Armenia and Georgia?
Can you describe your working relation?

Foreign policy priorities
Which foreign policy goals have been prioritized in the in this period?

Security interests
What are Armenia’s/Georgia’s security interests in relation to the EU?
How have they influenced your priorities in implementing the ENP?

Economic interests
What are Armenia’s/Georgia’s economic interests in relation to the EU?
How have they influenced your priorities in implementing the ENP?

Identity
What makes the EU a relevant partner?
How do you react to the following statement “Armenia/Georgia is a European country”?