

T.C.
MARMARA ÜNİVERSİTESİ
AVRUPA BİRLİĞİ ENSTİTÜSÜ
AB SİYASETİ VE ULUSLAR ARASI İLİŞKİLER ANABİLİM DALI

EU POLICY TOWARDS THE SOUTH CAUCASUS

Yüksek Lisans Tezi

ANAR İSKENDEROV

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Danışman: DOÇ. DR. ÇİĞDEM NAS

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ONAY SAYFASI

Enstitümüz AB Siyaseti ve Uluslararası İlişkiler Anabilim Dalı Yüksek Lisans öğrencisi Anar İSKENDEROV'un "EU POLICY TOWARDS THE SOUTHERN CAUCASUS" konulu tez çalışması 7 Ekim 2009 tarihinde yapılan tez savunma sınavında aşağıda isimleri yazılı jüri üyeleri tarafından oybirliği/oyçokluğu ile başarılı bulunmuştur.

Onaylayan:

Doç. Dr. Çiğdem NAS

Danışman

Yrd. Doç. Dr. E. Münevver CEBECİ

Jüri Üyesi

Yrd. Doç. Dr. Armağan E. ÇAKIR

Jüri Üyesi

Onay Tarihi

Prof. Dr. Muzaffer DARTAN

Müdür

.....tarih ve sayılı Enstitü Yönetim Kurulu kararı ile onaylanmıştır.

ÖZET

Bu çalışmanın amacı Avrupa Birliği'nin Güney Kafkasya bölgesi ile olan ilişkilerini incelemek ve bu çerçevede bölgeye yönelik hukuki, iktisadi, ve siyasi politikalarını değerlendirmektir. Bu bağlamda, tezde Avrupa Birliği'nin geliştirdiği politika araçları ele alınırken, Güney Kafkasya politikasının belirleyici unsurları ve bölgede uyguladığı dış politikanın etkinliği incelenmiştir.

Tezin temel argümanı, hem AB'nin kendi politikaları, hem de bununla ilişkin dış politika araçlarının bölgeyle ilgili temel hedeflerine ulaşma konusunda yetersiz kaldığı yönündedir. Bu yetersizlik, AB'nin bölgeye yönelik olarak uyguladığı politik enstrümanların yetersizliğinden, üyelerin ulusal çıkarlarını korumak amacı ile AB politikasını uygulamadaki eksikliklerinden, bölgesel çatışmaların çözümüne ilişkin izlediği politikaların başarısızlığından, AB'nin amaçları ve stratejik araçlarında işbirliğinin yeterli düzeyde mevcut olmamasından kaynaklanıyor.

Bu tez dört bölümden oluşmaktadır: Birinci Bölüm Güney Kafkas ülkelerinin jeopolitik önemi ve söz konusu ülkelerde bağımsızlık kazandıktan sonraki gelişmeleri kapsamaktadır. İkinci Bölüm AB'nin Güney Kafkasya politikasının gelişim tarihini ve belirleyici hukuki unsurlarını analiz etmektedir. Üçüncü bölümde AB ve Güney Kafkas ülkeleri arasındaki ekonomik ilişkiler ele alınmıştır. Son bölümde ise AB'nin bölgede uyguladığı siyaset ve etkinliği incelenmiş ve tez sonuçlandırılmıştır.

ABSTRACT

In this study political and economic relations between the European Union and South Caucasus countries and the legal framework of these relations were examined under the title of “European Union’s Policy towards the South Caucasus”. The aim of this study is to put forth the policies of European Union towards the South Caucasus countries and to analyze adequacy of relations with the countries of Azerbaijan, Armenia and Georgia forming region. When it is considered that both the economic relations and political relations are grounded on legal framework, examination of Partnership and Cooperation Agreements that is the basic legal script drawing the framework of relations will be helpful in understanding political and economic relations.

The research argues that the EU’s current policy approach is not well-tailored to ensure its increasing interests since the EU is not capable to influence the South Caucasus states. Although the EU’s current approach to the region has its own logic, the study suggests that the irrelevance in this point could be linked to failure of the EU’s policies towards the resolution of regional conflicts, weaknesses concerning the EU’s objectives and its strategic instruments, dualistic nature of the EU foreign policy as well as lack of cooperation with international actors in appropriate level to realize EU goals.

The thesis consists of four chapters: The First chapter explores South Caucasus’ geopolitical significance and the developments occurred in the region after gaining independence. The Second Chapter analyzes Partnership and Cooperation Agreements which is the basic legal script drawing the framework of relations. The third chapter examines the economic relations between Union and the South Caucasus states. The final chapter aims to analyze the political relations and the efficiency of the EU’s foreign policies initiated in the region and concludes the thesis.

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LIST OF ABBREVIATIONS

<i>CFSP</i>	Common Foreign and Security Policy
<i>ECFR</i>	European Council on Foreign Relations
<i>ECSC</i>	European Coal and Steel Community
<i>ENP</i>	European Neighbourhood Policy
<i>ENPI</i>	European Neighborhood Policy Instrument
<i>ESS</i>	European Security Strategy
<i>EU</i>	European Union
<i>EURS</i>	European Union Special Representative
<i>GATT</i>	General Agreement on Tariffs and Trade
<i>NATO</i>	North Atlantic Treaty Organization
<i>NSS</i>	National Security Strategy
<i>OPEC</i>	Organization of the Petroleum Exporting
<i>PCA</i>	Partnership and Cooperation Agreement
<i>SU</i>	Soviet Union
<i>UK</i>	United Kingdom
<i>UN</i>	United Nations
<i>US</i>	United States
<i>USA</i>	United States of America
<i>USSR</i>	United Soviet Socialist Republics
<i>WMD</i>	Weapons of Mass Destruction
<i>WTO</i>	World Trade Organization

INTRODUCTION

In order to analyze EU policies towards the South Caucasus republics it is worthwhile to start with late 1980s when USSR started to collapse. Gorbachev who came to power in 1985 chose the policy of approaching to the West and reforms like “Perestroika” (restructuring) and “Glasnost” (political publicity) aiming democratization of the USSR. In short period these policies gave crack signals in state structure and community life, and it was understood that communist regime would be disintegrated (Hasanov, 1998, pp. 194-198). Attaching importance to relations with Soviet Union that was at the phase of disintegration, European Community signed Trade and Cooperation Agreement with this country on 18 December 1989 (Staar, 1993, p. 169). The aim of the agreement was to establish the connection between Soviet Union and European Community in commercial and economic cooperation.

Collapse of communism in Central and Eastern Europe, break-up of Soviet Block and thereafter, demise of Warsaw Treaty organization, demolition of Berlin Wall, all of these shaped mainly Europe and then the whole world. The countries became more and more dependent on each other also because of another challenge ‘globalization’. Thus with the end of Cold War, the need of European Union to restructure relations with former Soviet republics re-emerged. However, in the direction of changes that occurred with the disintegration of Eastern Bloc, a new convergence emerged between European Union and ex Eastern Bloc countries. European Union chose to support integration attempts of Central and Eastern European countries with the aim of ensuring peace and safety in the region and took these countries within its scope of enlargement.

Due to reasons such as geographic closeness and common values, European Union initially attached importance to Central and Eastern European countries. With the Europe Agreements which were signed in 1991-1993, the relations with Eastern European countries reached the level of partnership. However, European Union did not ignore the other countries which gained independence with the disintegration of Soviet Union. Establishing diplomatic relations with these countries right after their

independences, European Union supported the radical reform movements initiated in these countries. Actually, a great deal of technical and financial support was given to these reform attempts that aimed to adopt the principles of democracy and transition to market economy from Soviet central planned economy. Within this frame, Union began to implement Technical Assistance to Commonwealth of Independent States (TACIS) as of 1991. The aim of the program was to support the efforts of the parties for the sake of political independence and economic development.

European Union signed Partnership and Cooperation Agreements with the ex Soviet Union countries in order to develop the relations on a legal basis. These agreements were made with the countries whose membership to European Union was seen impossible due to various reasons. Agreements are significant giving the European Union the right to apply sanction against the acts that will substantially violate democracy, human rights and market economy. The EU signed PCA's with the South Caucasus republics which also became a centre of attention for Russia, USA and Turkey since it was opened to world, in order to ground relations on the legal basis. The region is significant for the EU because of its energy potential and security concerns. The South Caucasus is also transit point for international organized crime, especially drug and weapon trade due to its unstable situation and conflict areas in the region (Ibrahimov, 2008).

This research examines political and economic relations between European Union and the South Caucasus countries under the title of "European Union's Policy towards the South Caucasus". The aim of this study is to put forth the policies of European Union towards Caucasian countries and to analyze adequacy of the relations with the region countries. This research also aims to explore the factors accounting for the increase of attention towards the Caucasus in EU policy. Therefore the study concentrates on research questions which are: *What are the factors that can explain the increase of attention to the Caucasus in the EU policy? And How effective are the policies which EU applies towards the South Caucasus countries?* The main argument of thesis is that the EU's current policy approach is not well-tailored to ensure its increasing interests since it is not capable to influence the South Caucasus states.

When it is considered that both the economic and political relations are grounded on legal framework, examination of Partnership and Cooperation Agreements that is the basic legal script drawing the framework of relations will be helpful in understanding political relations and economic relations. The study examines the Partnership and Cooperation Agreements that constitutes the legal infrastructure of the South Caucasus countries' relations with European Union and which were signed in Luxemburg on 22 April 1996 and then states its differences from Europe Agreements. Moreover, in this study the general statements of Union about the assistances provided within the frame of TACIS program takes place. The research handles the TRACECA project which was initiated in 1993, aiming to restore the historical Silk Road and INOGATE project aiming to develop, operate, transport oil and natural gas pipelines, to diversify and secure energy resources in detail in the 3rd chapter. Finally study examines how these countries entered into the process of ENP strategy, the significance of these countries for the European Union and the possible consequences of European Union's New Neighbourhood Policy and Eastern Partnership initiative.

As a research method, literature is researched; books, articles, periodicals, papers, reports, conference presentations and news announced at the websites of institutes working on the region. It is a new subject and international agenda is not so interested in the region compared to other Eastern neighbors of the EU. Therefore reference materials are not in huge numbers and they are recent studies. As a result of fact, main information on EU- South Caucasus relations is given only form basic EU documents and studies. The main challenge for this research is constructing a coherent structure in the absence of a pervasive body of literature on the topic. This area of study has open areas for research, further studies, researches can be done.

1. THE SOUTH CAUCASUS AFTER THE COLD WAR

Geographically the Caucasus region is on the crossroads at Europe and Asia. It stands at the meeting point of the “Eurasian steppe to the north and the Middle Eastern Highlands, comprising the Anatolian and Iranian plateau, to the south. (Herzig, 1999, p. 2) In political terms, “the South Caucasus” in nowadays understood as a common name given to the three republics of the former Soviet Union: Armenia, Azerbaijan and Georgia, that has replaced its predecessor term “Transcaucasia”, which was predominantly used during the Soviet Union times for the same purpose.

Being at the crossroads of civilizations, the South Caucasus has always been an important region either as a bridge or a borderland throughout the history. The bridging role of the South Caucasus made the region “a mosaic of ethnic communities” with diverse linguistic and religious character (Herzig, 1999, p. 1). Being the borderland of the powerful neighbors, however, made that small but important lands mostly fragmented and partitioned. The region of the South Caucasus has long served as a key arena for competing regional players and, for much of the two centuries, has been hostage to the competing interests of much larger regional players (Giragosian, 2007, p. 100). Those were same historic powers Russia, Turkey and Iran that continue to exert influence as today’s dominant actors in the region.

The world entered a new process following the collapse of the Soviet Union and the East Bloc at the end of the 1980s and the beginning of the 1990s. Such concepts as the Warsaw Pact-NATO, the Iron Curtain, the Berlin Wall, East Germany -West Germany, East Berlin- West Berlin, which dominated world politics as of 1945 were obliterated by the new order.

Therefore today major rival powers within the region are usually identified as Russia, Iran, Turkey, the USA and the EU, but these five are not equal and their roles and influences are completely different. Whereas Iran and Turkey are regional players, Russia remains a global power and firmly sees the United States as a leading competitor in the South Caucasus. In turn the EU takes more or less neutral stance, albeit major European powers also have their own geo-strategic interests in this post Soviet territory

(Nuriyev E. , 2007, p. 3). The aim of this chapter is to examine the geopolitical importance of the region, three South Caucasus states after the cold war and the conflicts in these states affecting their foreign policies and political will of the countries for integration with Europe.

1.1. Definition of the Region

The Caspian and Caucasus basin has always been very important in history as it is today. In post-September 11th era, oil-rich region has become vitally important to economic and security interests both regionally and globally. The region's foreign policy orientation is greatly affecting the national security planning of large neighbouring and distant powers. Therefore the geopolitics of the region is significant in order to understand the EU- Caucasus relations.

1.1.1. Geographical position of Caucasus and Importance of the Region

Geopolitics is the art and practice of using political power over a given territory. Traditionally, the term has applied primarily to the impact of geography on politics, but its usage has evolved over the past century. Globalization and geopolitics are contrasting images of global developments after the end of the Cold war. While globalization indicates interdependence, transnational flows and obliterated state frontiers, geopolitics conjures great power games and power politics. It should not be ignored that geopolitics is a special method that determines, searches and analyses the conflict phenomena, the attack strategies that aim to gain land or defense strategies on the basis of the trilateral approach that unites the effects of both physical and geographical environment (Lorot & Thual, 2001).

Caucasus is the point of intersection and convergence; a place in which many civilizations came into existence and expanded, and many civilizations collapsed and got buried in the ruins of history. It is among scarce parts of the world which unites South and North, Europe and Asia, the world of Islam and Christianity and their values

The Caucasus region which acts as a bridge between the continents of Europe and Asia is the most convenient area to access to the Middle and Near Eastern regions,

the Caspian Sea, the Black Sea and the Mediterranean Sea, Central Asia and the Persian Gulf. Caucasus is on the eastern end of a wide watercourse which is composed of inland seas that are connected to each other and the watercourse is 5000 kilometers long and is embedded into the old world (Takvul, 2007, p 41). The shores of this watercourse were inhabited by societies who can be called the architects of civilization in the prehistoric ages. It comprises the Mediterranean Sea, the Aegean Sea, the Sea of Marmara, the Straits, the Black Sea and the Sea of Azov. At the same time it is connected to the center of Asia through the Caspian Sea.

Caucasus is one of the main stations of the historical Silk Road which connected Chinese, Persian, Byzantium and European civilizations. The region is one of the main footholds to reach the southern seas and check points of them. Caucasus also is a bridge stretching from the Russian coasts to the “heart” of Asia, a wall protecting Central Asia from enemy attacks, and one of the main geostrategic points defending both the Black Sea and the Caspian Sea (Ramazanov, 2009).

For the USA, Caucasus is both an exclusively rich energy resource and one of the most strategic points to control the Caspian Basin and the Persian Gulf. For Turkey, Caucasus is the “golden bridge” that stretches to the Turkistan geography. It enables direct contact with Idyll-Ural Turkic communities and Central Asian Turkic states. And finally for Iran, Caucasus is the most appropriate springboard for the geopolitical reorganization Pax-Persia under the leadership of Islamic Republic of Iran.

From the geopolitical perspective, the fact that Caucasus is the eastern end of Europe should be underlined when the relations between the EU and Caucasus are mentioned. Although it is too soon to talk about a very special relationship between the EU and the South Caucasus like the full membership, in short time Caucasus region will turn into a border zone for the EU. And another test and chance of success for the European Union will depend upon its ability to establish relations with these regions. The relations with Caucasus, one of the sub regions that is of great importance to Europe, should be assessed from this perspective and it should be realized that the improvement of relations is essential from the geopolitical view.

1.1.2. Reorientation of the South Caucasus to the West

The geopolitics of the twenty- first century are in fact the chaotic result of conflicting forces: on one side, increasing fragmentation and conflict around national, territorial, ethnic, religious, or cultural dividing lines, on the other, as sort of counter medicine, diversely successful diplomatic efforts to promote the adhesion of ‘deviant’ states to the multilateral system and to globalization along with the interests of democracy. These diplomatic efforts are primarily those of the West, Europe and the United States, even though for various reasons American rhetoric is more fully developed in this area than that of the EU (Cohen-Tanugi, 2008, p. 72).

After the global political earthquake with the disintegration of the USSR, the world conditions changed accordingly and a new era started for Europe. The foundations of the European Community mechanism were laid to get over the situation experienced after World War II and the Community was built on an economic, then social and cultural basis. This mechanism gained a political basis and was preferred as the right model for the “salvation” and development of the continent

Europe has taken action to regain the power and effectiveness it lost in the 20th century. The European ideologists are well aware of the fact that one of the main provisions, even the major provision, in order to regain such effectiveness is to provide a continental unity. The EU is a model of civilization and like every civilization has a geopolitical reality. Civilizations rise over certain geographies and EU tries to form its own geopolitics at present (Özdağ, 2002, s. 19). Therefore enlargement waves that will include the whole continent have been started and strategies have been designated in order to incorporate every European country to the Union according to their status and level. As a result of enlargements the EU were not based on economic but geopolitical considerations.

With the demise of the Soviet Union, a great “black hole” emerged in the middle of the world. The ruins of the system that fell apart and of the countries which collapsed during this process started to be recovered and the new system was to emerge.

This newly formed system was surely to be structured with the “architecture” of the West that came out victorious from the fight which lasted half a century.

In the meantime the political terminology did undergo important changes and democracy, human rights, pluralism and free market economy became “key and magical terms” (Ramazanov, 2009). From now on the path to development and progress passed through the West. These countries were either to take this path or embark on ambiguous adventures. In short, in such an environment the integration to the West was no longer an option but an obligation. Integration concept is a process in which “many different national actors shift their political loyalties and expectations to a new center from national states and organizations.” (Haas, 1958, p. 16) The ultimate aim of integration is to stop the wars, to ensure that people live in peace, to maintain security at a regional basis then all around the world, to treat the human rights with respect, to abolish all types of intolerance relating to race and religion, consequently to strengthen the cooperation among all the states and to achieve a human unity. From this point of view, today almost all of these features are needed in the Caucasus.

On the other hand, the system that was adopted by the West and that achieved great success both from the economic and political aspects attracted the countries which gained their independence like a star. In such an atmosphere the new countries of the international system with their new identities raced against each other in the integration process to the West which was seen as the only way to solve the problems that were piled up in the old system and came to light with the change, to secure their existence and to progress (Giragosian, 2007, p. 106).

In this context, the South Caucasus countries established relations with the West in general and with Europe in particular and improved these relations. They became members of European institutions and European based organizations. The leaders of these republics started to emphasize the fact that their main aim was the integration to Europe even in their ordinary speeches. In short, integration to Europe became the major goal of all three republics.

The ethnic, social, political and economic problems in South Caucasus are unprecedented in the world history and not very easy to solve. The integration is expected to help the solution of these problems. However, the global and regional interests will get more apparent only when all the parties become aware of the advantages of the integration. The construction of the oil pipelines, preparation of the Eurasian Transport Corridor infrastructure, the improvement and reinforcement of the economy, and laying the stable foundations of development in the region are appealing objectives and means to take part in the active global integration for all the states by abandoning their own claims (Huseynova, 2006). It is difficult to overcome most of the problems of the South Caucasus without the integration.

The way to Europe whose foundations were laid years ago in the South Caucasus countries and which will end with the close relations with the European Union is expected to pass difficult and long process. The integration efforts made during the almost twenty year period after the independence proving this fact. But there is a great potential for an entrenched cooperation between Caucasus countries and Europe in the 21st century. The interest of South Caucasus countries and Europe are in conformity in many areas. It is possible to list common goals and denominators among these advantages such as to abolish the conflicts, to maintain the attempts for peace, to ensure the security on the international basis, to fight against global terrorism, to diversify energy supply, and to implement economic projects for welfare and development for both sides.

In the early 1990s, there were a lot of debates among the Western policymakers regarding the Europeanness of the South Caucasus and particularly whether there is relevance of a thesis that the three newly independent states belong to European community of nations. With the admission of these post Soviet countries into CoE, they became integral part of the European family. In effect, the membership in the CoE is a significant step forward towards the integration into European structures. Upon the acceptance of these countries as the members of the CoE, this prestigious European organization closed the debate, thereby recognizing the three South Caucasus nations as the European countries.

The notion of Europe is composed of geographical, historical, cultural, economic, political and even judicial elements. One thing is certain that the definition of Europe is much more difficult in comparison to other continents. Belonging to Europe can be realized only when its cultural identity is shared. Europe's cultural identity describes the European culture, European civilization and its other cultural values. The notion of culture includes political culture in this context. Within the European integration context, for South Caucasus countries this notion also involves judicial constituents. The indispensable judicial values can be listed as:

- The validity of the concept of liberal state of law. This state of law should not exist only in form, but above all it must be a system which has respect to the values that involve certain justice conceptions of the law state of continental Europe and the human rights that aim to protect the honor and equality of individuals;
- The validity of the principle of democracy as well as the protection of political, ethnic, cultural, religious or linguistic minorities;
- The acceptance of the necessity of a social state system in which a certain level is guaranteed to protect the minimum existence of individuals;
- A secular social structure, an impartial state system; (Ramazanov, 2008)

It is expected to be easier to become integrated to Europe once these values which are briefly mentioned above are adopted. But here the EU should act fast and serious in order to compete with Russia. While the old bipolar structure of the world is definitely over and done with, such reminiscences are not completely lacking in relevance. Russia has openly displayed its ambition to restore the prestige and power of the former Soviet Union and of Tsarist Russia before it, both on the perimeter and within the sphere of influence of the USSR and more broadly on the international stage (Cohen-Tanugi, 2008, p. 74). This ambition has necessarily led to hostile relations with the enemy of past, which is now the world's only superpower and to a lesser extent,

with the European Union, a more attractive competitor than the Kremlin in the eyes of states that Moscow still considers its “near abroad”.

Nevertheless, the South Caucasus countries should not be turned into imitators of the West; they should design their own reform systems by adopting the Western development way before anything else. Therefore the South Caucasus countries should have priorities in order to transform their political system to modern European model. The main political priorities for the South Caucasus states for integration with Europe could be listed as (Nuriyev S. , 2002):

- Promotion of the establishment of a pluralistic democracy based on market economy and the rule of law.
- Implementation of an independent foreign policy.
- Elimination of threats and risks to the security, political independence and sovereignty and territorial integrity.
- Peaceful settlement of the frozen conflicts on the basis of international law
- Liquidation of the consequences of military conflicts.
- Development of good and mutual advantageous relations with neighbors.
- Promotion of security and stability in the region.
- Prevention of illegal arms and narcotics transfer in the region.
- Adherence to existing global non-proliferation regimes and establishment of a nuclear-free zone in the South Caucasus.
- Integration into European and Transatlantic security and cooperation structures, including NATO and the EU.
- Development of the Eurasian Transport Corridor.

Thus they will be strong enough to choose their own political orientation on the global politic arena. However for the states that could not design their own political systems, success in the integration does not promise brilliant future and great meaning.

1.2. End of the Cold War

In 1985, the Soviet Union Communist Party General Secretary Mikhail Gorbachev was trying to carry out reforms that the country needed at that time, but conservative staff of the party was trying to prevent the reforms like Perestroika (restructuring), Glasnost (transparency), Demokratizatsiia (democratization) based on basic democratic principles (Hill, 1989, p. 31). Thus began the Soviet Union relative liberalization, the complaints and meetings which could not be expressed before began too and the process had also strengthened the nationalist movements. In the light of these developments, in December 1988, the USSR Supreme Soviet made serious changes to the structure of state institutions. In March 1990 USSR State Presidency was established and Gorbachev became the first and the last president of the USSR (Sharlet, 1994). Moreover, the 6th article of the Constitution which was about Communist Party monopoly in the political life was changed (Ramazanov, 2009).

But still these reforms were far from preventing the spreading deep political, social and economic crisis in all spheres disintegrating day by day the Soviet Union. The main role in the process was played by the nationalist and liberal movements which had been punished hardly by the central government. The dissolution process of the USSR tried to be stopped by the referendum held in March 1991. Six republics boycotted this referendum and therefore it did not give the expected results and the elections were declared invalid by USSR government (Lane, 1992, p. 225). Government was trying to negotiate with the federal republic leaders but the process of disintegration was accelerating day by day.

The attempts of Gorbachev to reform the Soviet Union would end in disaster due to the way in which the reforms were implemented. Gorbachev and his politburo colleagues regarded reform of the Soviet economy as their main priority. After all they reasoned that if they could not salvage the economy they would not be able to salvage

the Soviet Union, as it would be too weak to continue as a superpower, and perhaps even as a state (Hobsbawm, 1994, p. 475). Conservative forces in KGB tried their last chance to avoid the dissolution by establishing "State Emergency Committee" an attempt to coup d'état in August 1991. But the coup was not successful too and the USSR collapsed officially on 25 December 1991 (Minahan, 1998, p. 234).

Demise of the Soviet Union has created huge geopolitical gap in the international political system. Russia's borders returned to the 1800s in Caucasia, 1850's in Central Asia, and to the 1600s in Europe (Ramazanov, 2009). The South Caucasus despite its small area and population was on agenda because of ethnic conflicts and its strategic position. This geographical area, throughout history, has been taken up in two sub-systems: North and South Caucasus. The North Caucasus remained in Russian Federation and consists of several autonomous republics. The South Caucasus which is the subject of this thesis consists of three independent states; Azerbaijan, Armenia and Georgia. The next chapter explores what happened in these states after demise of the Soviet Union.

1.2.1. Azerbaijan after the Independence

The Republic of Azerbaijan (capital Baku), an independent country in the South Caucasus has an area of 86.600 sq km. Azerbaijan is a presidential country with National Assembly named Milli Mejlis with 125 seats. It has borders with Russia on the north, Georgia on the northwest, Armenia on the west, Iran on the south and Caspian Sea on the east (Labeledzka, 2006, p. 580).

Azerbaijan was a part of the Russian empire from early 19th century to 1918, an independent state to 1920, and a part of Soviet Union from 1922 to 1991 (Mahmudov & Shukurov, 2005). As a result of "nationalist" movements started in Soviet Union in 1980s, Azerbaijan went into the tendency to quit Soviet Union and this tendency constituted similarity with the ones in other Union republics.

After the incidents that occurred as a result of Nagorno Karabakh issue between Azerbaijan and Armenia after 1988, sovereign republic status of Azerbaijan was strengthened with the Law about Azerbaijan High Soviet Sovereignty on 23

September 1989 and on 18 May 1990, fundamental amendments and appendixes have been made in 1978 Constitution (Aktaş, 2001, s. 78-82). On the same date, the law about establishing presidency in Azerbaijan was accepted. Republic of Azerbaijan accepted High Soviet Declaration of Independence of Azerbaijan Republic and accepted Constitution Agreement about State Independence of Azerbaijan Republic on 18 October 1991 (Mahmudov & Shukurov, 2005).

New constitutional process in Azerbaijan started under harsh conditions and went on for a long time. A new commission in charge of establishing a new Constitution was founded; however political instability prevented this commission to work. With the change of government in 1993, Haydar Aliyev came to power and the work on the constitution draft was started again. New Constitution was accepted on 12 November 1995 via referendum and came into force on 27 November. 86% of the voters participated in the referendum and 91.9% of the voters voted towards accepting the new Constitution (Ibrahimli, 2008, p. 97). Basic feature of Azerbaijan Constitution was that it brought a presidency system equipped with broad authorities moving from the principle of “powerful execution”. Regime of Azerbaijan state in the new Constitution has been stated as democratic, civil and unitary Republic (Ibrahimli, 2008, p. 96).

While on one hand Azerbaijan was trying to reinforce its independence and prevent Armenian occupation under hard conditions, on the other hand it developed cooperation with world countries and international organizations. Azerbaijan became one of the countries that established fastest relations with world community among old Soviet Republics. The first country that recognized Azerbaijan officially was Republic of Turkey and she remains the most important ally of the Azerbaijan (Ibrahimli, 2008, p. 206). Recognized by most of the world countries, Azerbaijan was approved to be member to Islamic Conference Organization on 8 December 1991, to Commonwealth of Independent States on 21 December 1991, to Organization on Security and Cooperation in Europe, to UN on 2 March 1992 (Cafersoy, 2001, p. 68). The country has been administered by Ilham Aliyev, leader of New Azerbaijan Party since 2003 who was reelected in October 2008 (Becker, 2007, p. 30).

From political standpoint leaning towards relations with West in last periods, Ilham Aliyev established his foreign policy to pay regard to balance between great powers. Officially pursuing an even handed approach in foreign policy, Azerbaijan enjoys warm relations with both the West and Russia and Iran, thus trying to satisfy the interests of all regional powers. But Russia and Iran still regard Azerbaijani's endeavors to enlarge cooperation with Euro- Atlantic structures as a potent challenge. Iran's aggressive stance against Azerbaijan in 2001 reinforced Azerbaijani- Turkish relations and linked the two countries even closer (Nuriyev E. , 2007, p. 11). Wide- ranging cooperation with the Western democracies has also taken a special place in Azerbaijan's foreign policy. The launching of several international energy projects stimulated further investment in Azerbaijani oil industry.

1.2.2. Armenia after the Independence

Republic of Armenia with the capital Yerevan is the presidential republic. The unicameral National Assembly named Azgayin Zhogov has 131 seats. Armenia which is landlocked country has estimated population of approximately 3 million people and is surrounded by Georgia in North, Azerbaijan in East, Iran in South, Nakhchivan annexed to Azerbaijan in Southwest and Turkey in West. The total of this area of the country is 29800 sq km (Demir, 2003b, s. 107). Compared to the other two South Caucasus countries it has no considerable natural resources (Labeledzka, 2006, p. 579).

Between the 4th and 19th centuries, Armenia was conquered and ruled by, among others, Persians, Byzantines, Arabs, Mongols, and Turks. For a brief period from 1918 to 1920, it became an independent republic. In late 1920, local communists came to power following an invasion of Armenia by the Soviet Red Army, and in 1922, Armenia became part of the Trans-Caucasian Soviet Socialist Republic (Bagdasaryan, 2004). In 1936, it became the Armenian Soviet Socialist Republic. Armenia declared its independence from the Soviet Union on September 21, 1991.

Like other Soviet Republics, Armenia also established relations with international community following its independence. Armenia was accepted as member to UN and Organization on Security and Cooperation in Europe. In December 1991,

diplomatic relations with USA were established. Although neighboring Turkey was one of the first countries to recognize the independence of the Armenia, Ankara did not establish diplomatic relations with the Yerevan in response to genocide claims and land allegation directed towards itself and the Armenia's occupation of the Azerbaijan's territories.

Within the years since its independence, while Armenia maintained its tight cooperation with Russia on one hand, it also strived to be in close relation with Western countries and to take place in Western institutions. With this aim, Armenia put integration with Europe centered institutions and organizations within its foreign policy targets. At the same time, while maintaining strategic relations with Russia by considering the regional balances, Armenia fall behind in relations with Organization on Security and Cooperation in Europe (OSCE), NATO and European Union (EU).

Undoubtedly, some factors are effective in cooperation of Armenia with Europe and Europe with Armenia. The first factor is that political and cultural relations of Armenians with Europe date back to past. Historical inheritance and privileged position of Armenia-Europe relations created opportunity to improve cooperation especially on behalf of Armenia. Second factor is that Armenian's knowledge about European culture and political view and their sympathy to European values prepare Armenians to cooperation with Europe psychologically and logically. Third factor is that EU countries immediately recognized independence of other countries in South Caucasus and Armenia. Recognizing Azerbaijan and Armenia on 31 December 1991 and Georgia in March 1992 officially (Demir, 2003a, p. 369-372), the EU established diplomatic relations with these countries in 1992. This case contributed a lot to strengthening Armenia's position in international arena and Armenia coming into being a part of international community.

The Government of Armenia's stated aim is to build a Western-style parliamentary democracy like other ex Soviet republics. However, international observers have been critical of the conduct of national elections in 1995, 1999, and 2003, 2008 as well as the constitutional referendum of 2005 (www.state.gov, 11.06.2009). The new constitution in 2005 increased the power of the legislative

branch and allows for more independence of the adjudicatory; in practice, however, both branches remain subject to political pressure from the executive branch, which retains considerably greater power.

Armenia held last presidential elections on February 19, 2008. The elections, while originally deemed by the OSCE's Office for Democratic Institutions and Human Rights (ODIHR) to be "mostly in line" with OSCE standards, were later seen to be marred by credible claims of ballot stuffing, intimidation and even beatings of poll workers and proxies, vote buying, and other irregularities (www.transparency.am, 02.08.2009). Recounts were requested, but ODIHR observers noted "shortcomings in the recount process, including discrepancies and mistakes, some of which raise questions over the impartiality of the electoral commissions concerned." After the general elections performed in February 2008, the country is managed by President Serzh Azati Sargsyan who replaced Robert Kocharyan. The interesting point is that both of them are originally from Karabakh enclave in Azerbaijan.

From geopolitical standpoint national security concerns have been the vital issue on the Armenia's agenda and important aspects of her foreign policy strategies like in Georgia and Azerbaijan. For Armenia, Russia is seen as her only security guarantor and Moscow in turn has regarded this tiny South Caucasus republic as a key strategic ally in the region. Armenia has therefore followed a pro-Russian foreign policy since the declaration of independence. Besides, Armenia's another geopolitical partner is Iran, a counterweight to the Turkish influence in the region. Regardless of intensifying Armenia's relationship with Russia and Iran, Armenian- US interaction is developing too. But Armenia has always sought to balance its ties with the US through retaining a very strong link to Russia and a close Armenian- Iranian relationship as well (Nuriyev E. , 2007, p. 11). By maintaining extensive ties with France and other European countries where Armenian Diaspora is strong enough, Armenia is also very active politically in European countries. Even though Yerevan is cautious with regard to closer cooperation with the Euro-Atlantic structures because of Russia's hegemony in the politics of Yerevan, Armenia has become major recipient of international assistance in the post- Soviet transition period.

1.2.3. Georgia after the Independence

Georgia, with its capital Tbilisi, is a presidential republic as the other two states in the Southern Caucasus. Unicameral Supreme Council named Umaghiesi Sabcho has 235 seats. Georgia is surrounded by Russia in North and Northeast, Azerbaijan in Southeast, Armenia and Turkey in South and Black Sea in West. Georgia covers a territory of 69,700 sq km and its population is 4.7 million (USAK Georgia Report, 2008).

On April 9, 1991, shortly before the collapse of the USSR, Georgia declared independence and on May 26, 1991, Zviad Gamsahurdiya was elected as a first President of independent Georgia (USAK Georgia Report, 2008, p. 72). Gamsahurdiya stoked Georgian nationalism and vowed to assert Tbilisi's authority over regions such as Abkhazia and South Ossetia that had been classified as autonomous oblasts or regions under the Soviet Union. However, he was soon deposed in a coup d'état, from December 22, 1991 to January 6, 1992 (Ramazanov, 2009). The coup was instigated by part of the National Guards and a paramilitary organization called "Mkhedrioni" or "Horsemen". The country became embroiled in a bitter civil war which lasted almost until 1995. Eduard Shevardnadze the ex-Soviet foreign minister returned to Georgia in Mart 1992 and became the head of the "State Council" which had ruled the country until the polls (Demir, 2003b, s. 121).

In 1995, Shevardnadze was officially elected as president of Georgia (USAK Georgia Report, 2008). At the same time, simmering disputes within two regions of Georgia, Abkhazia and South Ossetia, between local separatists and the Tbilisi, erupted into widespread inter-ethnic violence and wars. Supported by Russia, Abkhazia and South Ossetia, with the exception of some small territories, achieved de facto independence from Georgia. Roughly 230,000 to 250,000 Georgians were expelled from Abkhazia by Abkhaz separatists and North Caucasians volunteers in 1992-1993. Around 23,000 Georgians fled South Ossetia as well, and many Ossetian families were forced to abandon their homes in the Borjomi region and move to Russia (Ramazanov, 2009).

In 2003, Shevardnadze (who won reelection in 2000) was deposed by the Rose Revolution, after Georgian opposition and international observers asserted that the November 2 parliamentary elections were marred by fraud. The revolution was led by Mikhail Saakashvili, Zurab Zhvania and Nino Burjanadze, former members and leaders of Shevardnadze's ruling party. Mikhail Saakashvili was elected as President of Georgia in 2004 (Secrieru, 2009).

Following the Rose Revolution, a series of reforms was launched to strengthen the country's military and economic capabilities. The new government's efforts to reassert Georgian authority in the southwestern autonomous republic of Adjara led to a major crisis early in 2004. Success in Adjara encouraged Saakashvili to intensify his efforts. Despite these increasingly difficult relations, in May 2005 Georgia and Russia reached a bilateral agreement by which Russian military bases (dating back to the Soviet era) in Batumi and Akhalkalaki were withdrawn. Russia fulfilled the terms, withdrawing all personnel and equipment from these sites by December 2007, ahead of schedule (Secrieru, 2009).

With the events that resulted in damaged relations with Russia, fuelled also by Russia's open assistance and support to the two separatist areas, Georgia could not achieve to transform the independence it gained with the collapse of the Soviets into a strong state reality in all fields. We can list the reasons as follows: (Mert, 2004, p. 35)

- Economy's dependence on Russia.
- Rise of conflicts between ethnic groups which were used by Russia in order to apply pressure over Georgia
- Geopolitical identity of Georgia forced Russia to keep this country in hand.

While Russian historian V. Pryaxin mentions that Georgia has specific significance in the foreign policy line of Russia, he relates Abkhazia and South Ossetia issues' breaking out to Georgia's wrong policy. In the Gamsakhurdia period, results of the wrong policy of "Georgia is for Georgians" are the reasons of these issues' states the historian (Pryaxin, 2002, p. 88).

After gaining independence officially, Georgia began to develop its foreign relations rapidly. The first country that recognized Georgia was Romania in autumn 1991 (www.prezident.gov.ge, 23.11.2005). Firstly Germany out of Western Countries opened embassy in Tbilisi. Turkey and USA followed Germany. Within a short time Georgia became a member of prominent international organizations. On 24 March 1992 Georgia was approved to OSCE Council of Ministers and to EU in July 1992. Georgia took its place among the founder members that signed the declaration of Black Sea Economic Cooperation Organization on 25 July 1992 (USAK Georgia Report, 2008).

From political standpoint a strong European orientation is a central priority for the country's foreign policy. Since independence, Georgia has advocated a Westward-looking strategy, seeing its future as a key transit country for oil, gas and commerce between Europe and Central Asia and the South Caucasus. Georgia's ruling elite is now ever more striving to expand the country's participation in Euro- Atlantic structures. Compared with Armenia, Georgia's relationship with Azerbaijan and Turkey have become much closer, and all three neighbors have developed strategic cooperation in the energy, transportation, political, economic and military areas. But Georgia's relations with Russia in recent years have been problematic as most Georgians regard Russia as an imperial power which seeks to undermine their statehood. Moscow has recognised Abkhazia and South Osetia as independent states and imposed discriminatory visa regime for Georgia (Emerson, 2008, p 19). The most noteworthy change in Georgia's foreign policy is that the country's young leadership has been looking for external security guarantees, mainly requesting Western aid and military and security sectors and looking for possibilities to become membership of NATO as well.

1.3. Conflict Areas in the South Caucasus

The EU has become an immediate neighbour with the South Caucasus region after its last wave of enlargement. This presents both opportunities and challenges to the EU. The South Caucasus region has vast energy resources and opportunities for their transit from the Central Asian states. This opportunity for the EU is countered by the existing protracted conflicts in the region, the biggest one being the Armenia-Azerbaijan conflict.

1.3.1. Armenia- Azerbaijan Conflict over Nagorno Karabakh

In comparison with other ethnic disputes and conflicts in the region, Karabakh issue is more complicated. The Armenia-Azerbaijan conflict over Nagorno-Karabakh region of Azerbaijan, which started in 1988, is the biggest one on post-Soviet space in terms of bloodshed, geography covered, scope of military activities and severe consequences.

Nagorno Karabakh conflict became more than a centre vs. province problem, any status or right demanding dispute and turned into a land invasion issue. Different from other conflict regions, the issue was not domestic like in the examples of Georgia and Chechnya where dispute was between centre and federation, autonomous republic or autonomous region, but was between two countries, two states. This characteristic feature of the dispute should be highlighted.

As of 1987 Armenians started attempts to get Karabakh from Azerbaijan and annex it to Armenia. On 20 February 1988 Nagorno Karabakh Autonomous Region (NKAR) Soviet accepted the application addressing Azerbaijan and Armenia High Soviets to leave Azerbaijan and unite with Armenia (Nuriyev, 2002, p. 374). Azerbaijan High Soviet Presidency Council that convened the next day declared the decision of local assembly illegal. Upon the progressions convening on 18 July SU High Soviet Presidency Council assessed the decisions of both Republics and made a decision. General Secretary of Communist Party Central Committee Mikhail Gorbachev expressed that they admitted the presence of Karabakh's problem however these problems would be solved without touching territorial integrity of Azerbaijan (Aslanli, 2001, p. 400).

Armenians were grounding on 70th article of SU Constitution; however this article was depending on right of self determination. On the contrast, Azerbaijan counted this verdict invalid depending on 78th article of Soviet Constitution (Aktaş, 2001, s. 79). Because 78th article mentions, the borders of the Republic could not be amended without its consent .On 12 January 1989 Moscow established a “specific committee” for the management of Nagorno Karabakh dispute. Later, even if Moscow

decided to leave Karabakh in Azerbaijan on 28 November 1989 (Aktaş, 2001, s. 78), Soviet military force of 5000 soldiers would continue to be settled in the region.

Armenian Parliament's decision to annex Nagorno Karabakh to Armenia on 1 December 1989 increased the political tension in Azerbaijan extremely. Thus Azerbaijan Parliament declared the decision of Armenia void and illegal. Hence Armenia's decision to annex the lands of neighbor country maintains its validity today is a legal basis of Armenia's expansionist and irredentist policies in Karabakh.

Red Army unions slaughtered the unarmed people on 19-20 January under the reason of suppress the anti soviet meetings that occurred in Baku in 1990 (Alaolmolki, 2001, p. 49). At least 130 people were killed and hundreds of people were injured as a result of the operations performed the night connecting 19 to 20 in order to crush Azerbaijani independence adherent (Chiloglu, 1998, p. 147). This bloody incident accelerated the process in Karabakh too. As the Soviet Union was on its way of disintegrating the issue of Karabakh resurfaced and caused rising nationalism on both sides. From early 1988, Azerbaijanis fled from Armenia (220,000), and Armenians from Azerbaijan (300,000) (Cornell, 2001, p. 79).

On 28 February 1991 Azerbaijan Parliament accepted the law abolishing autonomous status of Nagorno Karabakh Autonomous Province. After the helicopter with the state officials of Azerbaijan, Kazakhstan and various officials of SU fall or was dropped, Azerbaijan Parliament has abolished autonomous structure in the region completely with verdict dated 24 November 1991 (Aktaş, 2001, ss. 82-99).

Realizing one of the most catastrophic massacres of the history with the help of 366th regiment of Russian army, Armenian armed units killed more than 1000 people in Hocali and occupied the city (Aktaş, 2001, s. 93). Then on 8 May 1992 Shusha, on 17 May 1992 Lachin, on 3 April 1993 Kelbecer, on 23 July 1993 Agdam and in the end of August Fuzuli, Jabrayil and Qubadli districts were occupied by Armenian military units (Mahmudov & Shukurov, 2005, s. 95). Eventually, whole of Nagorno Karabakh and 7 more districts out of Karabakh that is approximately 20% territory of Azerbaijan was

occupied. More than 35.000 people died and almost 1 million people had to leave their homes and became refugees (Nuriyev, 2002).

Armenian side tried to ground the occupation on the principle of self-determination. Having both internal and external dimensions, Self-determination is subject in the case that an ethnic group within a state demands to establish a new state via leaving due to reasons such as ethnic, geographical, historical or economic reasons or demands broader political, cultural and economic autonomy within the existing state structure. The self-determination claim is not limited to a state and concerns more than one country. Thus, even if we start from the self-determination claim of Armenians, today it becomes clear one more time that Armenian's claims that "Armenia is not related to the issue and this is a domestic issue of Azerbaijan" lack of basis (Veli, 2004).

Armenian claims of self-determination contradict with many law norms, agreements, customs and principles and goals of UN as well. In an international context in which international law, national court practice, international norm and current documents accepted territorial integrity of states as the most significant and inviolable principle, it does not seem possible to fit self-determination right in any frame. Remarks of Former Minister of Foreign Affairs of USA Robert Lansing that "Self-determination is a dynamite-loaded concept and can raise the hopes that can never be realized" summarizes the situation in the Caucasus generally and the situation in Karabakh specifically in short.

Since May 1994, cease-fire was established between the two parties which to a certain degree have been respected today. As both the newly formed states entered into the international arena, they were recognised by the international community within the borders inherited from the Soviet years. As the war had been progressing between the two nations with territorial losses and a huge number of internally displaced persons (IDPs), the United Nations Security Council adopted four resolutions 822, 853, 874 and 884 while referring to the conflict as 'in and around Nagorno-Karabakh of the Republic of Azerbaijan' was supportive of territorial integrity of Azerbaijan, condemning occupation of Azerbaijani territories and attacks against civilians, expressed grave

concern at the displacement of large number of Azerbaijani population and demanded withdrawal of occupational forces (Mahmudov & Shukurov, 2005, pp. 343-346).

These resolutions also reiterated full support for the peace process conducted under the OSCE Minsk Group comprised currently of Russia, USA, France, Belarus, Germany, Italy, Sweden, Finland, Turkey as well as Armenia and Azerbaijan and on a rotating basis the OSCE Troika. Since that time, negotiations have been conducted under the framework of the OSCE Minsk Group with establishing the institution of co-chairmanship of Russia, USA and France (Görgülü, 2008, p. 13). The Minsk Group has only a mediating mandate and until now proposed several conflict settlement schemes to Armenia and Azerbaijan, among them there are package, step-by-step, common state deals which were rejected by the parties.

Since 2002 negotiations are conducted within the ‘Prague Process’ which so far has been unproductive. In November 2008 Armenia and Azerbaijan signed ‘Moscow Declaration’ in Russian capital expressing mutual agreement to continue talks on peaceful settlement of Nagorno Karabakh conflict based on Madrid principles. Today Russia and USA both try to play main role in the resolution of the Karabakh dispute in order to increase their influence in the region.

Consequently the fate of Nagorno Karabakh has yet to be determined. With citizens in Armenia and Azerbaijan highly sensitive to the terms of any future peace agreement, relations between the two neighbouring countries remain stained. If the peace process brings no results in the near future, a renewed war may occur specially under the pretext of actively pursuing retribution for attack on its own territory. Therefore, peaceful resolution of the Armenian- Azerbaijan conflict requires much greater efforts of the European security organizations and will also depend on how successfully EU institutions develop multilateral cooperation with the OSCE and the CoE and create new possibilities for enhancing a constructive dialogue- promoting potential through their more active participation in the Armenian- Azerbaijani peace process.

1.3.2. South Ossetian Conflict

Settled in the middle of Caucasus, dating back to old Alans and belonging to Aryan race and Indo-European languages, Ossetians have been divided into two parts with the artificially drawn borders. The north part was left within Russian Federation (North Caucasus) while South side was left in Georgia. Population of South Ossetia in the north of Georgia comprises of 100.000 people according to numbers of 1989-90 and 66.2% of them were Ossetian while 29% of them were Georgian (Yejegodnik Bolşoy Sovetskoy Ensiklopedii, 1990). The population balances have been substantially affected as a result of migrations due to wars that broke after Soviet Union collapsed and other socio-economic reasons.

Annexed to Georgia on 20 April 1922 with the status of autonomous region, South Ossetia maintained its existence with this status until the separation of SU (Berzeg, 1991, p. 2). In 1989, it was seen that South Ossetia also got its share out of the agitations experienced in many parts of SU. The demands that the region must separate from Georgia and accordingly intensifying tensions caused a second conflict point in Caucasus after Nagorno Karabakh.

Ossetians aimed to gain federative status in Georgia, and if that would not be possible, they intended to unite with North Ossetia in Russia. Tbilisi government answered to the demands of South Ossetia about changing autonomous region status to autonomous republic status or uniting with North Ossetia that has federative status in Russia, with economic embargo, abolition of autonomy status and military intervention.

Publication of letter of Alan Cociyev who was the leader of South Ossetia Popular Front named 'Ademon Nikhas' in Georgian newspapers in spring of 1989, that asked the Abkhaz people to support their struggle (Potier, 2001, p. 13), and the Georgian media organs publications like the 'Georgian is the only official language in the republic' in August 1989 accelerated the conflicts tension. Even if South Ossetian Soviet and South Ossetian Popular Front asked Georgia High Soviet to turn South Ossetia Autonomous Region status into Autonomous Republic, Georgian officials rejected this demand (Tavkul, 1999, p. 198). While the dispute and mutual ultimative

statements between two parties lasted until the beginning of 1990, with the consent of Gamsahurdiya 20 thousand Georgians walked to capital Tskhinvali with the aim of protecting the Georgian population. The first close contact was established in here.

The decision of SU High Soviet to increase the authorities of autonomies in the region on 26 April 1990 raised the tension in the region more (USAK Georgia Report, 2008). Accepting an election law, Georgia High Soviet banned the political parties operating only in one region of Georgia to participate in the parliamentary elections to be performed soon. With this restriction, South Ossetian Popular Front was automatically prevented to participate in the elections. Thereupon, administration of South Ossetia Region declared that the region was an independent Soviet Democratic Republic. Applying to Soviet Union High Soviet, new republic was asked to be accepted as a new member of Soviet Union. However, both Soviet Union High Soviet and Georgian High Soviet rejected the demand on account of the fact that it was against the constitutional provisions (Konak, 2007).

Moscow declared a state of emergency in the region following Gamsahurdiya victory in the elections in October 1990 and decision of Georgia High Soviet to abolish autonomy of South Ossetia on 11 December (Potier, 2001, pp. 12-16). Even South Ossetia High Soviet President Torez Kulumbegov who was arrested on 29 January 1991 was set free at the beginning of 1992; Ossetian leaders did not approach to the dialogue. With another referendum performed in 1992 January, independence and then issue of uniting with North Ossetia were put to the vote and 99% of the voters voted positively (Herzig, 1999, p. 74). Capsize of Gamsahurdiya and acceding of new government did not lead to any change in the situation. Ossetians declared that they would not begin peace negotiations as long as Georgian armed units do not withdraw from their lands and blockage is not removed.

On 13 May 1992, truce was concluded in Tskhinvali; however this truce could last for a few days. Cease-fire attempts at the beginning of June did not come with result either. Resulting with death of thousands of people, making a hundred thousand people migrant, collapse of regional economy, dispersing of hundreds of villages and settlements, the conflicts lasted by the end of 1992 (Potier, 2001, pp. 12-16). With

Yeltsin's coming into power in Russia, and Shevardnadze in Georgia Moscow raised its activity in the region. Kremlin officials expressed clearly that if the Georgians do not end military activities in South Ossetia, Russia is going to intervene. These warnings even reached to the threats of bombing Tbilisi (Veli, 2004).

Yeltsin and Shevardnadze came together in Dagomys on 22 June 1992. In the negotiation participated by representatives of North and South Ossetia Sochi (Dagomys) Agreement was signed. The agreement primarily proposed cease-fire and settling Russian-Georgian-Ossetian common forces in the region (Potier, 2001, p. 138). Peace force of 1500 soldiers started their duty as of 14 July. As well as this, Agreement concerning "Re-structuring Economy in Georgian-Ossetian Conflict Region between State of Russian Federation and State of Georgia" was signed with Russia on 14 September 1993. In May 1996 memorandum explaining the legal basis of establishing relations between parties was approved in Kremlin (Veli, 2004).

South Ossetia issue caused more violent reactions among Georgians compared to Abkhazia. There are two main reasons for this. First of all, while majority of population comprises of Georgians in Abkhazia, in South Ossetia, Ossetians constitutes majority of the population. Secondly, even though Georgians see Abkhazians as locals of the region they see Ossetians as "guests" and they believe the presence of dense Ossetians in Georgia was a result of Russian occupation in 19th century (Berzeg, 1991).

As a matter of fact, in December 1990, Georgian Parliamentary grounded the decision of abolishing autonomy of South Ossetia on this view, and also Gamsahurdiya called the Ossetians to return to North Ossetia which is their "real homeland" (Veli, 2004). Besides it was alleged that the autonomy given to South Ossetia did not have legitimate basis and this autonomy was an award given to Ossetians by Communists as a result of the activities they attempted against Democratic Republic of Georgia.

South Ossetia became a region managed de-facto independent to a large extent Tskhinvali governance settles army, and runs independent security, economy and finance policies. Ministry of Foreign Affairs was established, and Presidency Institution was constituted with the decision taken on 13 September 1996 (Veli, 2004).

In July 2008, hostiles escalated between Georgia and its breakaway state of South Ossetia, with increases in missile bombardment of Georgian villages by Ossetian separatists. Russia and Georgia had each amassed larger military forces near their respective borders with South Ossetia. After the Georgian bombing of the South Ossetian capital, Tskhinvali in the late August of 2008 Georgian armed forces began pushing into South Ossetia, supported by their artillery fire. At dawn of August 8 forces of the Russian army entered South Ossetia. As justification for their invasion and air strikes, Russia also claimed the Georgian army was responsible for killing 1,600 South Ossetian civilians. However, these allegations have not been substantiated, and Human Rights Watch investigators in South Ossetia accused Russia of exaggerating the scale of such casualties.

As Russia and Georgia both sent troops into South Ossetia, the conflict between Georgia on the one side and Russia, Ossetian, and later, Abkhazian separatists on the other quickly escalated into the full scale 2008 war. After a few days of heavy fighting Georgian troops were driven from South Ossetia.

The advance of Russian forces from South Ossetia into undisputed Georgian territory was accompanied by unverified reports of looting, burning, and killing of civilians by Russian military and accompanying irregulars. By August 11, Russian military troops in Abkhazia, the other separatist Georgian province, executed a second invasion and seized additional territory in Western Georgia. On August 12, Medvedev announced intent to halt further Russian military operations in Georgia.

After the Georgia- Russia war in August 2008 Russia recognized the independency of South Ossetia together with Abkhazia (USAK Georgia Report, 2008, p. 27). Since some experts claim that the solution of the conflict impossible under the territorial integrity of Georgia. Tension in the region still high and there is real danger of new war.

1.3.3. Abkhazian Conflict

Abkhazia is located in Northwest of Georgia and on the shore of Black Sea. Abkhazians belong to Adige people group of North Caucasus. While area of Abkhazia in SU period was 8.600 km square, its total population comprised of 537.000 people (Yejegodnik Bolşoy Sovetskoy Ensiklopedii, 1990, p. 118). Nearly 20 percent was comprised of Abkhazians and the remaining number comprises of Georgians, Russians, Armenians and Azerbaijanis. Rate of Abkhazians to total population of Georgia was 1.7% (Ramazanov, 2009).

On 31 March 1921, Abkhazia gained the status of Soviet Socialist Republic. However, with the decision of “Revolution Committee” (REVKOM) founded in Suhumkale this independence status given to Abkhazia did not last long. On 21 December 1921, within the frame of “Union Agreement” Abkhazia was joined to Georgian SSR’s lands (Voronov, Shutova, & Florenski, 2002). In 1931, the status of Abkhazia was turned into “Autonomous Republic” within Georgia.

This status and the policies applied by Georgians to the region (especially with the aim of changing population balances) between years 1930-1950 disturbed Abkhazians. That showed it in 1956, 1967, 1968 when Abkhazian highbrows applied to Moscow to separate Abkhazia from Georgia and unite with Russia (Zverev, 1996, p. 41). Even if these attempts of Abkhazians did not come up with any result politically, these attempts were able to provide some rights and advantages in cultural field.

In 1980s, Abkhazians began to speak their demands “loudly”. The ethnic emotions that rose with the motives of ‘Glasnost’ and ‘Perestroika’ periods showed themselves clearly in Abkhazia. In the disintegration eve of SU, leaders of Abkhazia demanded replace autonomous republic status in the federative structuring of Soviet period with independent state status within USSR (USAK Georgia Report, 2008).

In the meeting held in Lykhny village on 18 March 1989 it was demanded to separate Abkhazia from Georgia and change status into Union Republic (Berzeg, 1991). The application titled as “To Mr. Gorbachev” proposed “political, economic and cultural solidarity to be realized as per the principle of Lenin’s federation views”. The

demands in the meeting performed with participation of 30.000 people among whom were representatives of Parliament and Cabinet as well as representatives of Armenian, Greek and Russian minorities (Voronov, Shutova, & Florenski, 2002). These demands found their concrete expression in “Lykhny Declaration”.

The demands of Abkhazians led to anger in Tbilisi. Unauthorized demonstrations demanding punishing the Abkhazians together with anti-communist and anti-Soviet marks and abolishing autonomy were performed in many sides of country including Abkhazia. The meeting that started on 25 March 1989 involving 12.000 people sprang to Leselidze, Sukhumi and other cities (Gadjiev, 2001, p. 159). The incidents that began in June 1989 and lasted for two weeks ended with death of 22 people. It showed big parallels and similarity to the incidents in Karabakh as in the core of the issue as well as in the progression.

With the declaration issued with 70 favorable votes of 72 deputies of Abkhazia Parliament, Abkhazia Autonomous Republic declared independence from Georgia on 25 August 1990 (Voronov, Shutova, & Florenski, 2002). This declaration was rejected by Georgian High Council. After the elections performed in 1991, Abkhazian Parliament began to work at the beginning of 1992 (Voronov, Shutova, & Florenski, 2002). Abolishing 1978 Constitution that accepts Abkhazia as a part of Georgia on 23 July 1992; Abkhazia High Council returned 1925 Constitution that accepts Abkhazia is a union republic of SU into effect (Tavkul, 1999, p. 68).

On 23 July 1992, after Abkhazia declared independence, as a result to this Georgian army intervened in Abkhazia. On 14 August 1992, truce was signed between Abkhazian and Georgian officers (Veli, 2004). Despite Georgian army's withdrawal from Sukhumi on 17 August following this truce, troops entered Sukhumi the next day again and bombarded parliament. As well as capital, Gali, Ochamchuri and Gagri cities were also captured (Voronov, Shutova, & Florenski, 2002).

One of the reasons why the conflict got more violent and expanded within a short time was the other small nations in the region. They saw themselves as a part of conflict and intervened the conflict directly or indirectly. Some minorities of Caucasus

are dominated with the thought that their lands were taken from themselves by Stalin and Beria with the aim of establishing “Great Iberia from sea to sea” (Veli, 2004). On the contrary, Georgians allege that Abkhazia Autonomous Republic and Ossetia Autonomous Region that were established within its own lands and managed adverse to its national interests with ethnocentric principles were established by Bolsheviks in order to constitute tension points in the country and thus to enable Kremlin to govern the country easily (Zverev, 1996, p. 44). The root of these accusations of Caucasian nations one another is a product of seeds thrown in Stalin period.

The examples of this can be seen in the decisions of Assembly of Caucasia Highland Peoples (ACHP) and in their activities. In three basic meetings of Assembly on 25-26 August 1989, 13-14 October 1990 and 1-2 November 1991 Abkhazia became one of the primary issues of the agenda (Veli, 2004). With the call made after the first meeting, state institutions of Georgia were protested and it was declared that ACHP was in full solidarity with Abkhazian people.

During the war irregular units composed of ‘Caucasian Volunteers’ were formed and were sent to war with the aim of assisting the Abkhazians. These units made their presence felt so much as to change the course of war. As well as ACHP, International Circassian Union (ICU) and Kabardey People’s Congress (KPC) expressed that they were in solidarity with Abkhazia too (Berzeg, 1991). Thus Russia’s aim to bring Georgia to its knees via Abkhazia has been obviously seen in such attempts (Vayreykis, 05.11.2008).

Georgia’s anti-Russian policies that began with Gamsahurdiya after the collapse of SU required Moscow to “give a lesson” to the region. When this anti-Russian policies considered together with Elchibey government’s effective anti-Russian policy in Azerbaijan, it became enough for Moscow to receive a serious threat from the South. As a result with political and diplomatic pressures, Gamsahurdiya government fell, ex Soviet Period leader Shevardnadze who was expected to establish better relations with Moscow came to the power in Georgia.

Shevardnadze improved the relations with Russia rapidly by taking concrete steps contrary to preceding years. Russia's "sword of Damocles" over Shevardnadze in the first years of his leadership was very effective. Georgia was left with compulsory preferences such as Georgia-Abkhazian agreement that was concluded under the supervision of UN and OSCE in Sochi in the autumn of 1992 (Karabayram, 2007). Having restricted freedom of movement, Georgia decided to enter Commonwealth of Independent Countries and allowed Russian military bases to remain in Georgia's territories. After this decision Abkhazian and Georgian delegations signed Mutual Understanding Agreement on 1 December 1993 (Veli, 2004).

As the continuity of changing the policies towards Russia, Georgia participated in CIS's Tashkent Agreement about 'Collective Security' in 1994 which it had not tended to participate before. On 10 May Shevardnadze and on 15 May Ardzinba applied CIS Council of Head of States to send peace forces to the region (Sarkisyan, 1998, p. 62). On 14 May 1994, agreement concerning cease-fire and sending peace forces to the region was signed in Moscow. With this agreement, on the both shores of Inguri River, a security zone of 24 km wide was established in Gali region, Abkhazia, and Zugdidi region of Georgia (Potier, 2001, p. 121).

In April 1994, CIS Peace Forces were sent to the region. Even it was written CIS in the title, almost all of the soldiers were comprised of Russian soldiers (Veli, 2004). Thus, at the end of the process reminding "carrot-stick" example, Abkhazian issue was frozen in such a way as to be obscure when it will find its legal and certain solution.

Since the oil pipelines pass through the region, Georgia also wanted the dispute to be resolved within the shortest time. Ensuring security in Supsa port and surroundings from which Baku-Supsa course will pass (that will be turned into the primary source of income of Georgia) became a precondition for the project to be realized. Not approaching the solution offers based on the highest level of autonomy in Georgia that was striving to initiate the negotiations, Abkhazia insisted on independence that they depict as determining their own destiny. Equal conditioned partnership based

on federation or confederation that Abkhazians would consent became an alternative that Georgians did not accept.

With the six day war in November 2008 between Georgia and Russia, Abkhazia was recognized as an independent state by Russia together with South Ossetia (Secieru, 2009). Hence, it is very hard to find peaceful solution to the dispute within the territorial integrity of Georgia, like in South Ossetian conflict.

2. LEGAL ASPECTS OF EU – SOUTH CAUCASUS RELATIONS

After the dissolution of the Soviet Union, three countries of the Southern Caucasus, Armenia, Azerbaijan and Georgia, became independent in 1991. The achievement of independence presented them with many problems, for example, the transition from planned economies to market economies, defining a state identity, and the development of a functioning state apparatus.

The three countries share their geographical position, the history of being Soviet republics, and many different ethnic groups and religions. Three other characteristics are apparent in all of them. Firstly, there are many internally displaced persons in the region because of unsolved conflicts of the region as was stated before. Secondly, organized crime flourishes because of instability and finally corruption widespread as well. Yet there are correspondingly many differences between them, which make it difficult to analyze them as a coherent whole. Furthermore, the relations between them are complicated by ‘frozen conflicts’ which were examined in the 1st chapter.

The EU, during the 1990s, tried to build relations with Newly Independent States (NIS) and developed the bilateral Partnership and Cooperation Agreements (PCAs) as a legal basis for the cooperation. The aim of this chapter is to analyze these agreements which were proposed by the EU countries to the former Soviet Union in 1994. This Document replaced the Treaty on Trade and Cooperation previously signed between the EU and the Soviet Union. The treaty set up relations with the Soviet Union, but after the breakup of the USSR in 1991 and the EU members signing Maastricht Treaty, it could no longer cover all areas of possible cooperation, and not up to date (www.ec.europa.eu, 15.07.2009). The aims of this partnership are to provide a suitable framework for political dialogue, support the efforts made by the countries to strengthen their democracies and develop their economies, accompany their transition to a market economy and encourage trade and investment. The PCAs also aim to provide a basis for

cooperation in the legislative, economic, social, financial, scientific, civil, technological and cultural fields.

But before the analyze of PCAs the examination of the evolution of EU foreign policy making and EU-South Caucasus relations history will be worthwhile in order to present the background of the research question. Firstly it would be worthwhile to start with the evolution of EU's foreign policy making.

2.1. Evolution of foreign policy making in the EU

The first step towards a common foreign and security policy was established in 1970 as the European Political Cooperation (EPC) with the Luxemburg Report (Stewart, 2006, p. 44). It was actually meant to be an intergovernmental cooperation mechanism rather than a common foreign and security policy structure of the community. The main objectives were to exchange information and ideas on foreign policy issues of shared concerns and interests between the European foreign ministers at a bipolar system.

The EPC had some modest success in terms of cooperation in foreign policy like the Venice Declaration of the EC recognizing the right of Palestinians to self determination. But in the early 1990s, its inability to coordinate the member states as in 1991 Gulf War or in the former Yugoslavia crisis demonstrated the limited capacity of the mechanism and the need to have an effective cooperation in common foreign policy.

The 1992 Maastricht treaty which was initiated to establish the European Union as a politically and economically integrated organization created Common Foreign and Security Policy (CFSP) as a separate policy making level-pillar (Taylor, 1996, p. 117). The objectives of CFSP listed in Title V articles of the Maastricht Treaty are as follows (<http://www.eurotreaties.com>, 16.08.2009):

- to develop and consolidate democracy and the rule of law, and respect for human rights and fundamental freedoms;
- to safeguard the common values, fundamental interests, independence and integrity of the Union;

- to strengthen the security of the Union and its Member States in all ways;
- to preserve peace and strengthen international security, in accordance with the principles of the United Nations Charter, as well as the principles of the Helsinki Final Act and the objectives of the Paris Charter;
- to promote international cooperation.

The CFSP was meant to generate the EU foreign policy rather than the cooperation among the foreign policies of member states for the new European Union. However the CFSP and the EC policies are inextricably connected though regulated by different policy making procedures and pillar structures.

Until the early years of the 2000s, the EU determined its policies towards Armenia, Azerbaijan and Georgia within the general framework of the CFSP (Atasoy, 2006). However, in 2004, the EU decided to regulate its policies with the South Caucasus states by means of the newly established special legal structure- the European Neighborhood Policy (ENP) which was developed in advance in the same year by the EU for relations with the neighboring states.

The CFSP could be determined as an “evolving entity” similar to the political integration of the EU (Peterson & Bomberg, 1999). The prominent nature or weakness of the CFSP is that it remains intergovernmental in character. Being reluctant to leave their sovereignty into the hand of supranational organizations like Commission and Parliament the member states remained the decision making structure of the second pillar as an intergovernmental forum at which the foreign policy decisions was meant to be taken by unanimous vote. (Tezcan, 2001, s. 57)

Within the period of time, the treaties of Amsterdam (1997) and Nice (2001) set out new decision making procedures and agents as the High Representative of the CFSP which was meant to weaken the intergovernmental character of the CFSP and to enhance also modify the CFSP as an effective single voice. However, the newly introduced procedures remained, largely on the treaty level, and the intergovernmental

character by unanimous voting in the second pillar primarily determined the CFSP. (Smith, 2003, pp. 556-575)

One of the implications of intergovernmentalism in terms of EU foreign policy is that the CFSP has been perceived as bargaining place at which the Member states largely seek the support for their own national foreign policy goals. It is best seen in presidency periods. While setting the agenda of the CFSP, every member state gives priority to the issues primary important to their individual interests. Also another deficiency of the Common Foreign and Security Policy because of intergovernmentalism is that it has no possibility to apply 'stick policy' towards third states.

Besides intergovernmentalism, the second factor hinders the creation of effective foreign policy of the EU is the ill-defined boundaries of the CFSP policy space. Unlike the other policies of the union the second pillar has no central institutions to govern its policies, and no sanctions to punish member states which did not respect the CFSP decisions. Additionally, the CFSP is affected by the power incompatibility among the member states especially in matters financed by the member states. Germany, for example as the biggest budgetary contributor, considerably has been influential over the CFSP joint actions financed out of the European Community budget (Atasoy, 2006).

There are various institutions of the EU apart from the fact that the member states are principally the main key actors in the second pillar. Through the CFSP instruments like common strategies, common positions, joint actions, decisions and the conclusions of the international agreements the EU institutions take and implement decisions concerning the foreign and security matters of the Union.

The European Council sets out the general principles, guidelines and common strategies for the CFSP (Tezcan, 2001, pp. 46-52). The General Affairs Council (GAC) of the council of the EU is the main decision making body regarding the CFSP. The GAC does the formulation and implementation of the decisions. Presidency, on the other hand is decisive in determining the agenda of the CFSP. The high representative

for the CFSP assists the Council in further developing a comprehensive policy and contributing to the formulation and implementation of policy decisions. (Council Joint Action 2008/132/CFSP)

The European Commission is the supranational institution of the EU in second pillar. The Commission is fully associated with the work carried out in the foreign policy and security policy (Tezcan, 2001, pp. 68-77). The European Parliament (EP) adopts reports and resolution on CFSP decisions in order to express its point of view and raises questions and proposals to the Commission and the Council.

The powers of the EP in CFSP result from a mix of formal and informal influence. Although there has been no major progress with regard to the legal situation since Maastricht, the European Parliament has over the years developed a practice of intensive inter institutional contacts and interactions resulting in a growing capacity to obtain information on current issues of the CFSP. (Diedrichs, 2004, p. 15)

Although the EU's diplomatic capability has expanded considerably since the creation of EPC, its real strength lies in the economic tools found primarily in the first pillar: the EC. Through the development of this policy domain, and its formal links to other EU pillars, the EU has managed to evolve from a relatively inward-focused regional economic organization to a more outward-focused global political actor.

2.2. Evolution of the EU- South Caucasus Relations

EU's policy towards South Caucasus could be examined in 4 periods with the main features;

- 1991-1996: The main characteristic of the time is that the EU accepts Moscow's impact on the region and low interest to the Caucasus by community.
- 1996-2001: The main peculiarity of the period is that the interest to the region is rising and connections are getting institutionalized

- 2001-2003: In these years generally the relations were evaluated with the pessimism and indefiniteness dominated on the relations.
- 2003- : The birth of hopes again with the enlargement and inclusion of the region to the neighborhood relations (Agacan, 2007, p. 43).

With the demise of Soviet Union the South Caucasus republics gained their independence while in the European region there were matters to which Community had to give attention. On the EU's agenda there was enlargement process and instability on the Balkans. The ethnic conflicts in South Caucasus were far away from the EU and therefore they were not the main threat for the Union. Thus the EU was not deeply interested in relations with these "faraway" republics. So the region had left away from interest field of Community and the EU accepted the region as Russia's influence area in the early 1990s (Agacan, 2007).

In early 1990s period the EU has two priorities related with South Caucasus: To guarantee the continuance of independences of the republics and support the transition of socialist economies to open market economies. This was not against Russia's influence because after demise of USSR, Russia was not perceived as a great danger anymore for western world. Furthermore Russia itself was on the transition to the democracy and capitalist economy during same period.

After the second half of 90s the changes in the politics towards South Caucasus were observed. These changes were not in position but seen in institutionalizing and intensifying of relations. There were two main reasons of the changes: Firstly the region after the armistices in conflicts was stabilized and secondly the USA changed its politics towards region and did not accept the hegemony of Russia in region anymore. The USA and the EU shared the roles of influencing the region and the EU took the economic one while the USA politic and strategic parts.

The countries of South Eastern Europe became parties to the Stabilization and Association Agreements (SAA) which included membership perspective. As to the newly independent republics of the former Soviet Union, the Council of the European Union worked out a differentiated policy towards the former USSR republics, with the

aim to take an individual approach to every country and establish relations with them on a contractual basis. The European Commission started preparing bilateral Partnership and Cooperation Agreements (PCA's) with the newly independent states of the former Soviet Union, including the Caucasus republics, which is the subject of this thesis.

The main development in this period was signing these Partnership and Cooperation documents with South Caucasus Republics in 1996 which entered into force in 1999. With these agreements the region's strategic importance in energy and economic fields for the EU was emphasized. Thus the relations between the EU and South Caucasus were legitimated and institutionalized.

The main aspects of these documents were improving the trade and investments, economic cooperation, protection of property rights and etc. On the other hand development of political dialogue and cultural cooperation were also included to agreements. The main attribute of Partnership and Cooperation agreements were that they included institutionalized mechanisms for development of relations. Hence between the EU and all three republics the Cooperation Council on the ministers level, Cooperation Committee and Parliament Cooperation institutions were established.

The year 1999 is significant in relations between the EU and South Caucasus. In this year Partnership and Cooperation Agreements came into force and on the other hand in the EU hot discussions started about the situation and future of relations. The basis of relations was formulated on financial and technical assistance from EU for transition to democracy and market economy. But it was seen that the situation is not getting democratic in these states, and on the contrary it's getting worse. In the June 1999 the foreign ministers presented a report on "EU and South Caucasus Relations" where it was stated that the democratic and economic reforms in these states slowed down. Report emphasized the reason of slowing down as frozen ethnic disputes and reported that only with solution of disputes the financial and technical aids will have effect (Demir, 2003a, p. 363). But via this view there was not formulated any effective mechanism.

In 2001 the discussions about the EU and South Caucasus warmed up. Firstly it was revealed that there were not improvements in democratic sphere since the aids begun. Also there were not any improvements in solution of frozen conflicts too (Hatipoglu, 2005, pp. 19-30). Furthermore the 'transition state' concept became old. New concept applied for these three republics were 'half authoritarian' regimes (Atasoy, 2006). This meant the insolvency of EU's policies toward region. With this pessimistic picture it was also known that the EU has to improve relations with South Caucasus.

After the Georgia, Armenia and Azerbaijan became members of Council of Europe and additionally the Afghanistan operation held in 2001 where the EU states stressed the importance of Caucasus corridor too. The EU faced hard conditions while it has not got any real policies towards the region and on the other hand demands about effective policies were rising. Hard discussions started about how to increase the role and influence of the EU in the region and at the end it was decided to wait for the results of the elections for all three states. EU was confused at all and it was seen in two different decisions. South Caucasus was not included to the neighborhood policy in 2003 Mart it was reasoned with geographical distance of the region. And on the other hand in July 2003 the Finish diplomat Heikki Talvitie was appointed as special representative in the South Caucasus (Brunu, 2003, pp. 159-170). But even with this decision, uncertainty pursued because the budget of representative was paid by Finland not EU.

However the three new developments changed the pessimistic atmosphere to the optimism. Firstly in November 2003 Velvet Revolution in Georgia took place. The situation changed and aids increased to Georgia in order to assist Saakashvili realize the reforms (ICG Europe Report N173, 20.03.2006, p. 5). Also another "colorful" revolution was held in Ukraine. Thus in EU expectations of democratization of ex Soviet republics increased. Secondly special representative Talvitie's and EU's efforts and position in these 'revolutions' increased hopes about the EU-South Caucasus relations future.

Consequently Javier Solana in the Strategic Security Paper acknowledged that it will be harmful to put new borders within the Europe. Also he emphasized that it will

be helpful to find solutions and get new role for Europe in solving disputes within the region (Commission Strategy Paper, Final 373, 12.05.2004). The European Security Strategy stated in December 2003: 'We should now take a stronger and more active interest in the problems of the Southern Caucasus, which will in due course also be a neighboring region.' Consequently, the South Caucasus was included into the ENP Strategy Paper of 2004 (European Council, 2003) and thus in 2004 European Commission included South Caucasus Republics into the Neighborhood Policy

The European Union offered different kind of agreements to build relations with the countries that emerged as new democracies after the breakup of the Communist Bloc. Former communist republics of the Central and Eastern Europe were offered Europe Agreements, which became the "stepping stone" for their eventual membership in the EU.

As it was stated above, the European Community recognized the independence of Armenia, Azerbaijan and Georgia on December 31, 1991. The relations between the EU and the Caucasus republics did not have a clearly structured legal basis until the conclusion of Partnership and Cooperation Agreements. They were mainly based on unilateral EU aid, in the form of financial, humanitarian, food security, rehabilitation and technical assistance. The European Union concluded nine similar partnership and cooperation agreements (PCAs) with Russia and the New Independent States of Eastern Europe, the Southern Caucasus and Central Asia: Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Ukraine and Uzbekistan.

2.3. Partnership and Cooperation Agreements with the South Caucasus Republics

Partnership and Cooperation Agreements between European Countries and Caucasus countries were signed on 22 April 1996 and the agreements went into force on 1 July 1999 (Herd & Moroney, 2003, p. 158). Thus, the first step towards commercial and economic relations of European Union and the South Caucasus countries' covering a wider field was taken. Temporary agreements were made being valid between the dates Partnership and Cooperation Agreements were signed and put into force.

Temporary agreements allowed commercial preparations to be done and precautions to be taken before Partnership and Cooperation Agreements were put into practice. Came into force on 1 July 1999, Partnership and Cooperation Agreements took place of Temporary Agreements that covered the trade-related issues (Merdanov, 2007).

Partnership and Cooperation Agreements between European Countries and Caucasus countries include issues of trade, human rights and democracy, technology, custom issues, fight against crime, transportation, energy and telecommunication, environment and culture and proposes a full cooperation. These agreements, at the same time, institutionalize the political dialogue between European Countries and the South Caucasus countries at the level of head of governments, ministers and parliamentarians.

The aim of these partnerships are to provide a suitable framework for political dialogue, to support the efforts made by the countries to strengthen their democracies and develop their economies, to accompany their transition to a market economy and to encourage trade and investment. The PCAs also aim to provide a basis for cooperation in the legislative, economic, social, financial, scientific, civil, technological and cultural fields (www.europa.eu, 11.08.2009). The general principles concern respect for democracy, the principles of international law and human rights. The market economy is also an objective set out in all of the PCAs.

Partnership and Cooperation Agreements bring many profits for business world: the European Union companies settled in the South Caucasus Countries will be implemented the rule of most favored nation; the Quantity Restrictions in import from European Union will be decreased substantially; institutionalization in the field of financial services will be gradually facilitated; raising participation in service market in the South Caucasus countries will be ensured (Merdanov, 2007). European Union sees Caucasus Countries' participation in World Trade Organization (WTO) as a significant goal for ensuring to facilitation the reform process and to participation in common market.

2.3.1. Features of PCA's

EU signed individual Partnership and Cooperation Agreements with the countries constituting Eastern Block. The EU considered it was necessary to sign a new agreement with Newly Independent States (NIS) as a result of existence of a new political and economic situation in 1992. This agreement was named as Partnership and Cooperation Agreements (PCA) and replaced Trade and Cooperation Agreement signed with Soviet Union in 1989. Trade and Cooperation Agreement provided PCA with a fluent transition for developing and deepening relations by constituting the basis of relations between EU and NIS.

Between 1994 and 1995 the EU signed Partnership and Cooperation Agreements with Russia, Ukraine and Moldova; they combined a Western interest in bilateral political cooperation and dialogue on democratic foundations with an Eastern interest in economic cooperation, managed through the Union's TACIS program (Missiroli, 2004, p. 12). The first PCA signed with Russia came into force in December 1997 and PCAs signed with Ukraine and Moldova came into force in 1998. PCAs have different features for each country according to their differences.

Each Partnership and Cooperation agreement is not only an agreement between EU and NIS; it also has the characteristics of being a bilateral agreement between all member countries of EU and partner countries. PCAs constitute a frame providing growth of relations between the EU and partner states. Cooperation developing in the direction of PCAs cover TACIS program. However PCA has been built on TACIS experience.

PCAs have common features. Each agreement constitutes the basis of strong and comprehensive political and economic relations, regulations such as trade in goods and services, political dialogue, intellectual rights, investment initiative the companies will be subjected to between EU and relevant state. It enables much cooperation ranging from transportation to higher education. These agreements have a gradually increasing role in ascending trade and investments. PCAs have been regulated as per human rights and democracy norms that are internationally accepted. These agreements

assist each party country in the process of democratization by emphasizing political independence and parliamentary democracy.

PCA ensures to develop commercial relations improving political dialogue and preventing discrimination between EU and NIS. For the Russia, Ukraine and Moldova, it is possible to establish even free trade zone with the EU (Cianciara, 2008). This agreement also includes new fields forming a wide range like education, employment, science and technology.

As per the agreement, parties mutually recognize the status of most favored nation (www.europa.eu, 11.08.2009). All the quotas that may hinder commercial relations between themselves have been removed. Additionally, parties have deemed themselves obliged to develop cooperation in the issues ranging from basic fields of economy to environmental protection, high and occupational education, illegal migration and fight against collective crime.

Partnership and Cooperation Agreements that have the characteristics to bring a new acceleration to the development of relations were signed between EU and Azerbaijan, Georgia and Armenia on April 22, 1996. The most important reason why European Union signed PCAs with all region countries on the same date was that the EU paid attention to not forming a perception of privilege and discrimination towards any country in South Caucasus whose political conjuncture is very sensitive. When the region countries achieved to manage the periods of ambiguity they experienced right after their independences, they accomplished to establish their state order to a certain degree. This situation led EU that entered a new process of expanding and deepening to assess the probability of being neighbor with the region at the end of enlargement process.

The necessary steps for this were taken in Brussels in December 1995 with EU Commission's determining its strategies towards South Caucasus countries. Although ceasefire agreements were signed between parties in 1994, Commission explained in the statement it published that tension continued between three region countries due to Nagorno Karabakh and Abkhazia (Ibrahimov, 2008). In the same statement, it was

underlined that it had a significant position in geopolitical terms. In here, it was stated that EU had particularly interests in energy sector, thus a strategy to be concluded with Partnership and Cooperation Agreements has been proposed with the region countries that faced extremely heavy economic problems and posed threat in terms of instability and security.

Significant feature of PCA is that this agreement is not only between European Commission and South Caucasus but also is signed individually with member countries of EU bilaterally. In other words, this agreement does not have the characteristics of being an agreement EU directly and solely attaches on its behalf, in here consent of member countries for establishment of such a partnership on their behalf within the frame of EU is sought.

Second, third and fourth articles of Agreement have been compiled under the title of “General Principles” constituting the Part I of Agreement. As per second article, the issues such as principles of respect to democracy, international law and human rights mentioned in UN Agreement, Helsinki Final Act and Paris Charter and apart from this, principles of market economy accepted in OSCE’s Bonn Conference constitute the basis of this agreement as it constitutes the basis of domestic and foreign policy of parties.

As per 3rd article, it is declared that newly independent states after disintegration of Soviet Union in the South Caucasus accept that it is of prime importance to establish and improve cooperation among themselves within the frame of Helsinki Final Act and good neighbor relations in international law and to try hard for encouragement of this process (Partnership and Cooperation Agreement-Official Journal L 246 , 17.09.1999).

As per 4th article of agreement; Cooperation Council to be established when necessary due to economic situation progressing in the process of transition to market economy and due to the changes that will occur in line with the economic reforms that are realized will be able to make recommendations toward amendment of some laws in

line with these articles of this agreement (Partnership and Cooperation Agreement-Official Journal L 246 , 17.09.1999).

In PCAs signed with South Caucasus countries, one of the important issues on the basis of developing cooperation is undoubtedly developing economic relations and this issue takes place under the title of “Economic Cooperation” of the agreement. EU demands to establish economic cooperation for structuring of long term assistance in the process of economic reforms and restructuring that both three countries will perform. As per this, in order to realize these goals, preparation of some policies and other arrangements for restructuring economic and social reforms and economic and commercial systems in both three states was proposed. The policies to be followed accordingly will be prepared in line with the requirements of sustainable and harmonious social development (Merdanov, 2007). Realization of goals proposed within the frame of economic cooperation was also given prime importance in TACIS program.

With the aim of developing EU-South Caucasus countries economic relations removal of commercial quotas and protection of property rights are also proposed as a caution with the signed agreement. Parties have mutually approved to apply each other the status of most favored nation (Demir, 2003a, 363-369). In PCAs the mechanisms as how to establish political dialogue between parties were also stipulated. Accordingly, the meetings will be established at the level ministers in Cooperation Council, at the level of parliamentarians of relevant countries in Cooperation Council and in regular meetings high level officers will hold.

After PCA’s were signed Ministers of Foreign Affairs of South Caucasus states came together and issued a common statement exhibiting their intents on this issue. In the issued statement, common values, principles and common goals that ensure development of relations between parties and that are also stated in the first four articles of PCA were affirmed (Merdanov, 2007). Developing on an ascending line between parties for three years, relations experienced a new turning point with the PCAs that came into force in 1999.

Inurement of PCAs led the relations between parties to be grounded on a serious basis. EU stated that it would assist South Caucasus actively for development of regional cooperation in order to strengthen stability and security. We had seen EU's similar policy initiative in the example of West Balkans region before. EU gives priority to developing cooperation between region countries. However, the EU abstains from directly taking place in resolution of ethnic conflicts that prevent development of regional cooperation in South Caucasus. Even if the EU recognizes territorial integrity of both three countries within the scope of PCAs, it has adopted the initiatives realized within the frame of OSCE for the resolution of conflicts (Ibrahimov, 2008).

As a matter of fact, the EU confines itself to the initiatives performed within the frame of European Council for development of human rights and democracy in South Caucasus region and to the initiatives performed within the frame of OSCE for the resolution of existing ethnic conflicts in the region. At the same time, it has emphasized that European Council, being the other international organization of the region will be an appropriate basis for follow-up of issues concerning human rights and democracy in these countries (Aaronson & Zimmerman, 2008, p. 140).

Inurement of PCAs became a breakthrough in the relations between EU and South Caucasus states. This agreement states a clear frame about the course of the relations between two parties and their development in the short term. Agreement determines which means will be used to develop the political and economic relations between parties. Despite this, the EU falls behind in some issues since the means it has are limited and restricted and since the attitudes of member countries in some issues have not been formed. It tries to establish cooperation with other regional organizations at least for a certain time in order to meet this deficiency.

2.3.2. Partnership Foundations Formed by the Agreements

In XI titles of agreements, institutional provisions, general provisions and final provisions have been arranged. There are "Corporate Provisions" in the chapters between 81st and 88th articles of Partnership and Cooperation Agreements made with Republic of Azerbaijan and Republic of Armenia and 78th and 85th articles of

Partnership and Cooperation Agreements made with Republic of Georgia. Structure and operation of partnership organs have been arranged. These organs are Cooperation Council, Cooperation Committee and Parliamentary Cooperation Committee.

The duty of Cooperation Council is to follow up implementation of agreements and to examine primary issues within the frame of agreement and other bilateral or international issues depending on mutual interest in terms of reaching the goals of agreements. Council will also be able to advice with the negotiation of parties.

Cooperation Council meets once a year on the level of ministers (Merdanov, 2007). Cooperation Council determines its own rules and the council is presided by a representative of Union and by a representative of states of the South Caucasus countries respectively. This institution can decide to establish special committees and organs in order to assist itself in performing its tasks. Cooperation Council is expected to determine how committee or organs will be formed, and their authorities and working principles. Cooperation Council considers the negotiation script regarding interpretation of GATT/WTO articles to a great extent while examining the matter that may rise about agreement articles relevant to GATT/WTO (Aslund & Dabrowski, 2007, p. 175). This institution has right to make recommendations and if other party needs to assign a second mediator within two months in disagreements. Cooperation Council will assign the third mediator if it is necessary too. Recommendation of mediators will be made with majority vote. These recommendations are not binding for parties. Cooperation Council has also authority to establish rules to resolve dispute.

Cooperation Committee comprises of on one hand members of Europe Council and Commission and on the other hand of state representatives of Caucasus Countries. Representatives are in the position of senior public officer. Cooperation Committee is presided by representatives of Union and Caucasus Countries respectively. Cooperation Committee assists Cooperation Council in performing its task. Cooperation Council determines the tasks of Cooperation Committee within its own rules; this involves performing preparation task for Cooperation Council meetings and Committee's operation rules. Cooperation Council is able to assign some of its authorities to

Cooperation Committee that will ensure sustainability of the Council meetings (Merdanov, 2007).

Parliamentary Cooperation Committee is a forum that will allow the members of Caucasus countries' parliaments and members of European Parliaments come together and consult with each other. Committee gathers on terms it determines like it determines its own rules. Parliamentary Cooperation Committee is presided by European Parliaments and Caucasus countries' Parliaments alternately (Merdanov, 2007). This committee has the right to receive information concerning implementation of agreements from Cooperation Council and to be aware of the recommendations of Council. Parliamentary Cooperation Committee has the right to give recommendations to Cooperation Council too.

2.4. Comparison of PCA's with Europe Agreements and PCA's Inadequacy

This title of the study aims to analyze the similarities and the differences of the agreements which the EU signed with Eastern European Countries and the South Caucasus countries in order to compare the policies of the union towards these two regions. Also the inadequacy of Partnership and Cooperation agreements in realizing EU's foreign policy goals towards the region were examined under this title.

2.4.1 Common Features of Europe Agreements

As an extension of process in which Cold War ended and interest in Central and East Europe rose, signing Europe Agreements that will facilitate these countries' transition to market economies and that will raise partnership relation between Union and them was put on the agenda. On 17 September 1990, Commission document that determined the content of these agreements characterized as second generation agreements in general terms was approved in Council of Community Ministers of Foreign Affairs. In this document first of all, it was adopted to name Partnership Agreements to be signed with Central and East European Countries as "Europe Agreements" that would supersede present Economic and Cooperation Agreements (Merdanov, 2007).

After approval of the draft that would be given by Commission for the negotiations of agreements that were based on the principle of free alteration and asymmetric concessions in the Council in December 1990, the negotiations initiated with subject countries were completed in June 1991 (Karluk, 2002, pp. 21-37). Europe Agreements were signed between Community and Hungary, Poland and Czechoslovakia on 16 December 1991 (EU Website, 24.06.2009).

Bilateral partnerships established with European Union were based on a political dialogue, economic integration process and financial aid. Although the details of the agreements changed as per the countries, the main features were similar. Political dialogue to be established in the form of bilateral or multilateral dialogues aimed to develop mutual relations between European Union, Central Europe and Eastern European Countries at the level of ministers or presidents. Bilateral dialogue was being realized during the works of Cooperation Council. Covering Common Foreign and Security Policies and Justice and Home Affairs of Union policy, multilateral dialogue proposed to hold regular meetings at the level of ministers

Europe Agreements also included arrangements towards parties' integration in economic field. According to this; parties assisted each other on subjecting industrial goods to free trade, performing concessional transactions to Central and Eastern European Countries in agricultural export, removing the setbacks in service trade, improving the right of legally settled employees and their families from Central and Eastern Europe for free movement, establishing economic and technical cooperation and financial cooperation and ensuring free move of capital (Ibrahimov, 2008).

In all this harmonization process, Central and Eastern European Countries accepted the liability of adjustment to the regulations of Union. In this context; Central and Eastern European Countries would accord with laws including country aids, regulations intended to protect intellectual and industrial property rights, and arrangements in cultural cooperation.

On the other hand, a group was founded by Organization for Economic Co-operation and Development (OECD) in order to support democratization and transition

to market economy that began in 1989 in Central and Eastern European Countries (Ibrahimov, 2008). The aim of OECD was to ensure the coordination of bilateral and multilateral aids in the fields of foods, technical field, balance of current payments field and other fields directed to Central and Eastern European Countries. Initially program named ‘Poland and Hungary: Actions for Economic Reconstruction’ (PHARE) was established. According to the program, OECD began to give financial and technical aid to these countries. PHARE Program was later expanded to cover all Central and Eastern European Countries and constituted aid foot of European Union to these countries.

2.4.2. Common Features of Partnership and Cooperation Agreements

European Council decided new arrangements to be regulated with the countries that newly gained their independencies (NIS) towards newly-formed economic and political realities. These agreements superseded Trade and Cooperation Agreement that was signed with Soviet Union in 1989 and that continued to constitute the legal basis of EU’s relations with the NIS. New agreements were named as “Partnership and Cooperation Agreements”. Each of these agreements founded a strong and wide political and economic partnership between European Union and the countries that newly gained their independencies. According to this, the agreements concentrated on trade in goods, political dialogue and various issues related to trade.

According to Trade and Cooperation Agreement made between Community and Soviet Union in 1989, some quantity restrictions were abolished. In 1991 October, Council of Ministers instructed Commission to initiate negotiations to make separate agreements with old Soviet Republics. Agreements with Russia, Moldova, Kazakhstan, Kirghizstan and Ukraine were completed in 1994; with Belarus, Azerbaijan, Armenia and Georgia in 1995. In the process that prepared this, European Union proposed in the agreements that it would apply the rule of most favored nation to goods and some services from old Soviet Republics.

Within the frame of PCA, similar goals have been determined for both three South Caucasus states. First article of this document stipulates to establish the dialogue frame to ensure development of political relations between region countries, to give

support by EU to develop democracy, improve economy and complete the processes of transition to market economy in South Caucasus countries, to reinforce development of trade, investment and harmonious economic relations between parties and ensure sustainability of these in economic terms and to reinforce cooperation in basic legal, economic, social, financial, scientific, technologic and cultural fields (Merdanov, 2007). Partnership and Cooperation Agreements signed between the countries that newly gained their independencies and European Union, and the signature dates can be seen in Table-1. TACIS program of European Union is the most significant tool to ensure cooperation within the scope of agreements.

Table 1
PCA's signed with ex-Soviet republics

Act	Entry into force	Deadline for transposition in the Member States	Official Journal
Decision 99/602/EC of 31 May 1999, Republic of Armenia	01.07.1999	-	OJ L 239 of 09.09.1999
Decision 99/614/EC of 31 May 1999, Republic of Azerbaijan	01.07.1999	-	OJ L 246 of 17.09.1999
Decision 99/515/EC of 31 May 1999, Georgia	01.07.1999	-	OJ L 205 of 04.08.1999
Decision 99/490/EC of 12 May 1999, Republic of Kazakhstan	01.07.1999	-	OJ L 196 of 28.07.1999
Decision 99/491/EC of 12 May 1999, Kyrgyz Republic	01.07.1999	-	OJ L 196 of 28.07.1999
Decision 98/401/EC of 28 May 1998, Republic of Moldova	01.07.1998	-	OJ L 181 of 24.06.1998
Decision 97/800/EC of 30 October 1997, Russian Federation	01.12.1997	-	OJ L 327 of 28.11.1997
Decision 98/149/EC of 26 January 1998, Ukraine	01.03.1998	-	OJ L 049 of 19.02.1998
Decision 99/593/EC of 31 May 1999, Republic of Uzbekistan	01.07.1999	-	OJ L 229 of 31.08.1999

Source: EU Commission External Relations Department;
http://europa.eu/legislation_summaries/external_relations/relations_with_third_countries/eastern_europe_and_central_asia/r17002_en.htm (15.08.2009)

2.4.3. Comparison of the Agreements

Europe Agreements that were also characterized as second generation agreements were made in order to facilitate Central and Eastern European Countries' transition to market economy and to raise partnership relation between Community and them as an extension of Economic and Cooperation Agreements. Partnership and Cooperation Agreements was on the hand signed with the countries that newly gained their independencies instead of Trade and Cooperation Agreement dated 1989 after disintegration of Soviet Union.

Bilateral partnerships constituted with European Union in Europe Agreements were prepared on a basis of political dialogue, economic integration and financial aid. Besides, these agreements were also based on the principle of free alteration and concessions. Partnership and Cooperation Agreements include articles especially about trade in goods, political dialogue and various issues related to trade. The commercial provisions of these agreements prescribe that the parties transact each other as the "most favoured nation". Besides the agreements made with Ukraine, Moldova and Russia also include provisions that aim to initiate negotiations intended to form free trade areas between parties when the necessary conditions are developed. Thus, European Union still implements concessional regime.

TACIS program of European Union is the most significant tool to ensure cooperation for Partnership and Cooperation Agreement. However, PHARE program of European Union was financial and technical assistance program made with Central and Eastern European Countries in terms of Europe Agreements.

Europe Agreements was based on 310th article of Amsterdam Agreement (Ibrahimov, 2008). This article gives EC authority to sign partnership agreements with third countries. Community can sign partnership agreements that propose mutual rights and liabilities, common acts with a third country, a group of countries or an international organization and that includes specific practices. The definition of partnership is not written in Amsterdam Agreement. In short, partnership means not full membership to a Community. Partnership and Cooperation Agreements is on the other

hand based on 133rd article of Amsterdam Agreement. 133rd article constitutes a basis for international agreements (European Parliament Website, 20.06.2009). This article provides the Community with the authority to sign commercial agreements with third countries.

In Europe Agreements countries stated their aim for full membership to Community, and mentioned the established partnerships would help realize this aim. However, within the frame of agreements, Community did not assume any liability about this issue though informing it will help realize the aim. Nonetheless, it was stated that Partnership and Cooperation Agreements meant only constituting a free trade area for Russia, Ukraine and Moldova (Orbie, 2008, p. 224) between parties and parties would together review whether the conditions that will initiate the negotiations to realize this developed or not. As seen, the agreements European Union signed with these countries are of prime significance. This case gives the impression that European Union was optimistic that these countries will complete their reforms and agreements form a way to full membership to European Union.

Both Europe Agreements and Partnership and Cooperation Agreements have the feature of, bilateral agreement. On one hand Union and member countries are present; on the other hand partner countries signed the agreements. Another feature of Europe Agreements was that they constituted partnership organs. There was not such an institution in other agreements or commercial agreements. Commissions would be founded to better operate commercial relations, however they were very different. Since Community did not want to run its relations with partner countries in its own corporate structure but rather preferred to run on a different platform. The institutions of partnership in Europe Agreements were as follows: Partnership Council, Partnership Committee and Common Parliamentary Committee (Ibrahimov, 2008). However, in all of the Partnership and Cooperation Agreements, cooperation aimed institutions were formed in order to better run commercial relations. These institutions are, Cooperation Council, Cooperation Committee and Parliamentary Cooperation Committee (Partnership and Cooperation Agreement-Official Journal L 246 , 17.09.1999).

Another feature of both Europe Agreements and Partnership and Cooperation Agreements was that they proposed rights and liabilities. Though rights and liabilities were proposed in both agreements, their dimensions are different. One of them proposes rights and liabilities for full membership; other one proposes them for a 10 year period (Merdanov, 2007). Term issue had not been stated in most of the Europe Agreements. This shows that Europe Agreements are in permanent character. That is, abolition is not the point in question. Nonetheless, Partnership and Cooperation Agreements cover the first ten year period. The agreement will be renewed year by year as long as Parties does not inform it will not be extended at least six months before the agreement ends.

2.4.4. PCAs' Inadequacy in Realizing EU's Foreign Policy Goals

Signed with South Caucasus countries in 1996 and put into force in 1999, PCAs have constituted a legal basis for relations with Azerbaijan, Georgia and Armenia like all newly independent countries. Inurement of these agreements on the same date for all three countries stemmed from the fact that EU assessed South Caucasus as a whole region and wished to develop cooperation inside of this region.

As a matter of fact, in the introductions of PCAs signed with South Caucasus countries, it is stated that establishment of regional cooperation is supported by the EU with the aim of ensuring welfare and safety in the regions that agreements cover between the countries in South Caucasus (Ibrahimov, 2008). It is rather difficult to see South Caucasus region as a whole in political and economic terms. Due to the on-going conflicts in the region, Azerbaijan-Armenia relations were cut completely; Georgia is deprived of the chance to prevail over Abkhazia and South Ossetia. Actually, believing that development of regional cooperation could be the resolution of such conflicts, the EU fails to develop cooperation in the region right because of these conflicts (Nuriyev E, 2007).

Although the EU supports resolving conflicts peacefully in terms of its concerns in the region, these issues have interestingly not been brought any resolutions in the PCAs signed between EU and South Caucasus and even have not been mentioned in the PCAs. Only in the agreement scripts, it is indirectly recommended to act within

the frame of mechanisms recommended by UN and OSCE for ensuring international peace and security in the region and resolving the problems.

In this case, it is impossible for EU that endeavors to establish regional cooperation for ensuring inner region welfare and security to be successful without proposing any resolution mechanism to the basic issue hindering this. PCAs fall short in this issue.

One of the reasons underlying the failure of PCAs is undoubtedly that the goal and scope of this legal means is more narrow compared to Europe Agreements towards CEEC (Central and Eastern European Countries) and SPAs (Stability and Partnership Agreements) towards Western Balkans. In the direction of progressions seen in EU-CEEC relations, it was understood that it was necessary to make new expansions in relations with Western Balkans and NIS. In order to prevent the conflicts reoccur in the Balkan region that had newly got out of battle, necessity of developing some active means existed. In this case, signing SPAs that give the status of being capable to full membership to EU with these countries in consequence of some progressions region countries will display within the frame of stability process was stipulated. To exemplify, even if any regulation concerning full membership in the SPAs signed with Croatia and Macedonia is not encountered, different from Europe Agreements it is mentioned in the introductions of these Agreements that in case both countries meet the conditions they will be appropriate for membership to EU.

However, the situation was quite different in relations with NIS; EU intended to constitute legal infrastructure of its relations with these countries in the PCAs it developed. As a matter of fact, scope of PCAs was limited to this aim. Another difference of PCAs from the agreements stipulating partnership with EU is that in fact these agreements are a developed form of Trade and Cooperation Agreements and thus are at the lowermost place of the hierarchical line of development mechanisms of political relations. In PCAs, party does not provide the states with free movement of persons, goods, services and capital as in Partnership Agreements and only recognizes these states the status of “most favored nation”. Even if it is not displayed what the concrete steps are for realizing economic goals determined with PCAs, possible

eventual goal is presumed to be establishment of free trade zone between parties. However, Partnership Agreements are already established on free trade zones. Moreover, PCAs also include time limit similar to Trade and Cooperation Agreements and are valid for 10 years.

With the disability of its scope and eventual goals that are not too attractive on behalf of region countries, it does not look easy for PCAs to achieve their own goals in the region comprising of Azerbaijan, Georgia and Armenia. Since there is not any tangible “award” in return for the conditions determined for region countries, this means (PCA) falls too short in terms of resolution of issues in the region. Although a sufficient time passed, it is highly difficult to mention that the free trade zone that was stipulated to be realized between parties began to occur (Merdanov, 2007). Even unable to realize this goal, it is too hard to believe that EU will ensure stability and peace in the region via this means.

However, when we examine conditional membership process stipulating full membership in Europe Agreements in Poland example, we see that European Agreement that was initiated with this country in 1991 accelerated the development of relations between two parties in a short time too much (Ibrahimov, 2008). Basic reason of establishment of political dialogue between parties and liberalization of Poland economy is assurance that it will be approved to EU full membership in exchange for the reforms this country performed. Summing up the absence of full membership perspective is the main obstacle for the EU to implement aimed policies in the South Caucasus.

3. ECONOMIC ASPECTS OF EU – SOUTH CAUCASUS RELATIONS

At the beginning European Union maintained its relations with the South Caucasus countries that newly gained their independencies as technical assistance, and settled legal frame with signing Partnership and Cooperation Agreements. The reason why the relations began in this way is the lack of solidarity in the European Union's foreign policy. Anyway, even if European Union did not participate in regional policies as actively as US and Russia, the EU indirectly involved by providing assistance intended to strengthen independencies, to establish states based on human rights, democracy and rule of law.

Technical Assistance to Commonwealth of Independent States (TACIS) which was initiated by European Union in 1991 provided Caucasus countries with one billion euro till 2000s (Becker, 2007, p. 34). These programs are maintained in realizing various infrastructure projects, supporting reforms in administration and other fields. Apart from these, the European Union maintain various aid programs like Trans European Mobility Program for University Studies (TEMPUS) Program intended to Caucasus countries, Food Safety Program, Rehabilitation of Conflict Regions Program, Exceptional Financial Assistance Program and etc.

European Union tried to establish new corridors to pass Russia with the thought of breaking Russia's monopoly over transportation networks. The most important of the programs developed with this aims is Transport Corridor Europe-Caucasus-Asia (TRACECA) program. Supported by USA and taken charge by European Union, TRACECA program aimed to constitute a Eurasian corridor passing through south of Russia (Demir, 2003, pp. 369-372). Within the frame of this project, it was aimed to connect Caucasus to Europe via land route, sea route and railways in order to restrict the effect of Russia and Iran over the region.

Dependency on Middle East and Russian oil and decreasing present sources forced European Union countries to look for new solutions. Due to these reasons, these

countries directed their attention to oil and natural gas resources of Caucasus and Central Asia. With the aim of diversifying energy resources, Interstate Oil and Gas Transport to Europe (INOGATE) program were developed by European Union countries. The aim of this program was to establish new strategic routes by rehabilitating and modernizing present pipelines. Besides this program is significant in terms of economic and political advantages it ensures to South Caucasus countries. The aim of this chapter is to analyze all these economic fields between the EU and South Caucasus.

3.1. Aid Programs of European Union towards the South Caucasus

European Union implements various aid programs towards the South Caucasus countries. With the disintegration of the Soviet Union, the EU has played a vital role in the transition process towards market economies and democratic societies in the newly independent states. From 1991 until 2009 the EU provided just over a billion euros in assistance to the South Caucasus countries, distributed through a variety of programs. These were divided as TACIS Technical Assistance Program and Other Financial Aid programs in this research. The EU is the largest provider of technical assistance to these small states under the TACIS program (Nuriyev E. , 2007, p. 13), which fosters the development of harmonious and prosperous economic and political link between the European democracies and the partner countries.

3.1.1. TACIS Program

TACIS is a classic assistance program. Basic activities of TACIS are to mentor state and private sector enterprises about administration, to send expert groups, to establish legal infrastructure, to improve partnership relations and to support pilot projects in cooperation with international foundations (Karluk, 2002, p. 345).

In Rome Summit of European Union on 14-15 December 1990, it was decided to support reform attempts of ex Soviet Republics in economic and political field and to provide this support in the form of technical assistance. TACIS program was legally determined for a period of three years with the regulation no. 2157/91 by Council of Ministers in July 1991 (Devlet Planlama Teskilati, 2002, s. 102).

Due to dissolution of Soviet Union, some amendments were performed in the program in 1992 (Merdanov, 2007). As per this, agreement protocol was signed between European Union and the NIS with the aim of improving economic and political relations. The council regulations no. 2053/93 and 1279/96 that were formed for periods of three years constituted the frame of TACIS program. The regulation no. 99/2000 determined the principles of program for 2002-2006 periods.

When TACIS program was first initiated, technical assistance comprised of only one activity; however, with demise of Soviet Union and participation of twelve countries in the program, this activity became a more complicated part of developing relations. With the implementation of Partnership and Cooperation Agreements, TACIS program became a strategic means of this cooperation process between European Union and these countries. TACIS Program has three main goals (Karluk, 2002, p. 345):

- Supporting the process of transition to democracy and free market economy; assisting the efforts intended to constitute a community depended on political freedom and economic welfare;
- Developing economic, political and cultural dialogue between European Union and these countries; creating a more sophisticated, harmonious and long-term cooperation;
- Accelerating harmonization of countries that newly gained their independencies to the world economy and political order.

Providing information and financial aid to realize these goals, TACIS program gives priority to realize reforms in key sectors of the countries that newly gained their independencies. These sectors are energy and nuclear safety, military transformation and financial sector, enterprise within the scope of privatization and human resources. Besides, TACIS program leaves substantial funds to sectors like transportation, telecommunication, agriculture and environment. The reforms conducted in the sectors are realized according to five basic projects and one plan determined in TACIS program. These are determinants of the policies, establishing and re-structuring foundations, constituting legal and regulatory working frame, training and pilot projects.

TACIS program works at each level of community according to five basic projects (Merdanov, 2007, p. 42).

Sectors are determined according to the privileged need of each country within the scope of TACIS. In this way, a program for each country that determines the privileged sectors for TACIS aid is prepared. Program generally covers a term of three years. For example, 1996-1999 TACIS Program determined with Azerbaijani Administrators in 1996 was determining a working frame for European Union-Azerbaijan cooperation and signed sectoral directions (Ibrahimov, 2008). Program ensured TACIS's adaptation to changing Azerbaijani needs and priorities in socio-economic and democratic reforms process. At the same time, it was helpful for the projects that were prior for European Union-Azerbaijan cooperation. These programs can also be regional or multi-national programs as well as they can be for each country particularly. After program, TACIS coordinators decide which methods to use in coordination with partner countries. Local participation is given priority in execution.

TACIS program works in close cooperation with international foundations and other aid organizations. Program operates as a catalyzer apart from the information it gathers from public institutions and private organizations, and helps to provide fund from certain loan organizations to realize pre-investment and feasibility surveys. In its operations in order to determine use of funds, TACIS Program also involves in close cooperation the partner countries. The funds TACIS Program provides as a consequence of the cooperation are used in primary fields like public administration, state enterprises, private sector, transportation and telecommunication infrastructures, energy, nuclear safety, environment protection, food production, operation and distribution, social services and education.

The funds of TACIS program are constituted within the general budget of Union and operate as per the rules of this budget. Budget is determined by European Parliament and European Council annually. Every year a general allocation is committed to TACIS and this money is divided among the countries according to criteria like population, gross national product and determination to put forward reform process. This allocation is assigned by European Commission (www.europa.eu,

11.08.2009). European Union was the international donor providing the region with the highest aid. Between these periods the budget admitted to TACIS operations amounted to 4.266 million euros. Nearly 4.220 million uuros of the admitted budget was used in TACIS Program (Merdanov, 2007).

The arrangements brought to TACIS program and course operations of 2000-2006 period was assigned by European Council on 29 September 1999 with the regulation no 99/2000. With this regulation Mongolia deducted from the scope of TACIS program in 2003. As per 2000 arrangement, TACIS Program concentrated on fewer fields. The aids dedicated to these fields are as follows:

- Supporting institutional, legal and administrative reforms;
- Supporting private sector and aid to economic development;
- Support to direct social results of transition process;
- Developing infrastructure networks;
- Protecting environment and managing natural resources;
- Improving rural development;
- Support to ensure nuclear safety in required fields

Within the frame of TACIS program, Armenia was provided with an aid of 68,9 million Euros between 1991-2000, Azerbaijan 100,8 million euros between 1992-2001 and Georgia 84 million euros between 1992-2002 (Demirag, 2004, pp. 90-94). Within the frame of TACIS and other financial aid programs Armenia was provided with an aid of 286,13 million euros, 1991-2000, Azerbaijan 362,204 million euros between 1992-2001 and Georgia 342,88 million euros between 1992-2002 (Demirag, 2004, pp. 90-94).

TACIS Program is also conducted as tool to support international projects and TACIS sub-programs. As per this, international projects are of specific importance and weight within TACIS program. These projects cover more than one country and focus

especially on energy and transportation fields, and besides constitute an important element of the policy of European Union devoted to region countries. Geopolitical position and energy potential of the South Caucasus countries have also been handled within this frame and Caucasus countries have been given a significant place in two international projects. In this context, TRACECA Program and INOGATE Program are the primary ones among the most dynamic and efficient projects realized within the scope of TACIS. The study will examine INOGATE and TRACECA program in detail later.

Additionally, with the adoption of the ENP Action Plan, three Caucasus states' cooperation with the EU has taken a new shape. Under the new assistance instrument ENPI which replaced TACIS in 2007, strategic partnership between the two sides will take a greater variety of forms (Nuriyev E. , 2007, p. 25). The main goal of the ENPI is to help South Caucasus states to attain European standards in certain areas which have been jointly determined by the EU and the governments of the Caucasus republics. This program covers 2007-2010 during which the first phase of the ENP individual cooperation plan will be implemented. This time period is a serious test case for the country's ruling authorities who will have to prove that their genuine to profound reforms becomes actual, not only political words.

3.1.2. Other Financial Aid Programs

The other aid programs developed by European Union with the aim of helping the South Caucasus Countries can be listed as follows: TEMPUS Program, Food Security Program, European Community (EC) Humanitarian Office, Rehabilitation of Conflict Regions Program, Exceptional Financial Assistance Program, Exceptional Humanitarian Aid Program, Regional Agriculture Sector Reform Program, Aid Program softening the impacts of Russian Crisis, Funds European d'Orientation et de Garantie Agricole (FEOGA) Food Aid Program, Support to the Border Guards Program, Nuclear Safety Program, European Initiative for Democracy and Human Rights Program.

TEMPUS Program is a subprogram of TACIS aiming to establish cooperation between universities. This program maintains the activities of improving and re-

arranging education programs, performing reforms in structure and administration of higher education institutions, improving practical aspect of education by raising the relations of universities with industry (www.tempus.am, 28.07.2009).

TEMPUS Program works by means of partner European projects and individual scholarships. Partner European projects are regulated for three years at most, and performed in cooperation between at least one university of member country of European Union or within the frame of coordination of university of European Union member country. Individual scholarships are provided to instructors, teachers, university administrators, and senior officers of Ministry of Education, education specialists and other experts of both parts in the field of high education. Scholarships are provided to pay a visit to other side to ensure exchange of information about raising education quality and improving higher education.

The primary goal of Food Security Program is to examine the reasons threatening food security be prevented in South Caucasus countries and to produce solutions. Supported completely by public sector in the South Caucasus countries during Soviet Union era, agriculture sector began to collapse rapidly with the demise of Soviet Union and public support was completely cut. With this program, agriculture sector is provided with technical support in management, marketing, income financing, loan and administration. These attempts are supported within the scope of TACIS program.

European Community Humanitarian Office is the institution of European Union that provides humanitarian aid to regions which suffered from natural disasters and wars (ICG Europe Report N173, 20.03.2006). European Community Humanitarian Office has provided food aid to regions that suffered from the war between Azerbaijan and Armenia and that suffered from civil wars in Georgia. European Union initiated a Rehabilitation Program as an extension of European Community Humanitarian Office with the aim of re-ensuring rehabilitation and settlement of infrastructures of the regions that suffered from natural disasters and wars. With this program, electricity distribution networks, water equipment systems, railways, schools, houses and social facilities are

constructed and damaged places are repaired. Program contributes to rehabilitation of the places that were damaged.

Exceptional Financial Assistance Program aims to improve living conditions in the South Caucasus Countries and to realize required conditions and urgent investments for infrastructure (Merdanov, 2007). Within the scope of program, investment projects such as re-structuring and repairing hospitals, schools, children nursing homes, disabled dispensaries; collecting radioactive wastes; establishing AIDS centre; completing subway stations were realized.

The other aid program developed by the EU is Regional Agricultural Reform program. The goal of Regional Agricultural Reform Program is to determine the tools bringing momentum to agriculture reforms, to re-constitute agriculture trade and to ensure food security by supporting private agriculture industry (Merdanov, 2007).

Exceptional Humanitarian Assistance Program is the food and humanitarian assistance program that European Union provides to the South Caucasus Countries. Within the frame of this program aiming to reduce the impacts of the economy that got worse after the independency of these countries on population and to improve humanitarian living conditions in the regions that suffered from war, an intense food aid was realized in the form of donation and lending. Besides, European Union provided the South Caucasus countries with food aid within the frame of FEOGA Food Aid Program.

Aid Program Softening the Impacts of Russian Crisis was developed after Russia went through economic crisis in August 1998. The aim of this program was to reduce the negative impacts of crisis in Georgia and Armenia.

Support to the Border Guards Program is the aid program European Union provided to Georgia. The goal of the program was to ensure the security of the borders of Georgia with Russia and Armenia and to constitute stability.

Nuclear Safety Program covers only Armenia out of South Caucasus Countries. Supported by TACIS, Nuclear Safety Program between European Union and Armenia focuses on four different but complementary subjects. These subjects are

assistance to nuclear site, reliable design, supporting regulative authorities and providing recommendation about wastes and oils (Merdanov, 2007).

European Initiative for Democracy and Human Rights Program covers only Georgia out of the South Caucasus countries (Merdanov, 2007). This program was designed in three basic fields in order to develop the implementations of democracy and human rights. These fields are developing information and techniques about parliament implementations, supporting non-governmental organizations, transferring capability and specialty in lawful and democratic implementation applied to professional groups and institutions. These programs developed by European Union contribute a great deal ensuring stability and development in the South Caucasus Countries and developing cooperation between South Caucasus countries and the Union.

3.2. Restoration of the Silk Road

Until 1990s the old 'East' mostly affected West World with its historical background. Many international projects' goal of Reconstruction Silk Road was to bring the city remnants along the Road to surface, to renovate and to bring back to the world as a cultural monument.

With the disintegration of Soviet Union in 1991, European Union initiated attempts to establish a transition corridor in order to strengthen independences and economies of the NIS, and to ensure transport of their rich natural resources to world market in secure ways. Idea of establishing transition corridor was first recommended by Minister of Foreign Affairs of Soviet Union Eduard Shevardnadze in September 1990 (Merdanov, 2007). Upon recommendation, negotiations began within the European Union.

On 7 May 1993, a conference assumed to be the beginning of TRACECA program was held in Brussels with the participation of Ministers of Trade and Transportation of Central Asia countries and officials of European Union (Alaolmolki, 2001, p. 167). In the conference, alternative courses to ensure accession of the NIS to world market on East-West axis were examined. The following targets were put forward in the conference:

- Stimulation of development of regional cooperation between countries;
- Ensuring accession of Caucasian and Central Asia Countries to European and world markets via alternative accession courses;
- Utilizing from TRACECA Program as a catalyzer in order to ensure international financial institutions and private investors to invest;
- Ensuring TRACECA courses' connection with Trans-Europe networks.

On 13 may 1996, presidents of Azerbaijan, Georgia, Uzbekistan and Turkmenistan came together in Serakhs, Turkmenistan. In here, Serakhs Agreement that proposes cooperation in arranging and facilitating transit passes between countries was signed. In the agreements, states assurance for protection of transit goods, purifying customs procedures and reducing customs tariffs 50% mutually were proposed (Aliyev, 1998, p. 13).

In April 1997, a meeting at the level of ministers was organized by European Union in Tbilisi. Conference ended with establishment of Committee of Ministers in order to ensure participation of sixteen countries in Pan-Europe Transport Conference (Jones, 2001, p. 334). In June 1997, in Helsinki, Pan-Europe Transportation Conference was organized. Member countries of European Union, candidate states and sixteen participants of Tbilisi Conference participated in the conference. In the conference, extension of Trans-European networks of Black Sea region to east was defined as Pan-European Transportation Region.

On 26-27 April 1998, experts from Azerbaijan, Georgia, Bulgaria, Kazakhstan, Kirghizia, Moldova, Mongolia, Romania, Turkey, Uzbekistan and Ukraine held a meeting in Baku. In this meeting, they prepared draft of an international agreement and some appendixes developing Europe-Caucasia-Asia transportation corridor (Sharifov, 1998, p. 28).

On 8 September 1998, “Restoration of the Historic Silk Route Road-TRACECA” conference was held in Baku. Thirty two countries and thirteen international organizations participated in conference (Ramazanov, 2009). In the

conference, “Primary Multilateral International Transportation Agreement concerning Developing Europe-Caucasia-Asia Transportation Corridor” comprising of sixteen articles and four technical appendixes was signed by twelve countries. International transportation of goods and movement of passengers between parties was arranged with this agreement. The goals of the agreement have been stated in 3rd article:

- To improve commercial communication and transportation communication together in economic relations in Europe, Black Sea Region, Caucasus, Caspian Region and Asia;
- To facilitate international transportation of goods, passengers and hydrocarbons;
- To transmit the land and railway transportation and commercial maritime transportation to world market;
- To harmonize policies of transportation and regulation in transportation sector;
- To establish equal opportunities and conditions for different transportation ways.

In the ninth article of the agreement, it was proposed to establish Permanent Secretary in Baku. As per this article, Secretariat is an institution that has permanent and legal entity and that has been established to implement agreement and to run the works of Intergovernmental Commission. Permanent Secretariat is managed by Secretary General. Secretary General is elected unanimously for one year by intergovernmental commission. Due to the agreement working languages of Permanent Secretariat are English and Russian, and the audit is performed by term president.

3.2.1. Definition, Significance and Future of the TRACECA Project

In the last years, the issue of Reconstruction Great Silk Road has been discussed in international arena and media with different interpretations. In these discussions, definitions of Grand Silk Road, Eurasia Transportation Road, Eurasia

Transportation Corridor, TRACECA Road, TRACECA Corridor and TRACECA have been used synonymously. These definitions include the same and also different meanings together.

When it is said Reconstruction of Great Silk Road, it is understood to restructure the route that silk and other goods were transported during the history. When it is said current Transportation Corridor project; establishing the transportation corridors that allow Middle East and Caucasus reach Europe and world markets understood rather than historical and scientific researches (Merdanov, 2007). Current Eurasia Transportation Corridor does not pass through the courses of Silk Road that have been used during history but rather pass through new courses with strategic interest. In this case, according to Gegeshidze instead of definition of Reconstruction Great Silk Road, it is more appropriate to use the definition of establishing the New Silk Road (Gegeshidze, 2000, p. 134).

Eurasia Transportation Corridor includes transportation corridors beginning from east borders of Asia and including all fields of transportation and ensuring transportation to world markets. Eurasia Transportation Corridor comprises of four basic transportation fields. These are land, railway, maritime and airways infrastructure and networks, pipelines systems, Trans-Asia-Europe fiber-optic cable system, space satellite system (Gegeshidze, 2000, p. 134).

Usually TRACECA is used as equivalent to Eurasia Transportation Corridor. However TRACECA covers only land, railway and maritime transportation that are among the transportation types used in traditional meanings. Pipeline and fiber-optic cable system that are within the scope of Eurasian Transportation Corridor are not included in TRACECA program (Merdanov, 2007). Besides airway transportation is developed with South Air Ring program within the scope of TACIS.

Within the frame of TACIS program, eight founder members of TRACECA Program are five Central Asia and three South Caucasus countries that signed Brussels Declaration in Brussels in 1993. Later on Ukraine, Moldova, Mongolia, Turkey, Bulgaria and Romania also participated in the program and number of members rose to

fourteen. On 8 September 1998, in the conference of “Reconstruction of the Historical Silk Road -TRACECA” twelve member countries except for Mongolia and Turkmenistan signed the agreement in Baku (www.traceca-org.org, 26.08.2009). Therefore, in Intergovernmental Commission that was founded as a necessity of agreement, Turkmenistan and Mongolia are not represented.

When we look at the other transportation networks on East-West axis, TRACECA transportation corridor that passes through the NIS existed out of an obligation. Reason of this case is that the transportation over Russia is not sufficient. Besides, the transportation networks passing over Pakistan, Afghanistan and Iran did not look attractive for European Countries and USA (Ahmedov, 2001, p. 4). The reason is, that the region is mountainous, and that there are conflicts in the region. Besides there is not sufficient transportation network in the region in order to provide security and solve transportation problems.

In the first years TRACECA was initiated it was passing through eight countries. TRACECA route did not have direct connection to Trans-European networks and that was a big disadvantage for this course. However, later on participation of Ukraine, Moldova, Turkey, Bulgaria and Romania and the efforts intended to harmonize the transportation policies in recent terms raised the significance of TRACECA. Despite all these positive improvements, the program is criticized and concerns regarding future still continue. The deficiencies seen in the program are as follows:

- Together with being the shortest course on East-West axis, TRACECA is the most expensive corridor (Merdanov, 2007). Reason for this is that the member countries of program still keep their transportation taxes high and do not think of reducing them.
- The goods transported along the course are controlled in customs of each country and that leads to time loss.
- There are conflict areas through the course.

Today's mostly used part of TRACECA course begins from Aktau and Turkmenbashi Ports and goes to Baku port and from Azerbaijan to Poti and Batum ports via highway (Merdanov, 2007). The quantity of the goods transported via railway and land transportation to Baku Port and Georgia border that are the only passage point in the course and that has no alternative, therefore the quantity of the goods transported through corridor is limited.

3.2.2. TRACECA's Alternatives

TRACECA is a route aiming to connect Asia and Pacific to Europe and West. But there are concurrent courses too. But a comparison demonstrates that despite the route is expensive it is still advantageous against rivals.

3.2.2.1. East-West Corridors

The issue of transportation networks connecting Asia and Pacific to Europe was put forward on world agenda in 1960s. The first attempt about this issue was "Asia Highway" project initiated by United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP). However, this project failed due to weakness in Asian countries, and inadequacy of infrastructure and transportation networks.

Big developments were experienced in Asia in 1980s. Asian countries' industries grew rapidly brought a good market and commercial cooperation for Europe. In 1990 UN ESCAP initiated the project of Asian Land Transport Infrastructure Development (ALTID). Within the scope of this project three transportation corridors were established on East-West axis as North, Centre and South transportation corridors. North corridor covers Trans-Siberia railway and reaches to Europe passing Russia, Kazakhstan and Belarus; Centre Corridor reaches to Europe passing through Turkmenistan, Caspian Sea, Caucasus and Black Sea; South Corridor reaches to Europe passing through Turkmenistan, North of Iran and Turkey (Merdanov, 2007).

Having more strategic significance, Central Corridor drew attention of European Union and USA. Since 1993, this corridor is being developed by European Union with TRACECA program. When these three corridors on East-West axis

established by UN ESCAP are compared, Central TRACECA corridor has a more advantageous position. Much of the North Corridor passes through Russia. That transportation networks and infrastructure of Russia are old and far from international standards. There are hard conditions and high prices demanded and the delays occur frequently. Also the conflicts on South Corridor way, lack of infrastructure, and long customs procedures and visa processes in each country lead this corridor not to be preferred either.

The same case is valid for TRACECA corridor too. However, developments concerning harmonizing the transportation policies and transit passage procedures with infrastructure rehabilitation are maintained. This corridor is financially and technically supported by European Union, USA and international finance organizations.

3.2.2.2. North–South Corridor

Being alienated with TRACECA course, Russia and Iran decided to establish North-South Corridor on North-South direction in 1996 in order to compensate their losses (Polyakov, 2001, p. 36). With this project, it was proposed to extend Helsinki-Petersburg-Moscow Trade Corridor to Iran and India along Caspian Sea. With the agreement signed by Ministers of Transportation of Russia, Iran, India and Oman Sultanate on 12 September 2000, the project gained a legal frame (Russian Railways, 30.06.2009).

Although the course is short, its cost is low and even the number of the countries it passes through are few but still, there are big inadequacies of infrastructure. Since the qualities of the highways passing through Russia are low these highways cannot respond to international standards. Being one of the primary passage points of the project, Olya port cannot meet the demands. The ports of Iran on the shore of Caspian Sea cannot meet the demands either. Since these ports do not have railway connection, the goods are transported to Tehran and Gezvin from ports via highway and from there to Bandar-Abbas via railway (Polyakov, 2001, p. 36).

Participation of the South Caucasus Countries in this project will increase the significance of the course. For example, construction of Astara-Gezvin railway that has

320 km between Azerbaijan and Iran will provide non-stop railway to North-South Corridor (Merdanov, 2007). This road will enable the course to be full when considering that Russian ports do not respond to seasonal work and demands of the new century.

TRACECA and North–South Corridor are alternatives to each other while they are also evaluated as projects competing with each other and aiming to compensate each other too. In this regard, while examining the corridors following respects come in the forefront:

- North-South Corridor has gained the chance to compensate TRACECA course via the freights embarked from Bandar-Abbas Port of Iran, and ports of China, Southeastern Asian Countries, Japan and India.
- While TRACECA course is supported by European Union and US, North-South Corridor distresses European Union and USA in terms of facilitating Russia’s trade of nuclear weapons with Iran and India.
- As in TRACECA course, customs documentation, requirement of more than one visa for each consignment, border surveillance, obscure taxation and transit wages are present on North-South corridor. While Intergovernmental Commission, Permanent Secretariat and Working Groups work actively for the resolution of these problems within the scope of TRACECA program, there is not any notable progression in North-South Corridor project.
- While North-South corridor is cut due to seasonal working of Russia ports, Aktau, Baku and Turkmenbashi Ports of TRACECA corridor operate continuously (Merdanov, 2007).

TRACECA Program is operated within the frame of two sorts of projects as projects of technical support and projects of investment. TRACECA technical support projects have the same structure as technical support projects of TACIS program and implement the same procedure. Technical support projects perform such as making the

project plans of investment, examining technical conditions of investment projects, feasibility studies, market researches, giving technical and occupational training, activating administration of transportation sector and improving external affairs.

3.3. Interstate Oil and Gas Pipeline Management

Before the collapse of Soviet Union, there was a centralized system of oil and natural gas production and distribution in the South Caucasus like other regions of the Soviet Union. After the demise of Soviet Union this old system was still in practice for a while. However, this situation did not go on for a long time and the cooperation in oil and gas sectors between Russia and NIS almost collapsed in 1990s. A few producer countries tried to develop their own oil and natural gas industry by cooperating with international energy companies (Werner & Hekimler, 2006).

European Commission also started the negotiations with these countries with the aim of management and reconstruction of oil and natural gas transportation system of these countries. At the end of these negotiations, a new project called “Interstate Oil and Natural Gas Pipeline Management” was given a start in 1995, name of the project was then changed into INOGATE program in 1997 (www.inogate.org, 15.06.2009).

The aim of the project is to strengthen the security of energy supply, to provide the regional integration of oil and natural gas pipeline system, to support the export of mentioned products to West markets and to make investments to pipeline project so as to attract the attention of international finance companies. Two main goals were determined in order to realize these aims:

- To reconstruct, develop and modernize regional oil natural gas transportation systems.
- To determine alternative ways for the transportation of energy sources from Caspian Basin and Central Asia to West Markets (Kilicbeyli, 2002, p. 108).

INOGATE program was initiated for TACIS countries with the help of TACIS program and then, European and Mediterranean countries also were included in this

project due to Umbrella Agreement. These countries can ask for technical support in accordance with the aims of INOGATE program.

Fifty countries including members of European Union, Commonwealth of Independent States and Turkey are in cooperation with each other within the scope of this project. Institutional subjects comprise of a great deal of INOGATE program. The core legal arrangement made in accordance with the INOGATE program is Umbrella Agreement.

3.3.1. INOGATE Umbrella Agreement

This agreement was signed by more than 20 countries including Central Asia, Caucasus and European countries (Adams, 2002, p. 7). Countries which signed and recognised this agreement gained the status of “participant”. Depositor country of this agreement is Ukraine and the depositor corporation is Ministry of Foreign Affairs of Ukraine (Adams, 2002, p. 7). Advantages of Umbrella Agreement can be listed as following:

- Countries signed the agreement will be in cooperation with other countries for the operation of oil and natural gas reserves in Caspian Region and transportation to the Western energy markets.
- It is stated that one-side guarantee was provided for all investors and countries cooperating with each other so that there will not be a legal regulation which will cause a loss in the existing projects.
- Technical arrangements and activity process were determined.
- It was agreed that environmental arrangements should be in accordance with the existing international standards.

3.3.2. Objectives of INOGATE Program

INOGATE program has some main goals. The first one is to make much more countries be a part of Umbrella Agreement and the second one is to improve existing

energy networks. Today, totally 21 countries including many Central Asia, Caucasian, European Countries and Turkey signed INOGATE Umbrella Agreement (Adams, 2002, p. 7). It is also expected that new countries will also sign the agreement. Participation of Russia takes shape within the framework of “EU-Russia Energy Partnership”.

For developing the existing energy networks, INOGATE program aims to support investments on rehabilitation of oil and natural gas networks. That’s why; it has paid a great deal of significance to develop natural gas transportation networks of regional markets of Central Asia, Caucasian and Eastern Europe Countries. New rehabilitation and developing projects about oil transportation are also carried out.

INOGATE program also supports extending the Odessa- Brody Pipeline to Gdansk and combining this pipeline with existing Balkan pipelines (Merdanov, 2007). As stated in Umbrella Agreement, it is planned that oil will be carried to Baltic, Adriatic and Aegean Markets via sea transport (Lyons, 2000, p. 178). Another project supported by INOGATE is the development of oil pipeline in Caspian Region. Targets in order to realize project are;

- To transport Kazakhstan oil through the Novorossiysk port to Central and Eastern Europe.
- To develop multi-directional oil transportation systems starting from Central Asia passing through Caucasus and ending at Black Sea Port of Georgia.

INOGATE program also gives technical support to natural gas transportation. There are many projects so as to meet European natural gas deficit in the near future. The first step for this has been taken with the Turkey- Greece natural gas pipeline project. The main objectives are listed as (www.inogate.org, 15.06.2009);

- Converging energy markets on the basis of the principles of the EU internal energy market taking into account the particularities of the involved countries

- Enhancing energy security by addressing the issues of energy exports/imports, supply diversification, energy transit and energy demand
- Supporting sustainable energy development, including the development of energy efficiency, renewable energy and demand side management
- Attracting investment towards energy projects of common and regional interest.

3.3.3. Projects under INOGATE Program

Many different projects which contribute each other were carried out for the achievement of INOGATE project. The most significant projects under the INOGATE program are listed below:

Rehabilitation of Crude Oil and Oil Products: Some rehabilitation projects and modernization was applied to the pipelines, which the South Caucasus Countries constructed in the period of Soviet Union, in order to make the pipelines work better, and to harmonize international transportation (www.inogate.org, 07.06.2009).

Rehabilitation, Modernization and Improvement of Productivity in the Existing Natural Gas Transportation Systems: Within the framework of INOGATE project, four projects were financed so as to improve existing natural gas networks. Accordingly, existing natural gas networks in the eastern part of Central Asia, Kyrgyzstan, and Uzbekistan; Azerbaijan, Armenia, and Georgia; Belarus and Moldavia; and Western part of Central Asia, Turkmenistan and Tajikistan were rehabilitated (Merdanov, 2007).

Feasibility Studies for Oil and Natural Gas Export from Caspian Region to Central and East Europe: Utilized by Romania and Bulgaria to a great extent, this project included issues such as utilizing from existing infrastructure, establishing alternative courses to existing networks, storage, shipping points and telecommunication (www.inogate.org, 07.06.2009). Besides, project also contributed to feasibility studies conducted for transportation of oil and natural gas from Caspian Region to Central and East Europe.

Developing Regional Cooperation Project: This project comprises all three South Caucasus countries and it also includes matters such as giving priorities to institutional matters so as to strengthen regional cooperation and providing technical support about the subject.

Priority Emergency Investments in Oil and Natural Gas Infrastructure: The project intends to provide support for infrastructure projects for the transportation of oil and natural gas sources (www.inogate.org, 07.06.2009). The project encompasses rehabilitation of storage services for international natural gas trade, going security subjects, natural gas quality control with survey station and rehabilitation and modernization of activities on the borders.

3.3.4. Consequences of INOGATE Program

Three main principles of EU energy policy; efficiency, supply security and environmental protection were stated in White Paper in 1996 (Bartle, 2005, p. 167). The first principle, efficiency, has the mission of providing low cost, fund raising and using, and in that way increasing the competitive capacity of EU economy. Supply Security aims to improve and diversify Caspian Region energy sources so as to prevent supply shocks and exorbitant prices in the production of oil and natural gas. For instance, if natural sources would come to Turkey from Caspian region, this situation will alleviate the repressive effect of Russian monopoly on natural gas to Central, Eastern and West Europe on European Countries (Giragosian, 2007, p. 103). Besides, transportation of Caspian Region oil to EU will reduce the dependence on Middle East too. There is a need of a reliable production and transportation chain so that Caspian region can contribute to the supply security of energy sources for the EU. In other words, it is essential to provide producing and transit countries with political and economic stability and legal security.

Environmental protection indicated in the White Paper aiming to encourage natural gas usage so as to decrease damages to the environment. Natural gas is preferred since its industrial usage is cheap and its damage to the environment is less than the others. Since the need of European Union's like all the world countries need for the

energy increases day by day, it can be observed how much environmental policy has become important at global level. Environmental policy of European Union is beneficial both for European Union and, in general, humanity. Due to the Merdanov the main targets of the program are (Merdanov, 2007);

- Establish permanent dialogue and information exchange between the countries;
- Assign new strategic transportation routes for oil and natural gas;
- Help to assign and develop the investments projects;
- Keep the common rules of Umbrella Agreement in cooperation fields;
- Decrease the risks to the standard commercial level by following Umbrella Agreement;
- Support potential investors by providing finance so as to prevent the security, safety or environmental risks which stem from minor projects;
- Help the investors to have relationships with the right people in the participant countries so as to develop investment potential;
- Help the investors to constrain uncalculated risks;

The main success of INOGATE Program is processing Baku-Supsa pipeline since 1998, Baku-Ceyhan pipeline, since 2005 and Turkey- Greece pipeline since 2007. The Nabucco project is the main initiative of the EU in order to diversify energy supply and securitization of energy policies. The pipeline length is approximately 3,300 km, starting at the Georgian/Turkish and/or Iranian/Turkish border respectively, leading to Baumgarten in Austria. The gas pipeline about 3,300 km for the purpose of supplying natural gas to Europe, will be held across the territory of Azerbaijan, Georgia, Turkey, Bulgaria, and then to Hungary, Romania to the final destination in Austria. The cost of the project is estimated at approximately 5 million euro, as of this amount may increase.

3.4. EU- South Caucasus Trade Relations

The EU bilateral trade with each of the South Caucasus countries has been growing over the last five years (except the decrease in the trade with Armenia in 2006 which is most probably only a temporary fluctuation) and the EU has become one of the main trade partner of each of them. However, in all the three cases, bilateral trade remains very limited and also insufficiently diversified, in particular as regards partner countries' exports.

The close relations European Union and the South Caucasus countries have affected the commercial relations among those countries positively. Especially the close relation between Azerbaijan and UK, Armenia and France, Georgia and Germany has caused the fact that European Union and European Union countries have one of the biggest proportion in the foreign commerce of those countries.

The fact that English British Petroleum had a pioneering role in the “Contract of the Century” on 24th September 1994 caused to increase the number of the English companies in Azerbaijan (Karagiannis, 2002, p. 19). Now there are more than one hundred English companies in England. The fact that the English capital in Azerbaijan is about 1, 5 billion dollar shows that the foreign investment in the country has increased since 1991 (Nuriyev S., 2002). However, England was the third one among main commercial partners of Azerbaijan. The reason for that is the commercial relations with England are just on oil sector. In list of the commercial partners in import of Azerbaijan in 2008, Germany the EU member was the 3rd while Turkey the EU candidate was the 2nd (www.azstat.org, 19.06.2009). Food, cotton, chemical stuff, caviar, machines and equipment are main goods in commercial relations. Since two of the five partners of Azerbaijan in 2008 were European Union countries and one was the candidate. European Union countries have the main proportion in foreign trade of Azerbaijan and as seen on Table 2 and 3.

Table 2
Azerbaijan Republic Imports by country groups 2004-2008

Country groups	2004	2005	2006	2007	2008
Commonwealth of Independent States (CIS)	34.1	34.4	39.8	33.3	32.7
European Union (EU)	34.3	29.9	30.8	29.3	28.4
Black Sea Economic Cooperation Countries (BSEC)	28.5	31.3	37.9	38.7	39.7
Economic Cooperation Organization (ECO)	20	19.7	18.9	17.8	16.6
Organization for Democracy and economic development – GUAM	5.3	6.5	7.1	9.4	8.7
Organization of Petroleum Exporting Countries (OPEC)	2.3	2.7	2.4	2.9	2.4
Organization of the Islamic Conference (OIC)	25.3	22	20.6	19.4	18.7
Asia-Pacific Economic Cooperation (ESCAP)	33.4	37.7	36.1	35.3	36.8
European Free Trade Association (EFTA)	2.8	1.4	1.3	1	1.3
Association of Southeast Asian Nations (ASEAN)	4	9.8	0.4	0.7	1.4
Organization for Economic Cooperation and Development (OECD)	51.9	44.9	47.2	52.5	49.4

Source: Statistical Committee of the Azerbaijan Republic 15.08.2009,
http://www.azstat.org/statinfo/consumermarket/en/xten_5.shtml

Table 3
Azerbaijan Republic Exports by country groups in 2004-2008

Country groups	2004	2005	2006	2007	2008
Commonwealth of Independent States (CIS)	17	20.8	14.6	18.2	3.4
European Union (EU)	54.6	51.7	57.2	27.6	56.5
Black Sea Economic Cooperation Countries (BSEC)	20.7	25.8	20.8	35.9	5.3
Economic Cooperation Organization (ECO)	15	19.1	15.3	28.7	3
Organization for Democracy and economic development – GUAM	5.6	5.6	5.1	6.2	1.4
Organization of Petroleum Exporting Countries (OPEC)	8.1	4.5	5	14.3	4.1
Organization of the Islamic Conference (OIC)	19.4	20.8	16.2	36.4	6.5
Asia-Pacific Economic Cooperation (ESCAP)	11.7	13	9.9	24.3	23.9
European Free Trade Association (EFTA)	0.1	0.1	0.1	0.1	0.2
Association of Southeast Asian Nations (ASEAN)	3.7	2.8	1.1	6.9	3.2
Organization for Economic Cooperation and Development (OECD)	55.5	52.7	63.5	46.9	72.4

Source: Statistical Committee of the Azerbaijan Republic 15.08.2009,
http://www.azstat.org/statinfo/consumermarket/en/xten_5.shtml

When external economic activities of Armenia are examined, it is seen that Armenia has close business relations with EU member countries like Belgium, Germany, UK, Netherlands, Greece and Italy. Germany, Belgium and Netherlands were at the top of the export list of Armenia in 2007. Germany and UK are also countries that Armenia imports from as seen on Table 5. When external investments are examined, it is clear that Greece is at the top of the list with 266.941.000\$ in terms of external investments in Armenia between 1991 and 2002 (Ramazanov, 2009).

Table 4
Main Trade Partners in the Exports of the Armenia 2004-2007

External Economic Activity of Armenia: Main Trade Partners in the Export 2004-2007								
	Share in %				Rank, Place			
	2004	2005	2006	2007	2004	2005	2006	2007
Russia	10.8	12.2	12.3	17.5	4	4	3	1
Germany	11.5	15.6	15.0	14.8	3	1	1	2
Netherlands	3.6	13.7	12.9	13.5	11	2	2	3
Belgium	14.9	12.8	11.0	8.7	1	3	4	4
Georgia	4.0	4.8	5.5	7.6	8	8	8	5
USA	9.8	6.4	6.6	4.5	5	6	7	6
Switzerland	6.3	3.6	7.3	4.3	6	9	6	7
Bulgaria	0.7	0.1	0.1	4.1	17	32	31	8
Ukraine	1.4	1.4	2.3	4.0	14	12	12	9
Iran	4.2	2.9	3.0	3.3	7	10	9	10
Italy	3.9	2.6	2.9	2.6	9	11	10	11
Israel	11.5	2	8.9	2.3	2	5	5	12

Source: National Statistical Service of the Republic of Armenia; (15.08.2009) Statistical Yearbook of Armenia 2008, <http://www.armstat.am/file/doc/99456368.pdf>

Table 5
Main Trade Partners of Armenia in the Import 2004-2007

External Economic Activity of Armenia: Main Trade Partners in the Import 2004-2007								
	Share in %				Rank, Place			
	2004	2005	2006	2007	2004	2005	2006	2007
Russia	11.8	13.5	13.9	22.0	1	1	1	1
UK	0.8	0.6	1.0	1.3	23	27	21	18
China	2.9	3.6	5.1	6.0	13	11	7	5
Germany	5.9	7.8	6.6	6.8	7	3	4	4
Ukraine	6.0	7.0	7.4	7.7	6	4	2	2
Switzerland	4.3	2.5	0.9	0.7	9	14	23	25
Netherlands	0.5	0.5	0.5	0.6	30	30	28	27
Finland	0.2	0.2	0.2	0.3	41	35	39	34
Uzbekistan	0.6	0.2	0.1	0.3	28	42	54	36
USA	6.6	6.2	4.8	4.4	5	6	8	7
South Korea	0.7	0.7	1.0	1.8	24	23	20	16
Japan	0.9	1.3	1.8	3.2	21	18	17	13

Source: National Statistical Service of the Republic of Armenia; (15.08.2009) Statistical Yearbook of Armenia 2008, <http://www.armstat.am/file/doc/99456368.pdf>

Georgia has close relations with Germany. These relations are going back to the past where Germany has an important role in the foundation of Democratic Republic of Georgia in 1918 (Gachechiladze, 1995, p. 31). Another reason underlying the close relations is the role of ex president Shevardnadze, also the last Minister of Foreign Affairs of Soviet Union, in the reunification of Germany. As their relation goes back to past, Georgia is one of the top ten partners of Germany in terms of financial turnover.

However, when we look at Georgia's partners in terms of financial turnover in 2007, it is clear that the first partner is Russia, the second one is Turkey the candidate country to the EU and the third one is England, a member of the EU. Germany can be seen as the fifth partner of Georgia. The first five partners of Georgia in terms of financial turnover in 2007 are available on Table 6

Table 6
Main Trade Partners of republic of Georgia 2007

EXPORT %		IMPORT %	
Russia	16.1	Russia	14
Azerbaijan	3.9	Turkey	11
Turkey	18.3	Azerbaijan	8.5
Armenia	8.4	UK	9.3
UK	4.9	Germany	8.2

Source: Georgian Country Report, Istanbul Chamber of Commerce 2007, 76 S.O/99

Looking at the EU's exports to the region we see that for Azerbaijan the machinery products, for Armenia pearls and precious stones and for Georgia mineral products took first place. EU imports mostly mineral products from the Azerbaijan and Georgia as seen on Table 8.

Oil exports make Azerbaijan the EU's largest trading partner in the Caucasus, although some studies suggest that even in Azerbaijan, food-stuffs, cotton, and textiles could play a large role in the country's export basket (Aslund & Dabrowski, 2007, p. 168). The main export and import products form EU to the South Caucasus Republics and from the three republics to the EU examined at the Table 7 and Table 8.

Table 7
EU exports to South Caucasus countries 2008

Azerbaijan	Armenia	Georgia
Machinery 40.4 %	Pearls, Precious Stones 23.1%	Mineral Products 21.9 %
Transport Equipment 12.5%	Machinery 21.7%	Machinery 20.2 %
	Transport Equipment 9.6%	Transport Equipment 13.1%
		Chemical Products 12.2 %

Source: EU Commission Bilateral Trade Relations; Azerbaijan, Armenia, Georgia (South Caucasus) retrieved on 15.08.2009, available at:
http://ec.europa.eu/trade/issues/bilateral/regions/caucasus/index_en.htm#aze

Table 8
South Caucasus countries' exports to EU

Azerbaijan	Armenia	Georgia
Mineral products; (fuels – oil and gas) 99 %	Base metals and derivatives 70%	Mineral Products 56.4%
	Pearls, Precious Stones 16.5%	Chemical Products 9.1%

Source: EU Commission Bilateral Trade Relations; Azerbaijan, Armenia, Georgia (South Caucasus) retrieved on 15.08.2009, available at:
http://ec.europa.eu/trade/issues/bilateral/regions/caucasus/index_en.htm#aze

Georgia and Armenia have been WTO members since respectively 2000 and 2003. Azerbaijan applied for WTO membership in 1997 and its accession process is ongoing. The EU is providing Azerbaijan with technical assistance to help prepare for WTO membership.

In 2008, a feasibility study on possible future FTAs between the EU and respectively Armenia and Georgia - both WTO members - showed that deep and comprehensive FTAs could bring significant economic benefits to both countries. However, neither of the two countries is yet able to negotiate such far-reaching trade liberalization and even less to implement and sustain the commitments that it would require (ec.europa.eu, 12.06.2009). As regards Azerbaijan, the country first needs to accomplish its accession to the WTO before negotiations of an FTA could be considered.

4. POLITICAL ASPECTS OF EU-SOUTH CAUCASUS RELATIONS

There are many reasons why the South Caucasus is of a special importance for the EU. The EU's growing interest in diversification of the energy supplies, first of all the natural gas, pushes it towards closer cooperation with the South Caucasus. In the coming decade the region will experience major changes coming from the significant oil and gas production and transportation. The significant revenues are expected from the fields in the Caspian Basin due to increased oil and natural gas production.

On the other hand, the Caucasus states, previously being weak and unstable, are now capable of providing security through cooperation with their European and American partners in the joint programs on fight with terrorism, trafficking, and peacekeeping. All this justifies EU's greater involvement in the region. Besides the ENP (European Neighborhood Policy) aims to develop zone of prosperity and a friendly neighborhood. Therefore the Strategy of European Neighborhood Policy focuses on the European Union has a strong interest in the stability and development of the South Caucasus. The South Caucasus has common borders with influential regional powers, such as Russia and Iran, who are in the focus of the international attention. Of no less importance is the proximity of Turkey who is member of NATO and a candidate to the EU accession.

Aftermath the totalitarian regime, the institutions of the pre-Soviet period in the region appeared to be strong enough to survive totalitarianism, while the liberal traditions nowadays continue to survive post-Soviet autocracy in the form of political opposition, plurality of media and civil society. This indicates presence of a significant reform potential in the South Caucasus societies, which, if developed, can have a considerable influence on geographical areas extending the borders of the region and lead to the greater ring of friendly states with enduring a democratic stability (Aliyeva, 2006).

The aim of this chapter is to examine the importance of the region for the EU and efficiency of political relations between the South Caucasus states and European Union. The Special Representative of the EU in the South Caucasus, European

Neighborhood policy and latest initiative towards the region Eastern Partnership are the main subjects of this chapter.

4.1. Factors Increasing Interest of EU in the Region

Since 90s there have been ongoing debates whether the South Caucasus matters for the EU and why should it get more involved in conflict settlement process when the region is so complicated and full of various international actors. There were different rationales that increased importance and the role of the South Caucasus region for the European Union. The main reasons were energy and security concerns of the EU.

4.1.1. External and Internal Factors Conditioning EU Interest in the South Caucasus

Looking to the period from gaining independences till 2003 we see that the South Caucasus was of low importance in EU priorities. Compared to the EU's policies and engagements in other regions like the Balkans or North Africa the EU showed less interest to the South Caucasus in 1990's. In this period, no strategy was deliberately formulated for the relations with the South Caucasus, although the EU developed common strategies for its relations with other former soviet states like Russia and Ukraine (Macfarlane, 2004, pp. 119-134). The EU's policies mostly were brought out as the result of these responses given to the events in the region, or of the echo of the presidency priorities at a particular time, or the commitments of the powerful personalities in the EU institutions (Lynch, 2003). Meanwhile, compared to the regional and great powers like Russia, Turkey or the US, the EU maintained a low profile in the region. Thus EU became a minor player in the region.

Yet, that does not mean the region has no importance for the Union or the EU's relations with the region were worthless (Macfarlane, 2004, pp. 119-134). Quite the contrary, the EU, later than a short period of uncertainty following the dissolution of the Soviet Union, had begun to realize the existing and potential interests in the South Caucasus. Since then, the EU's relations generated results like humanitarian aid or project of INOGATE for energy which became important for the regional development

and the enhancement of the EU interests in the South Caucasus.

Even though the region was of low importance in EU priorities and there were factors which prevented EU from being actively involved in the Caucasus, it is the fact that the outstanding members of the EU had already become interested in the region which led them to establish close relations with the South Caucasus. The rising interests of those states sooner had their resonance over Brussels that an increasing realization of the EU interests in the region has begun to be observed both in the documents and initiatives of the EU with regards to the region.

The conditioning factors, which prevented the EU from being an active player in the region, can be divided into two groups like external factors and internal factors. The main external factor was the Russia centered approach of the EU towards the region. Having regarded ‘the growing assertiveness of Russia in its near abroad’ as inevitable and being reluctant to have a direct confrontation with Russia, the EU retained a low profile in the South Caucasus (Taylor, 1996, p. 126). The EU preferred to maintain support through its membership in the international organizations like CoE, the UN or the OSCE rather than being directly involved.

The changing conditions in the Caucasus in the second half 1990s, characterized by the relative retreat of Russia and increased involvement of the Western states and multinationals in the region, did not lead a high EU profile. In Don Lych’s words, the South Caucasus was still busy and confusing enough for the EU. The newly developed features of relations in the region such as close military relations of Russia with Armenia, Russian military presence in Georgia, Turkey’s ties and proactive policies in the region, the US close relations with Azerbaijan and Georgia left a little space for the EU to manoeuvre in the region (Atasoy, 2006).

On the other hand the region already had the attention of the international actors of whose members are the European powers, like the Germany, U.K. and France. With regards to the regional stability, the prominent actors of the CFSP had already been taking part in the settlement of the disputes that the EU was not necessarily needed to be involved directly (Atasoy, 2006). Perceiving those actors as capable, and realizing

its own incapability the EU along with the other conditioning factors in mind preferred to leave the venue to international organizations.

Additionally the South Caucasus republics has not demanded of an active EU engagement in the region (Lynch, 2003), although all three states had declared a European orientation in their political and economic development. The Caucasus republics have rather perceived the European presence as a forum where they could promote their own interests, like they perceived the other western institutions.

Looking at the internal factors conditioning the EU approach of the South Caucasus firstly we see that EU has affected by a proximity distance paradox. On the other hand the European Union has perceived the regional instability and turmoil as threats that might have impinged on the European Security. Hence, the EU promoted stability in the region. Another factor that determined EU's policy towards the region was the membership issue. The EU preferred to have fully developed policies and relations with a state provided that the particular state was a prospective member of the EU. Since the membership was not on agenda for the South Caucasus states, the EU remained reluctant to develop its political and economic relations with the region.

Furthermore as far as the role of presidency and of the member states is concerned, at least until the end of the 1990s, it is not possible to speak of any lobby activity within the EU bringing the South Caucasus to the attention of Union. Another point is that the South Caucasus during the period 1990s was not perceived as a region by itself. To put it in another way, the EU considered the South Caucasus within the context of the southern former Soviets, and, hence did not develop separate policies for the region. The fact that the TACIS programs and PCA's were launched for almost all southern former Soviet states explicitly reflects the EU thinking of 1990s

4.1.2. The Interests of Member States in South Caucasus

France, Germany and UK are outstanding European powers that have been bilaterally engaged in political and economic relations with the South Caucasus. Following the increased involvement of the Western energy companies in the region after the oil contract signed in Baku in 1994 Western states shifted their engagement in

the South Caucasus. The interests of those states have been largely overlapped in security and stability matters: however, cooperation between them has been weak. On the other hand the interests of these powers even could clash one another sometimes because the main interests are in energy sector.

Since the first years of the independence in the South Caucasus, France has taken the leading role in multinational organizations to promote the resolutions of the regional disputes. France is one of the three chairmen in Minsk Group along with USA and Russia, a member of the Group of Friends of UN secretary General on Georgia with the US, UK, Germany and Russia. France is known with its pro-Armenian foreign policy since a considerable part of its population is with Armenian ethnic origin. In terms of economic and commercial relations, France has been interested in almost all three republics of Armenia, Azerbaijan and Georgia. Apart from its close relations with Armenia, France created the French- Azerbaijan chamber of Commerce and Industry, and supported the small business development in Azerbaijan (Atasoy, 2006). Looking to its relations with Georgia, it has signed a range of agreements on energy, telecommunication and agriculture.

After the demise of USSR, the EU perceived the instability in the region as a main threat to the European security. Therefore, in order to avoid turmoil in the former Soviet states, Germany supported the enlargement of NATO and the involvement of Russia in the attempts to promote stability in the post soviet region. In the relations with South Caucasus, Germany has supported the active involvement of European Institutions, and welcomed the US involvement in the region. Germany has given priority to develop relations with Georgia because of its historical ties with the particular state (Markedonov, 2005). Also the fact that ex-soviet foreign minister Shevardnadze who was Georgian played big role in reunification of Germany created sympathy to this republic. Relations have been rapidly developing and bilateral cooperation and relations focused on trade, energy projects, and on the promotion of rule of law and market economy. In the relations with Azerbaijan, under the Intergovernmental Financial Cooperation Agreement, Germany supplied 10 million marks credit to Azerbaijan for the reconstruction of the Baku airport (Atasoy, 2006).

Through the Caucasus Initiative of the Federal Ministry for Economic Cooperation and Development, it supported the rehabilitation of water supply in Azerbaijan too.

The UK has been interested in the region essentially due to its energy reserves. A great deal depends on the extent to which the Caspian becomes a supplier of European energy, and on the routes taken by the pipelines that deliver the energy. If routes go through Russia, the European states, individually and as part of the EU, is likely to continue policies similar to those now under way: economic assistance and cooperation, private investment, but no significant effort to exert strategic influence over the region (Oliker & Szayna, 2003, p. 208). Therefore Azerbaijan has been the significant state for the UK due to the British companies' commercial interests in the exploitation of Caspian energy fields. BP Amoco led the consortium of twelve energy companies in the Azerbaijan International Operating Company AIOC (Werner & Hekimler, 2006). As the main partner of Baku Tbilisi Ceyhan pipeline the UK has granted assistance to Georgia in the energy sector as well. A considerable amount of financial and technical assistance to Azerbaijani government has been granted since the oil contracts were signed. Moreover a hundred British companies have been operating in Azerbaijan and not all of them are in the energy sector (Nuriyev S. , 2002).

4.1.3. The Interests of the EU in the South Caucasus

The importance of the South Caucasus for the EU has two main aspects which are energy and security. In relation to security matters since the independence of region, the weak state spillovers from within the region has been perceived as threats to European security. Given that the political and economic weakness in the region has generated a venue for transnational crime to emerge and flourish as well as for economic migrants to flow from the region, the EU has been supporting the transition to the Western norms of democracy, rule of law and market economy and the enhancement of state structures in the periphery (Aliyeva, 2006).

Looking at energy aspect, the energy reserves of the Caspian basin and the transportation projects running through the South Caucasus, since the independence, has had the attention of Europe and in particular the European energy companies. The

importance of the region has been enhanced by the expanding energy requirements of Europe and European energy dependence on the periphery Russia, Middle East and North Africa. In pursuit of diversifying its energy suppliers the EU has promoted energy delivery projects to Europe which enhanced the role of South Caucasus both as a supplier in face of Azerbaijan, and as part of the planned transporting projects.

In 1991, by the time the USSR disintegrated, the community agreed on its recognition of the new states in Eastern Europe and in the ex-Soviet Union territories. In the first years of independence, it was the security considerations within the EU and its members that mainly established the policies towards the South Caucasus. Perceiving the regional conflicts and weak-state structures as threats which might have impinged on European security, the EU immediately supplied humanitarian aid to the region through the European Commission Humanitarian Aid Office and initiated its TACIS program for Central Asian and Caucasus states in order to support their independence, sovereignty and territorial integrity within those states through promoting the development and their state- building capacities. As the conflicts began to settle down, especially after 1993, the EU has given priority to TACIS programs which was examined in detail in third chapter of the thesis.

By the mid- 1990s, in line with the increased US involvement and relative retraction of Russia in the region a shift in EU thinking was seen by the heightened realization of the EU interests in the region. In 1996, in order to regulate and develop its ongoing bilateral relations with the South Caucasus, the EU signed a PCA with Armenia, Azerbaijan and Georgia that entered to force on 1 July 1999. The agreements, which are committed for an initial duration of ten years, aimed to create political dialogue between the EU and the partner states on mutually interested issues like the resolution of conflicts, regional cooperation or the promotion of democratization. In the realm of trade, the agreements provide the partners to grant each other the most favored nation status by the provisions like on elimination of quantitative restrictions like trade quotas. TACIS, on the other hand, reserved its importance under the PCAs as the main financial instrument.

For reconstruction and management of the energy transportation and the transit

system within the former Soviet Union, the EU under the TACIS assistance initiated the INOGATE (Interstate Oil and Gas Transport to Europe) Program in 1992. In 1998 the general affairs council of EU endorsed the INOGATE project and the Umbrella Agreement, the regulatory and contractual framework of INOGATE was signed by the 13 states in 1999 (www.inogate.org, 15.06.2009). INOGATE which entered into force in 2001 aims to integrate the oil and gas pipeline systems of the NIS and facilitate the energy networks both within the region and towards the markets of Europe and West (www.inogate.org, 15.06.2009).

In general terms the EU was not interested in the South Caucasus till 2003. The region was too crowded, complicated and confusing with its problems and relations for the EU. However, the changing dynamics both within and outside the Union, new understandings in energy and security interests, or newly emerged Caucasian lobbyist in the organization has begun to change the EU policies towards the region. In early 2000s, attempts were begun to be taken within the EU towards having a strategy for the relations with the South Caucasus albeit the complicated situation in the region still created debates over EU's involvement. Nonetheless in 2004, the South Caucasus was included within the scope of the European Neighborhood Policy and the Special Representative of EU (EUSR) for the South Caucasus was appointed.

4.2. Special Representative of EU in South Caucasus

Attention given to the region by the EU which has begun by the first half of the 2001 managed to bring its outcomes: first on July 7 2003, a EUSR was appointed for the South Caucasus (Labeledzka, 2006, p. 606). Assigned by the EU in order to contribute to the aim to resolve the conflicts in the region and to reinforce the Community policies, Special Representative is seen as another "solution means". One of the nine special representations established within this frame is EU's special representation to South Caucasus. Grevi had listed the main objectives of the EUSR in South Caucasus as (Grevi, 2007, p. 55);

- develop contacts with governments, parliaments, judiciary and civil society in the region;

- encourage Armenia, Azerbaijan and Georgia to cooperate on regional themes of common interest, such as common security threats, the fight against terrorism, trafficking and organised crime;
- contribute to the prevention of conflicts and to assist in creating the conditions for progress on settlement of conflicts, including through recommendations for action related to civil society and rehabilitation of the territories without prejudice to the Commission's responsibilities under the EC Treaty;
- contribute to the settlement of conflicts and to facilitate the implementation of such settlement in close coordination with the United Nations Secretary-General and his Special Representative for Georgia, the Group of Friends of the United Nations Secretary-General for Georgia, the Organization for Security and Cooperation in Europe and its Minsk Group, and the conflict resolution mechanism for South Ossetia;
- intensify the European Union's dialogue with the main interested actors concerning the region;
- assist the Council in further developing a comprehensive policy towards the South Caucasus;
- contribute to the implementation of the European Union human rights policy and Guidelines on Human Rights, in particular with regard to children and women in conflict-affected areas, especially by monitoring and addressing.

The Council adopted Joint Action 2003/496/CFSP and EU assigned Finnish retired diplomat Heikki Talvitie as Special Representative to the South Caucasus (Labeledzka, 2006), however appointment of the Special Representative has not achieved the expected policy- outcome an active EU involvement in the region or regional issues for the sake of the EU security and energy interests in the South Caucasus since the weakness remained with the mandate. First it is the limited capacity of the mandate, the general characteristic of the mandate itself- that has weakened the role of the EUSR

with regards to the formulation of effective policies towards the South Caucasus (Atasoy, 2006). The Special Representatives are appointed under the authority of the High Representative and do not have the right to initiate their policies.

On the other hand, the reason behind the appointment of the EUSR for the South Caucasus seems not to be an adequate solution with regards to creating effective European involvement in the region. Unlike the other EUSRs like EUSR in Macedonia or EUSR for the Middle East Peace Forces, the EUSR of the South Caucasus was launched by an idea- generating and strategy- formulating mandate (Lynch, 2003, p. 187). Therefore the initiatives of the EUSR Heikki Talvitie did not go beyond the visits to the Azerbaijan, Armenia and Georgia and the declarations voicing the need of the peaceful settlement of the conflicts in the region. Moreover the mandate was not launched as permanent mandate, though it has been revised since its establishment.

Despite the weaknesses the appointment of the EUSR displayed the acknowledgement by the member states of the need for a commonly formulated strategy towards the region. Nevertheless, since it was not initiated with clearly defined grand approach and necessary resources the mandate (Council Joint Action 2008/132/CFSP) of the EUSR almost appeared as the repetition of the preceding EU approaches to the region, which did not produce expected outcomes in the 1990s.

However, by the inclusion of the South Caucasus into the European neighborhood policy, the role of the mandate could set to change. Given the ENP is the potential strategy which was aimed at forging economic and political cooperation with the neighbors, in particular the South Caucasus states, the mandate could become a mechanism that helps the EU in forging close political dialogue with the region in the future.

4.3. European Neighborhood Policy

The EU launched "European Neighborhood Policy" five years ago. That was the largest non-membership strategy for neighboring countries. The European Union Neighborhood policy embraces 15 countries. In alphabetical order they are: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya,

Moldova, Morocco, Syria, Tunisia, and Ukraine.

Under this policy, the Union offers the countries of North Africa, the Mediterranean, the southern Caucasus and Eastern Europe direct access to the single market, with financial and technical aids, to reach some reforms that bring them closer to the Union's political and economic models. But the important point is that these are presented as a substitute for membership, a new type of policy for neighbor countries. Countries can aim for a partnership with the Union so close that it brings them closer "everything but not institutional", said Romano Prodi in 2002, the period's president of the European Commission.' (Sharon, 2004)

4.3.1. European Neighborhood Policy Objectives and Instruments

The ENP is the common approach for a set of very different kinds of policies supposed to address heterogeneous contexts all affected by globalization and, in case of Eastern neighborhood, by the fall of communist regimes and frozen conflicts. Enlargement responds to a political vision while neighborhood policies are tools used to address political uncertainty (Helly, 2007, p. 114). European Union has also presented itself as a model for peaceful settlement of conflict between its original Members. The promotion of regional cooperation and the peaceful resolution of conflicts is a central aspect of this new policy area. The promotion of good neighborhood relations is one of the common values relationships within European Neighborhood Policy. The peaceful solution of disputes in the region is one of the major aspects of the EU's external actions in ENP.

The ENP extended its geographic remit to involve Georgia, Armenia and Azerbaijan in June 2004, and the Action Plans with the three countries were finally adopted in 2006 (Nuriyev E. , 2007). The priorities of these countries, and their approach to negotiation with the EU, widely differed, with Georgia putting special emphasis on making conflict resolution priority number one, Armenia insisting on regional cooperation and Azerbaijan relatively less hard-pressed to seek EU support, with energy windfall profits bringing renewed self-confidence. In all three Action Plans, priority area number one is strengthening the rule of law, democratic institutions and

respect for human rights (Grevi, 2007, p. 60).

The mechanisms for achieving this objective can be summarized as the offer of a good relationship with the EU based ‘as close to the Union as can be without being a member’ and the instruments are derived from the pre-accession process. It includes Action Plans with agreed reform targets and a strong element of conditionality. Its security objectives and the rule of law occupy central position in the EU’s policy of conditionality. They were not only significant in the recent ENP actions, but also in the earlier relations with the candidate states and the Balkan countries.

When the methods used in the ENP are examined, it is seen that there exist some stages. To summarize it very briefly, firstly, the EU and the partner countries agree on reform objectives. These objectives could be from cooperation on political and security issues, economic and trade issues, could be from integration of energy networks and etc. Then EU provides financial and also technical support for the implementation of these shared objectives with the support of the partner countries themselves. After that, the Commission prepares Country Reports for all the countries uniquely. They cover political and economic situation of particular country and the level of sectoral capacity and to assess when and how it could be possible to start deeper relations with that country. Country Reports were published in May 2004 for the first seven of the ENP countries. A further five Country Reports were published in March 2005. Country Reports are submitted to Council which decides whether to proceed to the next stage of relations (ec.europe.eu, 23.06.2009).

The next stage of this process is ENP Action Plans. These plans are prepared after negotiations with each country and based on the country’s needs and capacities, and also interests of both sides. Both of them prepare an agenda of political and economic reforms for short and medium-term (3-5 years) priorities together. This agenda covers political dialogue and reforms, economic and social cooperation and development, trade-related issues and market and regulatory reforms, cooperation in justice and home affairs, sectors (such as transport, energy, information society, environment, research and development) and a human dimension (people-to-people contacts, civil society, education, public health etc) . All of these aim greater integration

into European programs and networks, increased assistance and provision of market access.

After preparation of ENP Action Plans, the Commission issues periodic reports which are based on the progress and also on areas requiring further progress. ‘This is a dynamic process - when monitoring demonstrates significant progress in attaining the agreed objectives, the EU incentives on offer can be reviewed, or the Action Plans adapted, or further proposals made as regards future relations.’ (ec.europe.eu, 23.06.2009)

Last stage for ENP process is the EU-funded financial and technical assistance. It includes instruments which are the proof of supporting successful reforms in Central and Eastern Europe. European Communities started providing economic and technical assistance to Russia in 1991 on the basis of Agreement on the Trade and Economic Cooperation that was signed with the Soviet Union. After demise of the Soviet Union the Community continued to support newly independent states. The program was called TACIS (Technical Assistance to the Commonwealth of Independent States) and it became the most significant instrument of international technical and economic assistance to Russia and NIS as in the period of 10 years from 1991 to 2001. For example Russia received 2, 4 billion Euros during this period’ (Romanova & Zavslavskaya, 2004, s. 86)

Also the Action Plans signed separately with three South Caucasus Republics in 14.11.2006 were important for recognizing the importance of region for the EU. In these documents it was emphasized that these plans are for 5 year period and the main aim is to get prosperity, stability and security in region (Becker, 2007, pp. 28-37). Also the plans are expected to improve economic, politic and cultural relations between the EU and South Caucasus. An important point in action plans are that the state which best applies the plan will have more close ties and good relations with union. So this is a kind of ‘carrot’ policy of European Union towards the South Caucasus.

The Action Plans of all republics are similar but they have specific points related to each state too. With the EU interests in the region three main aspects seen in

the papers. Firstly effective governments, democracy and human rights, secondly energy issue and at last the security concerns. All three states promised to make improvements in fields like superiority of law, judgment reforms, border securities, struggling with corruption and etc. Also in action plans signed with Armenia and Azerbaijan it was pointed on the importance of fair elections too (Becker, 2007, p. 31).

The main difference in the action plans were about the frozen conflicts and their solutions. EU stated the importance of territorial integrity of Georgia but for Azerbaijani Nagorno Karabakh enclave, the EU wanted to emphasize the 'self determination' right. It made a problem in relations with Azerbaijan but after hot discussions EU accepted to put a statement about Azerbaijan's territorial integrity but on the contrary in another statement it is said that if any party will try to solve the disputes by military way the action plan will stop automatically (Gurbanov, 2008).

Looking at the Action Plans, it is seen that the most significant state for the EU in the region is Georgia. Especially after Saakashvili came to power in Tbilisi financial aids were increased also political support was given in the conflict with Russia during the last years. But Georgia is not happy with action plans like other Caucasus countries (Labeledzka, 2006, p. 601). The reason is that the Tbilisi government wants more financial aid and full membership perspective which is not acceptable for the EU at the moment due to many internal and external factors. However after August 2008 war the EU has increased financial aids to Tbilisi.

Consequently these action plans signed with South Caucasus Republics are pretentious but they do not have potential to major development. Especially the Action Plans are inefficient because of the position of EU in the frozen conflicts which does not contribute the solution but supports the status quo. Besides as it was seen after Armenian presidential polls in February 2008, when the opposition insisted on the falsification of the elections and demonstrations were held and the resignation of the president was demanded (Lütem, 2008). At the present opposition is still demanding resignation of the president Sargsyan. The EU again could not demonstrate unanimity in this issue. Thus there was not any attempt for sanctions, which demonstrated that ENP and Action Plans are not effective as they were planned.

EU neighborhood policy towards its new neighbors after last enlargement has been working very slowly according to the policy agenda. Current situation is, trying to reach high level of success in security part of the policy which will affect the functioning of the EU itself like in the fields of immigration and border policies. While the success of enlargement policies largely depends on timely fulfillment of already agreed criteria (the *acquis*), neighborhood policies are officially supposed to rely upon EU neighbors' ownership of self-defined reforms. ENP therefore supposed to be a demand-driven process where recipient ownership is a primary factor for success. As it was conceived, enlargement is both about joint ownership and the transformation of a relation between neighbors into a 'sharing the same housing space' state of play, as an ultimate goal. The ENP is much less clear about its objectives since membership is not granted (Helly, 2007, p. 104).

4.3.2. The Rationale for the Inclusion of the South Caucasus in the ENP

At the outset, it is noteworthy to mention that the South Caucasus states were not on agenda for the ENP was firstly proposed. The reason why it was not part of the ENP was only mentioned in a footnote in the Communication of the Wider Europe: 'given their location, the South Caucasus therefore also falls outside the geographic scope of this initiative for the time being'. However, within the progress of the ENP, in June 2004, the council affiliated the South Caucasus states of Armenia, Azerbaijan and Georgia with the ENP.

The main rationale that changed the EU thinking on the South Caucasus was the increasing significance of the South Caucasus by the new European strategy and by growing importance of the Caspian Basin energy reserves for the energy security of the EU in 2000s. On the other hand lobbying efforts of the South Caucasus republics, the peaceful Rose revolution of 2003 in Georgia and the new initiatives and interest of the Member States in the South Caucasus such as Lithuania and Latvia which have been developing military ties with the three South Caucasus states could be described as the factors that pushed forward the inclusion of the region in the new neighborhood policy (Atasoy, 2006).

The original document dwelling on the role of the South Caucasus within the context of the European energy security was the Commissions Green Paper of “Towards a European strategy for the security of energy” which was adopted on 29 November 2000 (www.europa.eu, 11.08.2009). In light of current and estimated dependency of the EU on external energy suppliers, the Commission recommended to achieve ‘balance and diversification of different sources of supply. On the other hand, the EU’s current external natural gas dependence was defined as moderate, which is in particular depends on Russia. As it was seen with the last Ukraine- Gasprom crisis Russia again demonstrated its unreliable position. In light of the estimated rise in energy dependency, the Commission document mentioned the Caspian Basin as a potential energy supplier which could diversify the oil and gas producers to the EU given the reserves located in the Southern Russia, the Caucasus, Central Asia and Iran. Moreover, the upgrading of the oil pipelines linking Caspian reserves to the EU via Turkey was also proposed by the Commission in the consultation works of the 2004 (Werner & Hekimler, 2006).

In May 2004, the ENP strategy paper emphasized the importance of the EU’s strong interest in the inclusion of the region within the framework of the ENP, indicated the South Caucasus as an important region both for the production and the transit of energy (ec.europa.eu, 21.06.2009). Thus the EU realizing the importance of the region included three South Caucasus states of Armenia, Azerbaijan and Georgia within the scope of the ENP in June 2004.

4.3.3. Challenges to the ENP in the South Caucasus

The new ENP- through assigning benchmarks for political and economic reforms to the neighboring states, at first, seems to be strong cross pillar CFSP initiative which should facilitate the achievement of stability and security within the neighborhood. The problems that the European Neighborhood Policy might confront would probably be different in each state given that the political and economic problems and the further objectives and priorities needed to improve those solutions would differ.

First, the absence of full membership perspective would not be powerful

stimulus for reform for the regional states, since all three republics hope to become member in future and Armenia with Georgia already declared the EU membership as their long term foreign policy aspiration. Meanwhile, although the EU officials have been reiterating that they have no intention to divide Europe, excluding the others- here the South Caucasus republics could create “insiders” and “outsiders” (Light, White, & Lowebhardt, 2000, p. 77), who do not prefer to be outside of the Union, since some of those outsiders have already determined their interest in joining EU.

Second problem for ENP in the South Caucasus could be previous challenges of the 1990s, which had made the EU retreat from being an active player in the region. Within the recommendations for the Action Plans, the EU Commission suggested an active involvement in the resolution of the conflicts and in the enhancement to the regional cooperation.

Third, the ENP should deliberately formulate the approaches that would be followed whilst dealing with the South Caucasus states; otherwise it could hinder the ENP in the region. That is to say, other than taking one approach, the ENP should deal with the three South Caucasus states both as a group and each individually while formulating its policies (Atasoy, 2006). Within this context the EU prefers to deal with the entire region, not single state at a time. For example when the Azerbaijan launched commercial flights with the internationally unrecognized Cyprus; the EU has delayed the negotiation of the EU neighborhood Action Plans for all the three South Caucasus states (Gurbanov, 2008). As a result, due to the problem between Azerbaijan and EU, the Action Plans of Armenia and Georgia held hostage.

Nonetheless, the ENP should not neglect the importance of the regional approach while dealing with regional issues. Because there are issues within the region like the frozen conflicts, cross border cooperation needed to tackle trafficking in drugs requires regional policies. In order to create cooperation within the region, the ENP could work with the regional organizations as is emphasized in the ENP Strategy Paper whereby regional cooperation could be achieved. As regards to the South there is a real threat that EU relations with this region will more and more come to resemble the negative side of relations that the EU has with Russia, based on raising the new political

initiatives which rather than leading to better cooperation will exist only on paper, which in effect is a symbol of crisis in the mutual relations (Gromadzki, 2008, p. 6). Also, the financial problems in relation to the ENP could affect the initiatives for the South Caucasus. The negotiations over the financing of the ENP are still infancy (Atasoy, 2006).

The ENP will be managed according to the principle of differentiation, even in the case of regional approaches. Because priorities are defined jointly with third countries, differentiated approaches have already had to be applied to negotiate action plans in all neighboring countries. This has created a precedent that will influence the way policies will be implemented in each country. National contexts and governments in the neighborhood, varying expectations and objectives will shape the content and the future of EU- neighborhood dialogues and relations in varying countries.

In conflict-affected countries, ENP governance and security dimensions promise to be the most difficult to implement and one of the reasons why is because they often cause conflicts as much as economic factors (Gurbanov, 2006). Furthermore European Union economic support with standardized criteria along the enlargement approach without sufficient incentives may not be enough to build up long term stability and Europeanization in the Eastern neighborhood. In the long run developing more conflict or security related policies to match expectations in the field of conflict resolution may help the EU to assert itself as an international actor in its Eastern Neighborhood (Atasoy, 2006). Deeper engagement in the security sphere will help deepen the relation with countries as long as their expectations remain high and as their leaderships are genuinely committed to implement locally- owned reforms.

The EU's added value exists when it is mirrored by genuine interest from third parties. When this combination of factors is reached, the so called political dwarf's soft power appears sometimes more efficient and influential than a giant's hard power. However, when these factors are absent, EU's influence is rather weak and hampered by several key variables. When member states' policies are only made in European capitals and are under the influence of individuals who appear to be mesmerized by the value of national diplomacies, and when these policy makers are unaware of, or not properly

trained to evaluate and acknowledge national foreign policies' limits on the ground, there is barely room for the effective influence of the EU. When this happens, it seems that the Commission then has to try to manage 'non-decision' situations, which in turn means that it loses credibility because of its own structural weaknesses. These weaknesses include a high staff turnover, a lack of genuine institutional memory, in fighting between departments within the Commission, and counter-productive cultural, economic and political implicit messages (Helly, 2007, p. 110). The Commission can also face a lack of commitments from third parties, and of course exogenous factors do play a role and limit EU's influence.

Also there are several weaknesses of ENP as a whole instrument, for example the ENP is not the only EU policy towards its neighbors. The EU has different policies for its direct neighbors like EFTA, Russia and Balkans policies. The other main weakness is that the ENP from the very beginning of its existence had problem of its cohesion. On many occasions the reason behind the existence of one policy for regions so very different such as the Southern Mediterranean and Eastern Europe has been strongly criticized. The French proposal of the EU for the Mediterranean announced in 2007, as well, as Polish-Swedish Eastern Partnership initiative presented in May 2008 are both expressions of the ever more noticeable need to distinguish the two components of the ENP- Southern Eastern (Gromadzki, 2008, p. 2).

Furthermore the EU has in the last five years presented Eastern European countries particularly Ukraine and Moldova, with a proposition that the Southern Countries did not receive. The problem the ENP is faced with is not just a matter of lack of cohesion between the South and East. Theoretically the South Caucasus countries they should be closer to Ukraine and Moldova. Because they are all ex Soviet Republics and they are all members of Council of Europe. But they did not receive the same proposal as Ukraine and Moldova. However it should be noted that Georgia received the status of observer in the Energy Community in December 2007, (Gromadzki, 2008, p. 8) which in the future can lead to it becoming a member of this institution.

Critics have also pointed out the tensions that exist between the ENP and the national policies of member states. Member states often act individually in pursuit of

their own national interest, without respecting the need for common action and solidarity. Critics of the ENP also seem to neglect the fact that the existing weaknesses of the neighborhood policy are deeply rooted in the dualistic nature of EU external action (Cianciara, 2008). Both member states and EU institutions manage EU foreign policy. However such conflicts do not only concern biggest member states as it often claimed. The recent agreement between Russia and Bulgaria on the South Stream pipeline clearly shows that the spirit of European solidarity is also severely neglected in the new member states. Therefore, the ENP may appear ambitious in its assumptions, but it is relatively weak and inconsistent in its responses towards actual political challenges to the South Caucasus.

Consequently, within the context of the South Caucasus, for tackling the challenges, additional channels could be in need because the factors of the 1990s which had left EU to have a low profile are still present in the region. Hence regional organizations could be the platforms for the EU to promote its ENP goals and security within the South Caucasus. Also a large amount of pragmatism will be needed by the EU in its relations with the region. Real concessions will have to be made by the EU towards the South Caucasus countries.

4.4. Eastern Partnership and Future Perspectives

The Eastern Partnership is an initiative aiming to improve the political and economic trade-relations of the six Post- Soviet states of "strategic importance" – Ukraine, Belarus, Moldova, Azerbaijan, Armenia and Georgia with the European Union. Promotion of human rights and rule of law in former Soviet states has been reported to form the "core" of the policy of the Eastern Partnership.

The 'Eastern Partnership' proposal constitutes a brand new initiative by the Polish and Swedish governments aimed at counterbalancing the project of the Union for the Mediterranean advocated by the French president Nicolas Sarkozy. If it not was the Georgian war in August 2008 it would have slowly matured. The turmoil in the Caucasus heightened the pressure to make the offer for the Eastern neighbors both quicker and more tangible.

First of all, the project appeared to be well prepared: it took the form of a joint Polish- Swedish proposal in order to avoid the impression that the idea was coming from a single member state- Poland (Cianciara, 2008, pp. 1-6). Secondly, wide consultations were conducted, and the preliminary agreement of Germany, Great Britain, Denmark and Czech Republic was obtained. At the same time, France was made aware of the fact that Poland was willing to support the strengthened Mediterranean partnership only under the condition that a similar initiative could be designed for the Eastern neighborhood. For some, it will be the ENP dressed in new clothes, for others- a new strategic program of greater EU enlargement in its immediate vicinity (Sadowska & Swieboda, 2009, p. 1).

The principal aim of the Eastern Partnership is to strengthen regional cooperation with Ukraine, Moldova, Georgia, Azerbaijan, and Armenia and to certain extent with Belarus. The EU draft of the Eastern Partnership states that: "Shared values including democracy, the rule of law, and respect for human rights will be at its core, as well as the principles of market economy, sustainable development and good governance." The Partnership is to provide the foundation for new Association Agreements between the EU and partners who have made sufficient progress towards the principles and values mentioned. Apart from values, the declaration says the region is of "strategic importance" and the EU has an "interest in developing an increasingly close relationship with its Eastern partners.

The project involves visa facilitation, with prospects for visa- free movement, a free trade zone for services, and agricultural products, as well as closer cooperation in the fields of transport, the environment and border control. It says everything it needs to say on the perspective of visa- free travel which is a number one priority for the Eastern Partners. However it does not spell out what the partners' involvement in the EU's actions as part of the Common Foreign and Security Policy could be, especially when it comes to EU crisis management missions where potential for cooperation is sizeable.

There will be no extra burden on the EU budget with the Eastern Partnership, except for what is already earmarked for these countries in the ENP financial perspective for 2007-2013 (Cianciara, 2008, p. 3). If necessary, additional funds could

also be obtained from the European Investment Bank and European Reconstruction and Development Bank. Furthermore, no additional institutional arrangement, such as a secretariat in the case of the Union for Mediterranean, is foreseen. Finally, as the initiative builds on the structures of the ENP, the European Commission is to play a major role, with a Commission official appointed as a ‘special coordinator’.

The Eastern Partnership is an end of the European Neighborhood policy as we know it and especially of the idea putting the Eastern and Southern neighbors in the same basket. This approach was an obstacle in the efficiency of EU – South Caucasus relations. However, it is not an entirely new idea since most of the instruments which are suggested under the umbrella of the Eastern Partnership have been used in the past or are being tested in reality.

The Eastern Partnership project has raised some doubts, not only in some of EU member states, but also among the partner countries concerned, most importantly in Ukraine. The political opposition in Poland also seems to be relatively skeptical. The initiative is likely to see criticism from Bulgaria and Romania, fearing that their ‘baby’ – the Black Sea Synergy- could be undermined by the new initiative. Moreover, Spain and Italy might be hesitant to endorse the proposal, due to their strong emphasis on the Southern dimension of the ENP. Finally, uneasiness was raised by the possible reaction of Russia to this reinforcement of EU policy in its region of strategic interest.

As regards Ukraine, their diplomatic head reasserted that any form of neighborhood policy without membership perspective cannot be satisfying to Ukraine (Cianciara, 2008). The idea is to balance the bilateral, EU- partner country aspect of the existing ENP. However, Ukraine does not find it beneficial to be put into one basket with countries such as Azerbaijan or Armenia, whose chances for membership are practically nonexistent at the moment.

Consequently the neighbors should know better what they can expect out of this relationship. The idea of Neighborhood Economic Community, creating a broader regional trading platform is of limited value, as evidenced by the disappointing record of the Central European Free Trade Area (CEFTA) in the past. Nevertheless, the EU

still needs to be far more convincing about the larger vision for its neighborhood policy, if the Eastern Partnership is to live up its expectations.

Indisputably, the incorporation of the South Caucasus into the ENP and latest initiative of Eastern Partnership are viewed as positive developments, which has generated hope of a larger EU role in the region. In essence, this move sent an important message that the EU is committed to supporting the three states on their way towards building democratic societies and creating viable market economies. In response, the leaderships of the South Caucasus states consider the ENP to be solid opportunity for further integration into the EU. But it would be a mistake to assume that EU's policy has changed significantly. In effect there is still no clear institutional driving force in the EU for the formulation of a true rational strategy vision of its own role for enhancing relationships with these young countries.

4.5. Comparison of EU- Caucasus Relations with other CIS Republics

Most of the former USSR countries have signed PCA's with the EU as a legal basis for cooperation. From ex-Soviet republics in Eastern neighborhood of the EU, the Ukraine, Moldova, and Belarus have signed only PCA's, while from independent republics in Central Asia PCA's were signed only with the Kazakhstan, Kyrgyzstan and Uzbekistan. Turkmenistan and Tajikistan have not signed PCA's due to political reasons (EU Website, 24.06.2009). Apart from signing PCA's with the EU, all these republics are also involved to different EU assistance programs, including the assistance granted in the TACIS framework.

In the fact, the EU does not have any specific programs in the South Caucasus, which differ from those offered to eastern European and Central Asian republics. All of these states are beneficiaries of the same assistance programs and the legal basis for mutual relations- PCAs have been offered to all these republics. Within the scope of the specific EU programs as TACIS, TRACECA, the Caucasus republics are put on the same level with other groups of states, without enjoying a particular preferential treatment (Mammadov, 2005, p. 22). Among other post-Soviet republics the EU has not displayed a specific preference or more attention to the Caucasus republics, neither on a

contractual nor on a declaratory basis. The increase of EU attention towards the region's republics mainly started in 2000s due to certain economic and political factors like security concerns and energy diversification.

4.5.1. Caucasus vs. Central Asia

Looking up to common and divergent lines in EU policy towards the two regions on element that seems to justify the assumption, which sets the region under the common framework of EU policy, is that both regions gained political attention from Brussels approximately at the same time. With the republics of both regions, PCA's were signed in 1995-1996 and came into force in 1999 (ec.europe.eu, 23.06.2009). However, in consideration of the extensive economic and geopolitical factors Caucasus dimension of EU policy is much more overarching compared to that of Central Asia.

On the issues being regulated in the framework of TRACECA and INOGATE programs the Caucasus is seen to be put next to Central Asian republics. However, for the near future the EU has greater economic interests in the Caucasus than in Central Asia, due to the oil boom in the Caspian basin, which has attracted foreign direct investment from EU member states. Although Central Asia is also a region with vast gas resources, which the EU sees as its potential raw material supplier, the importance of the Caucasus for the EU in comparison to Central Asia is also strengthened by its role as a transportation corridor. Also the geographic closeness of the region to Europe and reticent aspirations rising in these republics for future membership in the EU club, after eventual membership in the Council of Europe and inclusion to the EU Neighborhood Policy, put the region in a specific stance in the external relations of the EU. However, in contrast to the Caucasus, in Central Asia the EU enjoys less political involvement than Russia, Turkey, and the US.

Unlike the Caucasus, Central Asian republics do not see the EU as an important political partner, whose role is inferior to that of Russia, Iran and the US. In this comparison, the political profile of the EU in the Caucasus is much higher than in Central Asia, which creates a more favorable environment for the EU to implement its objectives related to the investment opportunities in the oil-rich Caspian. The

conclusion is that although the Caucasus republics are included in the same policy frameworks as Central Asian republics, in general the EU is much more involved in the region both in economical and political terms than in Central Asia. The latest initiative Eastern Partnership demonstrated again that the South Caucasus republics are more significant than Central Asian countries for the European Union. The second level of comparison of the Caucasus republics will be held with Eastern European countries.

4.5.2. Caucasus vs. Eastern European CIS Countries

Among the eastern countries which signed the PCA's Ukraine is the major partner of EU in Europe with future perspective for eventual EU membership. On January 13, 2005, the European Parliament almost unanimously (467 votes to 19 in favor) passed a motion stating the wish of the European Parliament to establish closer ties with Ukraine in view of the possibility of EU membership. The Caucasus republics are not treated equally to Ukraine, which is potential EU member. Despite the fact that the Caucasus is a region also to stand on the borderland of an possibly enlarged EU through Turkey, contrary to Ukraine, the region's republics are not taken as republics with full membership perspective (Emerson, 2008, p. 17). But still Armenia and Georgia put EU full membership as a foreign policy target.

Coming to Moldova, the picture is slightly shifting relegating relations with the EU from strategic partnership as in case of Ukraine, to cooperation on trade issues. Moldova is a trade partner of the EU, moving towards the creation of the Free Trade Area (FTA). Unlike Moldova the PCA's concluded with the region's republics do not contain any provisions on the FTA, although Moldova's economic performance is poorer than the South Caucasus republics (Mammadov, 2005, p. 23). This fact can be probably be explained by the factor "Europeanness".

As to Belarus, it is an interesting case of comparison, since it is the only country in Eastern Europe whose relations with the EU suffered a setback because of the political situation caused by the suppression of opposition movements under President Lukashenko's regime. Compared to the two republics, Ukraine and Moldova, Belarus is not a country which EU intends to establish free trade area (Orbie, 2008, p.

224). In Belarus the EU is mainly concerned with the preservation of the political stability in the country. At present it does not take advantage of the possibilities the EU represents through ENP instrument (Gromadzki, 2008, p. 6). It has not received any of the proposals that EU has proposed to Ukraine and Moldova. The reason is EU keeps very limited relations with authoritarian Lukashenko regime. It is impossible foresee if the situation in Belarus will remain as it is currently in the near future or if democracy will come about there and EU should prepare for all scenarios.

The overall estimation of the EU policy in the Caucasus justified that South Caucasus republics do not enjoy distinctive treatment among Eastern republics, although in some issue areas EU policy in all three regions coincide like in TACIS and TRACECA. The EU does not grant more preferential treatment to the Caucasus republics. The comparisons the Eastern European republics demonstrated the importance given to the Caucasus republics to be less than attached to Eastern neighbors of the Union. Caucasus regions stands somewhere between of the EU policy towards ex Soviet Union republics, which shows that there has not been a particular emphasis on the importance of the region.

CONCLUSION

Being in the centre of world system with First and Second World Wars, Europe divided into two blocks as Eastern and Western Blocks. The determinant element in Western Europe's policy in that period was to take place nearby USA against the Soviet Union during the Cold War. With the end of Cold War and disintegration of Warsaw Treaty Organization, Europe tried to become an independent voice and power in the global arena especially after signing the Maastricht Treaty.

In this direction, European Union began to develop unique policies. But still there are gaps in filling the expectations of the third countries on one hand and member states on another. Hedley Bull advocated that the Western European states should acquire a greater element of self-sufficiency in defense for three reasons. First, there was a serious divergence of interests between the Western European countries and the United States. Secondly, the Soviet threat would endure. Third, the Western European countries that were economically rich but militarily dependent would need to enhance their defense capabilities for reasons of self-respect (Bull, 1982, pp. 149-164).

As of 1990s, European Union felt the need to determine the policy it will apply to the South Caucasus that has great importance in geostrategic terms. Being late in determining its policy over the South Caucasus in the first years after the Cold War, European Union began to approach to the South Caucasus and providing the region with financial aid in the need of implementing its policies. With the Partnership and Cooperation Agreements it signed with the South Caucasus countries in 1996 European Union grounded this process on legal frame.

Caucasus attaches great importance to European Union's policies in economic, social, cultural fields and its security strategy. In this study, progression process and present situation of EU's relations with South Caucasus states up to today have been depicted and analyze regarding realization of EU's goals about the region via developed political means were performed. The EU is a new actor in the region of South Caucasus in terms of active policy engagement and setting political discourse. Until now,

however, a clear strategy of the EU has not manifested itself especially as regards immediate problems existing in the region.

At the very beginning, it was seen that the EU could not reach the goal to ensure stability, security and protection in the neighboring countries of itself including basic foreign policy target towards South Caucasus States. Possibility of close conflict between Azerbaijan and Armenia due to Karabakh issue and within Georgia due to separatist movements in Abkhazia and South Ossetia in the region is still present, and can turn into an actual matter at any moment as it was seen in August 2008. These issues have brought together the issues of illegal migration, possibility of organized crime and drug traffic, and possibility of States' sheltering the terror organizations of conflict regions that went off their sovereignty field.

Whether or not the EU will embark on new initiatives concerning the conflicts, still remains to be witnessed. It will probably depend on the global configuration of processes around the region on the one hand, and the EU actress, which is expected to be enhanced after the Lisbon Treaty enters into force, on the other. The issue of the future of the Southern Caucasus countries is part of the debate regarding the final boundaries of Europe.

This study argues that the EU's current policy approach is not well-tailored to ensure its increasing interests since it is not capable to influence the South Caucasus states. Although the EU's current approach to the region has its own logic, the research emphasizes that the EU needs more active engagement with the region through enhancing its existing cooperation mechanisms as well as make use of its short-term instruments.

The atmosphere of economic cooperation EU desired to constitute in the region could not be realized and EU's policies of energy and transportation regarding the region did not yield the expected results. That efficiency of TRACECA and INOGATE projects kept at an inadequate level, and that the EU had difficulty in operating the projects developed by itself such as NABUCCO on its own came in the forefront.

Inadequacy of the tools EU used to realize these aims underlies EU's failing to realize the goals of foreign policy and security policy or not becoming successful enough. Within this scope, EU's policies including the awards of conditional integration and conditional membership perspective that it applied cannot be implemented on South Caucasus states.

The aim of this study is to analyze the EU- South Caucasus relations within economic, political and juridical aspects and try to measure the effectiveness of EU's policies towards the region. There were main reasons explaining why EU policies were not efficient in the region. First, the absence of full membership perspective would not be powerful stimulus for reform for the regional states, since all three republics hope to become member in future and Armenia with Georgia already declared the EU membership as their long term foreign policy aspiration. Meanwhile, although the EU officials have been reiterating that they have no intention to divide Europe, excluding the others- here the South Caucasus republics could create "insiders" and "outsiders" (Light, White, & Lowebhardt, 2000, p. 77), who do not prefer to be outside of the Union, since some of those outsiders have already determined their interest in joining EU.

The other one is dualistic nature of EU external policy. One of the implications of intergovernmentalism in terms of EU foreign policy is that the CFSP has been perceived as bargaining place at which the Member states largely seek the support for their own national foreign policy goals. While setting the agenda of the CFSP, every member state gives priority to the issues primary important to their national interests.

The continuation of frozen conflicts in the region and EU's inefficiency in conflict resolution is one of the main reasons in inefficiency of EU's policies in the region. Lack of the EU overall coherent strategy towards the South Caucasus region translated into the vague and cautious approach to existential security problems of the region, including protracted or 'frozen' conflicts. The European Security Strategy ambition to take a stronger and more active interest in the problems of the Southern Caucasus' still did not produce a tangible outcome. In this context, the more ambivalent situation remains with the Armenia-Azerbaijan conflict, where 'the EU is completely

inactive in all spheres including political, economic, humanitarian, even little assistance was provided to the Azerbaijani IDPs'(Gurbanov, 2008, p. 26). The EU put in the Action Plan for Azerbaijan 'the respect of and support for the sovereignty, territorial integrity and inviolability of internationally recognised borders of each other' and increase political support to OSCE Minsk Group conflict settlement efforts on the basis of the relevant UN Security Council resolutions and OSCE documents and decisions, while for Armenia says increase political support to the OSCE Minsk Group conflict settlement efforts on the basis of international norms and principles, including the principle of self-determination of peoples' (EU-Armenia Action Plan, 2006).

Consequently to deal with the targets in the South Caucasus EU should pursue relations with the three states both as group and each individual working on issues like;

- To encourage the governments to design a well-defined strategic vision of preparing the country's complete integration into the EU,
- Propose to establish a special Ministry of European Integration Affairs which will be directly involved in developing and implementing of the EU integration policy,
- Push Caucasus authorities for promoting democratization through sustained reform of political system which will consolidate national economy,
- Encourage the ruling elite to initiate profound judicial reform which is still far from satisfactory,
- Push the government for elevating the fight against corruption into a high priority of domestic policy,
- Reinforce the EUSR's regional presence by strongly activating his participation in the political life of the three South Caucasus states,
- Conduct more active informational campaign focusing on wider public both in the EU and the South Caucasus,

- Foster effective response to security challenges facing the EU in the South Caucasus by working closely with Russia, Turkey and the United States.

The process of institutional integration of the South Caucasus into the European Union requires much effort and time. It will take years to develop a more coherent EU role. On the one hand, the regional countries during integration must try to comply with European criteria as much as possible to have fewer problems in relations with the European Club. On the other hand, the EU must get rid of legitimate concerns and fears about undesirable complications during this process, when and if it lastly happens. At the same time, for maximum facilitation of this process, the South Caucasus states must familiarize themselves with the recent experience of successful relations between new EU members.

Most importantly, the EU-South Caucasus relations need to be further expanded in the bilateral and regional dimensions of economy and trade, as well as the diplomatic level. The post September 11th environment has given a chance to the South Caucasus to exert its importance as a significant geo-strategic pivot, as well as to the EU to play global role in the region. In order to activate this global role, the EU has to reverse years of neglect of South Caucasus. There are encouraging signs of EU involvement like Eastern Partnership initiative and plans for signing Association Agreements which will improve economic and political ties with the South Caucasus countries. From political standpoint, the EU recognizes the South Caucasus as a significant component of the Union's foreign policy strategy. Truly, the development and implementation of the ENP is in the vital interest of both sides: the EU will gain more influence through the ENP, which in turn will also enable the three small states to stabilize their fragile societies and integrate them more closely into the EU.

However, the last wave of the EU enlargement made this region an immediate neighbour of the EU and increasing energy supply interests in the Caspian Basin makes the old-fashioned the traditional EU thinking. The EU must take more decisions regarding the future of the South Caucasus countries. In the context of the Russian military actions in Georgia, aimed at politically subordinating this country, this decision

should be made in as short a time as possible, as the situation in the Caucasus region is dynamic and can lead to settlement, which will be extremely difficult to change.

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