

## THE PROSPECT OF A WIDER EUROPE IN THE SOUTHERN CAUCASUS

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*"The only thing which interests me in the  
Caucasus is the railway line which deliv-  
ers oil from Baku to Batumi. The natives  
can cut each other to pieces for all I care"*

Lord Balfour (1918)<sup>1</sup>

A lot has changed in the region ever since Lord Balfour, the Foreign Secretary of the British Empire said these words in 1918. I personally observed the situation in Georgia and Ajara region during the presidential elections at the beginning of 2004. I saw the Batumi port and railway lines. That visit increased my interest with the region.

Armenia, Azerbaijan and Georgia gained their independence as a result of the break-up of the Soviet Union towards the end of 1991. In the Soviet times, there were only three States in and around the region; the Soviet Union, Turkey and Iran. Now there are six states; the Russian Federation, Georgia, Armenia, Azerbaijan, Iran and Turkey.

The region plunged into ethnic conflicts immediately after the independence of these states. Out of these three, Azerbaijan is oil and natural gas rich, while the others are poorer in terms of natural resources. All these States suffer from frozen armed conflicts. Nagorno-Karabakh conflict between Azerbaijan and Armenia is currently frozen. May 2004 was the tenth anniversary of the declaration of a cease-fire between them. The situation remains volatile and both countries may plunge into fighting if the problem could not be solved peacefully. While visiting the isolated

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<sup>1</sup> John Laughland, *The Guardian*, 1 April 2004, [www.guardian.co.uk](http://www.guardian.co.uk)

Azerbaijani enclave of Nakhcivan on 14 May 2004, the newly elected president of Azerbaijan İlham Aliyev reiterated his willingness to solve the problem peacefully. However he also told that if the problem could not be solved peacefully, he did not rule out the use of force to get back the territory they lost 10 years ago.

Given the conditions of good neighbourly relations and internal settlement of minority problems for deeper EU relations, these States are required to solve their internal and external disputes before they could develop perfect relations with the EU.

The Caspian region is one of the oil rich regions of the world and it is estimated that Caspian oil can provide as much as 5 per cent of world supplies. Azerbaijan has attracted a substantial foreign investment in this industry so far. Many major British oil and gas companies are involved in Azerbaijan.<sup>2</sup>

Despite the presence of natural resources, three countries of the region still suffer from poverty. Armenia, Azerbaijan and Georgia have had to formulate poverty reduction strategy papers. 44 percent of Armenian population lives under the poverty line.

After this general introduction, I would like to come the European dimension in the region. On 1 May 2004, the European Union concluded its fifth ever and most ambitious enlargement. The number of the members increased from 15 to 25. The population of the EU increased from 380 Million to 454 Million. It marked the end of Europe's Cold War divisions. It was also a reflection of the desire to heal past frictions and create a truly new Europe based on stability, prosperity and peace. If the EU meant high values of stability, prosperity, democracy, rule of law and peace, why would the Southern Caucasus which badly needed all these, be excluded from this organization?

According to Article 49 of the Treaty on European Union, any European state may apply to become a member of the European Union. It is stated that enlargement has unarguably been the Union's most successful foreign policy instrument.<sup>3</sup> However as most of the analysis suggest, there is a limit to the expansion of the Union. There are formally now four states waiting for accession; Bulgaria, Romania, Turkey and recently

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<sup>2</sup> Roger Williamson, "The Caspian and Central Asia: Stability and Development" *Wilton Park Conference Summary*, WP722: 13 – 18 October 2003, p.2

<sup>3</sup> The European Commission, *Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours*, Brussels, 11.03.2003 COM (2003) 104 final, p.5

added Croatia. It is highly probable that Croatia will be included in the next enlargement alongside Bulgaria and Romania in 2007. The membership is still open for the West Balkan countries of ex-Yugoslav Republics and Albania. However the door is currently closed for the countries in the Southern Caucasus. The only thing the EU can offer for them is their inclusion in the new European Neighbourhood Policy which is also known as "Wider Europe".

If the Europeanness of the region is questioned, they can be classified as either European or Eurasian.<sup>4</sup> This brings back the age-old discussion of the boundaries of Europe. As an Italian correspondent recently stated "European are those whom Europeans call them Europeans".<sup>5</sup> If this definition is accepted, then there is no problem. However, the report of the European Commission on Wider Europe in 2003 even did not include the region in the EU neighbourhood let alone giving a membership perspective.

#### **Background of the Wider Europe**

As the European Union is not in a position to offer membership to every country in its periphery, it has recently developed a new concept, "Wider Europe". Wider Europe is an alternative to the full membership for the countries which the EU cannot provide membership perspective. It is based on the good neighbourly relationship between the EU States and the neighbouring countries. In other words, the Commissioner responsible from external relations of the EU, Chris Patten also confirmed this situation by stating:

*"Over the past decade, the Union's most successful foreign policy instrument has undeniably been the promise of EU membership. This is not sustainable. For the coming decade, we need to find new ways to export the stability, security and prosperity we have created within the enlarged EU. We should begin by agreeing on a clearer vision for relations with our neighbours".<sup>6</sup>*

The European Commission adopted a communication called "Wider Europe- Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours" on 11 March 2003<sup>7</sup>. It was setting out a

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<sup>4</sup> Roger Williamson, "The Caspian and Central Asia: Stability and Development" Wilton Park Conference Summary, WP722: 13 – 18 October 2003

<sup>5</sup> ATAUM, European Conference, 8 May 2004

<sup>6</sup> [www.europa.int](http://www.europa.int)

<sup>7</sup> Brussels, 11.03.2003 COM(2003) 104 final

new framework for relations over the next decade with Russia, the Western Newly Independent States (NIS) and the Southern Mediterranean countries which did not have a perspective of membership but which would soon find themselves sharing a border with the union. Border was not only meant territorial but sea borders too. According to the communication, over the next decade, the EU should therefore aim to work in partnership to develop a zone of prosperity and a friendly neighbourhood – a ‘ring of friends’- with whom the EU enjoys close, peaceful and co-operative relations.

It proposes that, in return for concrete progress demonstrating shared values and effective implementation of political, economic and institutional reforms, all the neighbouring countries should be offered the prospect of a stake in the EU’s internal market. In the later stages of that relationship, that would be accompanied by further integration and liberalization to promote the free movement of persons, goods, services and capital. Given the sensitivity of the subject of “rising tide of immigration to Western Europe”, it should be accepted that realization of the freedom of movement for persons is the least likely to happen soon out of these four freedoms. However this plan is not designed for an immediate application. In the long run for instance in 20 or 30 years, such a policy could become feasible.

Underlying philosophy of the ‘Wider Europe’ is to get deeper integration between the EU and the ring of friends instead of establishing new dividing lines. Thus to accelerate mutual political, economic and cultural dynamism.

The policy of Wider Europe is also named as ‘European Neighbourhood Policy (ENP)’. The strategy paper presented on 12 May 2004 gives the details of this policy. According to it, the ENP goes beyond the existing co-operation frameworks and includes the enlarged EU’s Eastern neighbours Russia, Ukraine, Moldova, as well as the Southern neighbours which participate in the Barcelona process: Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Syria, Tunisia and the Palestinian Authority.

Initially, the Southern Caucasus was not included in Wider Europe. However the trio of the South Caucasus (Armenia, Azerbaijan and Georgia) tried to change this situation. Especially the new president of Georgia, Mikhail Saakashvili has been a very enthusiastic supporter of the project. During his visit to Europe, he lobbied for the inclusion of the region. He met with the French President Jacques Chirac and asked his personal help for being included in the Wider Europe. Later, the lobbying

paid off and on 12 May 2004, the EU Commission has clarified its position further in terms of 'Wider Europe' in the Southern Caucasus. It proposed the inclusion of Armenia, Azerbaijan and Georgia in the ENP. Belarus is currently out of this plan because of its "authoritarian system".

The launch of the ENP will be accompanied by a new financial instrument to support the plan till 2007. All partners within the scheme will be eligible for support. Cross-border, transnational and regional cooperation will be financed through Neighbourhood Programmes between 2004 -2006.

An 'Action Plan' will be agreed for each state concerned with the EU. That means individual circumstances of the countries will be taken into account. Given different starting points and objectives, it is clear that a new EU approach is not one-size-fits-all. When these actions plans are implemented, the EU's new "ring of friends" will be allowed to participate in every field of the Union's activities except in its institutions. A perspective of membership or a role in the Union's institutions are ruled out in the short and medium term.

### **Security in the Region**

After 9/11, it can be argued that the Caspian Region have lost some its importance in comparison to Middle East and Central Asia. The initial exaggeration of the oil resources and later realization of this also contributed to that. As a result of the need for Russian contribution in the "war on terrorism" and the gross human rights violations in the name of resistance by the Chechens like in the Beslan School tragedy, the Western criticism of Russia over Chechnya has declined.

Despite the huge opportunities in the region for the businesses, the business climate is in general uncertain and corruption represents a considerable distortion to open business. The new Georgian administration is currently very sensitive on the corruption. Georgian President Mikhail Saakashvili stated that the speaker of the parliament was arrested because of bribe allegations.<sup>8</sup> The long-term stability of financial regimes, the transparency of legal frameworks and predictability of foreign investment conditions are essential for foreign investments.

The Baku-Tbilisi-Ceyhan (BTC) oil pipeline and the Baku-Tbilisi-Erzurum gas pipeline are vital projects which can bring high economic revenues especially for Azerbaijan and Georgia. The construction of the

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<sup>8</sup> Mikhail Saakashvili, ASAM Foreign Policy Conference, Ankara Palas, 20 May 2004.

BTC has already begun. The first oil is scheduled to arrive in Ceyhan in mid-2005. The South Caucasus gas pipeline project will transport 6.6 billion cubic metres of Azerbaijani gas into the Turkish market in 2006. It is also expected that that gas will reach to the European gas market.

The European Union has taken a different approach than the USA with the black sheep of the region, Iran. Despite the presence of the concerns for weapons of mass destruction, terrorism, nuclear proliferation and Iran's human rights record, the EU has taken a softer line than the USA towards Iran.

Human rights and democracy are some of the major concerns of the European Union, the OSCE and the UN in the region. Separation of powers, transparency in public finance and system of budgetary controls are not very well established in these countries.

#### **Security Cooperation**

None of the regional countries have a NATO connection. However as a result of 9/11, the USA has established military links to the trio as well. Currently, the US has been training the Georgian security forces alongside Turkey.

#### **Georgia**

The Partnership and Cooperation Agreement of Georgia with the European Union came into force in July 1999.<sup>9</sup> According to that Agreement, the EC's co-operation objectives have been to build a relationship with Georgia that is conducive to the respect of democratic principles, rule of law and human rights, as well as the consolidation of a market economy. The EU has provided significant economic and financial assistance to Georgia since its independence in 1991.

Before the reign of Mr Saakashvili, the Georgia's political situation was dominated by widespread poverty, serious problems of governance and continued weak rule of law, including high levels of corruption, strained relations with Russia, and internal conflicts, involving in particular the breakaway republics of Abkhazia and South Ossetia, as well as a high level of external debt.<sup>10</sup> The EU has been supporting the territorial integrity of Georgia.

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<sup>9</sup> Published in the Official Journal L205 of 04 August 1999.

<sup>10</sup> The European Commission, *Georgia Country Strategy Paper 2003–2006*, adopted on 23 September 2003, p.3.

The EU aims to focus on three key areas in relation to Georgia: first, promoting rule of law, good governance and respect for human rights and democratic institutions, including strengthening of civil society actors; secondly reducing poverty, targeting assistance to the most vulnerable groups, especially in rural areas, thirdly, enhancing stability and security through confidence building measures aiming at the prevention and settlement of internal conflicts actions in favour of affected populations.

Stability in Georgia is as important for the interests of West as it has the potential to stop the transportation of oil and gas of the region to external markets. The recent toppling of the leader of Aslan Abashidze was also closely related to the economic interests and oil. According to Georgian President Mikhail Saakashvili there are 300.000 internally displaced persons in Georgia mainly from Abkhazia. Currently railway from Sochi through Abkhazia is closed.

### **Azerbaijan**

The biggest problem for Azerbaijan and Armenia is the conflict of Nagorno-Karabakh. Currently Armenian forces supported by the Karabakh Armenians occupy 20 percent of Azerbaijani territory and there are around at least 1 million internally displaced persons in Azerbaijan from the region. The delimitation of the Caspian Sea is also an ongoing issue for Azerbaijan. Unlike between Azerbaijan, Iran and Turkmenistan, Azerbaijan, Kazakhstan and Russia have resolved their differences to some extent.<sup>11</sup> The oil revenues are expected to peak around 2010 and decline thereafter. It is expected that oil revenues will deplete in about 20 years in Azerbaijan.<sup>12</sup> So good governance is quite important in this span of time as there are around a million internally displaced people as a result of Karabakh war. Oil and gas now constitute 90 percent of the total export value from Azerbaijan. The non-oil sector is still very fledgling. The budgetary process is in need of further development. It is not transparent. Drafts of the budget are not made public. The Parliament has very little chance to scrutinize it in detail.

### **Karabakh Conflict**

The stalemate between Armenia and Azerbaijan over Nagorno-Karabakh continues. Despite the efforts of the Organization for Security

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<sup>11</sup> Roger Williamson, "The Caspian and Central Asia: Stability and Development" Wilton Park Conference Summary, WP722: 13 – 18 October 2003, p.3

<sup>12</sup> Roger Williamson, "The Caspian and Central Asia: Stability and Development" Wilton Park Conference Summary, WP722: 13 – 18 October 2003, p.7

and Co-operation in Europe (OSCE) and the Minsk Group, nothing has come out so far from these initiatives after 10 years from the cease-fire.

### **Armenia**

The European Neighbourhood Policy also strongly encourages regional and sub-regional co-operation. By further developing various forms of cross-border co-operation, the EU and its partners can work together to ensure that regions benefit from the EU's enlargement.

### **EU Policies Towards the Region**

- 1) These countries are considered as "neighbours" to the EU
- 2) They are trading partners, whose potential remains under exploited
- 3) The EU has a direct interest in stability in the region. The long-term security of energy supplies is paramount for the EU in the region. Alongside the EU, the OSCE is very active in the region. It has been working on human rights, security and other issues with the trio ever since they gained independence. The OSCE has been very well placed to address many of the emerging issues in the region. The areas of involvement of the OSCE can be enumerated as institution building, free elections and media, strengthening the rule of law, good governance, police reform and the efficiency of the judiciary.
- 4) The EU policy towards the involvement of the US, Russia and China.

The EU has appointed a special representative for the South Caucasus to help to solve the tensions and conflicts in the region. High Representative Xavier Solana has also identified the South Caucasus as one of four priority areas where the EU might use the full range of its instruments.<sup>13</sup>

### **In Conclusion**

Individual "tailor-made" Action Plans will be agreed between the EU and the countries concerned. These Action Plans could later lead to new "European Neighbourhood Agreements", which would replace the current bilateral agreements between Georgia, Armenia and Azerbaijan and the EU.

The priorities set in the Action Plans will be a reference for the financial support provided by the EU to the countries concerned. Assistance

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<sup>13</sup> Roger Williamson, "The Caspian and Central Asia: Stability and Development" Wilton Park Conference Summary, WP722: 13 – 18 October 2003, p.16

from existing sources mainly the TACIS programmes will be complemented in the future by a new financial instrument from 2007, the European Neighbourhood Instrument, which will focus on cross-border cooperation along the external border of the enlarged EU.

EU Member States have approved the inclusion of Georgia, Armenia and Azerbaijan to the ENP formally in Brussels at their summit on 19 July 2004.<sup>14</sup> The country-specific Action Plans are made public in July.

The European Security Strategy, adopted by the European Council in December 2003, clearly identifies the South Caucasus as one of the regions in which the EU should take a "stronger and more active interest". That is why, the Commission recommended the inclusion of Armenia, Azerbaijan and Georgia within the scope of ENP.

The term Wider Europe is not used in the new European Neighbourhood Policy. It might have been deliberately avoided for not being compared with the USA's "Greater Middle East Project".

The inclusion of Armenia, Azerbaijan and Georgia in the ENP was also seen as a clear signal for the future membership of Turkey.<sup>15</sup>

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<sup>14</sup> The Conclusions of the Council of the European Union, Brussels, 19 July 2004, 10679/2/04 Rev 2

<sup>15</sup> "Commission accepted Turkey to the EU, Le Figaro, 13 May 2004, <http://www.abhaber.com/haberAyrinti.php?id=6804>