



IAI

Istituto Affari Internazionali

The Eastern Partnership, the Russia-Ukraine War, and the Impact on the South Caucasus

by Amanda Paul

ABSTRACT

The South Caucasus is a fragmented and security challenged region. Despite hopes that the Eastern Partnership (EaP) would act as a transformative tool to strengthen democracy, stability, security and regional cooperation, this has not happened. Rather the EaP has produced limited results, with the region today more fragmented than it was five years ago. Russia's war against Ukraine has further exacerbated the situation as it raised concerns over the extent to which the South Caucasus countries could genuinely rely on the West. Today, Armenia, Azerbaijan and Georgia have different geostrategic trajectories. While Georgia has stuck to the Euro-Atlantic track, Armenia joined the Russian-led Eurasian Union in January 2015. Meanwhile Azerbaijan has the luxury of choosing not to choose. Developments in the region have demonstrated that a one size fits all approach does not work and a more differentiated policy is required.

European Union | Eastern Partnership (EaP) | South Caucasus | Russia | Ukraine



The Eastern Partnership, the Russia-Ukraine War, and the Impact on the South Caucasus

by Amanda Paul*

Introduction

The goal of the EU's Eastern Partnership (EaP), which was launched in 2009, was to bring partner countries closer to the EU through deepened cooperation and integration on the basis of EU values, norms, and standards.¹ Five years on, while the EU has deepened ties with all the EaP countries, regional stability and security has been turned upside down as a consequence of Russia pushing back against the efforts of a number of EaP states to deepen ties with the EU, making EU integration a geostrategic choice. Ukraine has been both the catalyst and the epicentre, but the repercussions have been much wider – and the situation is still far from settled.

Russia's illegal annexation of Crimea almost one year ago, as well as its ongoing proxy war against Ukraine in the east of the country, has not only challenged the established world order and the agreement not to redraw the borders of Europe. It has also challenged the EU as a foreign and security policy actor in its immediate neighbourhood.

The mounting tension over Ukraine has heightened concerns from other EaP states, including the three South Caucasus states (Armenia, Azerbaijan, and Georgia), over what impact the Russia-Ukraine war could have on their policies aimed at strengthening ties with the EU (and the West more broadly), and what sort of support they could expect.

In 2008, Russia paid no price for its invasions of Georgia. In hindsight, this was a serious mistake, as it reinforced Russia's belief that the West, in particular NATO and the EU, were weak and in decline. Thus, Ukraine has become a test for the EU

¹ European Union External Action Service (EEAS), *Eastern Partnership*, http://eeas.europa.eu/eastern/index_en.htm.

* Amanda Paul is Policy Analyst at the European Policy Centre (EPC).

· Paper prepared for the Istituto Affari Internazionali (IAI) within the framework of the project "Azerbaijan, Caucasus and the EU: Towards Close Cooperation?". Revised version of a paper presented at the conference on "EU and the South Caucasus: What Next for the Eastern Partnership?", Rome, 8 October 2014.

in terms of its commitment to EaP partners and its ability to deal with Russia. The outcome will have a significant impact on the future development and security of the South Caucasus as well as on their foreign policy choices.

1. The EU and the South Caucasus

The South Caucasus is one of the most complex and security-challenged regions of the former Soviet Union. However, because of its geographical location between Central Asia and Europe, it has been a particularly coveted region. Consequently, the region has been the site of geostrategic competition and confrontation. For centuries, the destiny of the people of the South Caucasus has been significantly shaped by the external policies and interests of the Russian, Ottoman, and Persian empires.

Despite having now been active in the South Caucasus for two decades, the EU is still the new boy on the bloc. During the 1990s, the South Caucasus hardly figured on the EU's radar. Preoccupied with the Balkan wars and the new realities unfolding in its Eastern neighbourhood following the fall of the Iron Curtain, there was little interest for a region that was broadly viewed as on the obscure and distant periphery.² At the same time, the three South Caucasus states were busy trying to survive, being consumed with interstate war and economic collapse. Being part of one empire with multiple ties and interdependencies did not lead to deeper cooperation and integration but rather the opposite. After independence, the three states not only experienced a split with Russia, but also with each other.

The EU has slowly awakened to the importance of the region. There are a number of reasons for this. First, through its enlargements the EU moved closer to the South Caucasus geographically. Second, Georgia's Rose Revolution brought to power a President who made Euro-Atlantic integration a key foreign policy priority. Furthermore, the EU became the main security actor in Georgia following the 2008 Russia-Georgia war. Lastly is EU energy security. Overly dependent on Russian gas, the Caspian region, with Azerbaijan as the "gateway," represented an opportunity to diversify energy sources and routes. Russia's tendency to use gas as a political tool – namely the Russian-Ukraine gas war of 2009, which left numerous households and businesses in Eastern Europe without gas for days – led to the EU's flagship Southern Gas Corridor project. The EU's new energy interests in the region gave it an additional reason to feel concerned about the fragile security situation as a consequence of unresolved conflicts between South Ossetia and Abkhazia (Georgia) and Nagorno-Karabakh (Azerbaijan and Armenia), respectively.

² Tabib Huseynov, "The EU and Azerbaijan: Destination Unclear", in Tigran Mkrtchyan, Tabib Huseynov and Kakha Gogolashvili, *The European Union and the South Caucasus: Three Perspectives on the Future of the European Project from the Caucasus*, Gütersloh, Bertelsmann Stiftung, 2009, p. 49-89 (Europe in Dialogue 2009/01), <http://www.bertelsmann-stiftung.de/en/publications/publication/did/the-european-union-and-the-south-caucasus>.

The December 2003 Security Strategy underlined the need to avoid new dividing lines in Europe, calling on the EU to “take a stronger and more active interest in the problems of the South Caucasus,” stating, “we need to extend the benefits of economic and political cooperation to our neighbours in the East while tackling political problems there. 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 neighbouring region.”³ This was followed by the appointment of the first EU Special Representative for the region, Heikki Talvitie.

In 2004, the South Caucasus became part of the European Neighbourhood Policy (ENP) as well as the Black Sea Synergy (BSS). The inclusion of the South Caucasus states in the ENP was a qualitatively new stage in bilateral relations and indicated the EU's willingness to engage in deeper relations and move beyond existing partnership and cooperation agreement (PCA) frameworks.⁴ EaP was born in 2009, opening the door for much closer political and economic cooperation using a “more and more” approach. Association Agreements (AA), including Deep and Comprehensive Free Trade (DCFTA), as well as visa facilitation/liberalisation were put on the table. Having both a bilateral and multilateral dimension, it was hoped that the multilateral track could be a useful framework for representatives of the three South Caucasus states to meet and foster ties, including via the Business Forum and the Civil Society Forum.

The EU's increased interest in the region was welcomed. Deeper economic and political cooperation represented an opportunity to work towards more balanced foreign and economic policies principally aimed at reducing the role of Russia. The EU has become the largest trading partner of all three states, which have, to different degrees, deepened ties with the EU. However, this has not resulted in a strengthening of security and stability in the region or the creation of a more cohesive region. Rather, the region is more fragmented than it was five years ago, with the three states moving in very different directions.

Georgia's foreign policy priority remains Euro-Atlantic integration, including full EU membership. Along with the states of Central and Eastern Europe, Georgia considers that Euro-Atlantic integration is the only way to guarantee its security, including assuring permanent independence from Russia. Georgia's National Security Concept identifies “occupation of Georgian territories by the Russian Federation and terrorist acts organized by the Russian Federation from the occupied territories” as the number one threat to Georgia's national security.⁵

³ European Council, *A Secure Europe in a Better World. European Security Strategy*, 12 December 2003, <http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>.

⁴ The PCAs were signed with all three countries of the South Caucasus in 1996 and entered into force in 1999. They formed the basis of the bilateral relation of each of the three countries with the EU, including the areas of political dialogue, trade, investment, and economic, legislative, and cultural cooperation.

⁵ Georgia, *National Security Concept of Georgia*, 2012, p. 7, <http://www.isn.ethz.ch/Digital-Library/>

Georgia, along with Ukraine and Moldova, signed an AA/DCFTA with the EU on 27 June 2014. The agreement was ratified in the Georgian Parliament on 18 July. Despite the often turbulent politics between the ruling Georgian Dream coalition and the opposition United National Movement (UNM), overall Tbilisi has been a committed partner. This can be put down to a number of reasons including political consensus, broad public support from society, and a strong desire for democratic change.

Despite some negative domestic developments, including accusations of selective justice, Georgia has remained on track. However, maintaining the current level of support will not be easy, as implementing the AA/ DCFTA will require many painful and expensive reforms. Georgia is being asked to swallow a significant chunk of the *acquis communautaire* without receiving sufficient economic support or a clear membership perspective. The fact that Georgia is recognised as an Eastern European country in its AA represents no guarantee that the EU will ever open its door to Georgia.

While steps have been taken to normalise relations with Russia, as long as Georgia remains on the EU trajectory it seems set to be volatile and heading into increasingly difficult waters. Shortly after Georgia ratified the AA/DCFTA, Russia introduced the Treaty on Alliance and Strategic Partnership with Abkhazia. This treaty binds Abkhazia to Russia politically, military, economically, and socially more than ever before.⁶ Furthermore, the newly tabled treaty with South Ossetia goes a step further in granting Russia full control over that Georgian territory, conducting an “agreed-upon foreign policy” and handing over full control of their security and borders to Russia. The Abkhaz re-drafted their treaty in order to maintain several elements of their de facto sovereignty. These treaties are Russia’s response to Georgia moving towards the EU. They are a message to other former Soviet states about the price of integrating with the West. The fact that the EaP does not address Georgia’s security concerns means that the EU could do nothing more than repeat its support for Georgia’s territorial integrity, which is of little comfort.

Armenia has chosen a different direction. The extensive influence that Russia has over Yerevan led to President Serzh Sargsyan making a geostrategic U-turn on 3 September 2013. He announced that Armenia would join the Russian-led Eurasian Economic Union (EEU), which it did on 1 January 2015. With this decision, Armenia abandoned plans to sign an AA/DCFTA with the EU after some four years of negotiations. According to Sargsyan it was “a rational decision stemming from the national interests of Armenia [...] when you are part of one system of military security it is impossible and ineffective to isolate yourself from a corresponding

Publications/Detail/?id=156940&lng=en.

⁶ Dieter Boden, *The Russian-Abkhaz Treaty: New Tensions in the South Caucasus*, Berlin, Friedrich Ebert Stiftung, December 2014, <http://library.fes.de/pdf-files/id-moe/11092-20141217.pdf>.

economic space.”⁷ The decision put an end to the Armenian narrative of a multi-vector foreign policy – having a strong relationship with Russia but also deepening relations with the Euro-Atlantic institutions.

This development deepened Armenia’s dependence on Russia, threatening national security and sovereignty. Armenia’s security reliance on Russia is driven by a virtual state of war with neighbouring Azerbaijan, which is rooted in the Nagorno-Karabakh conflict and is only exacerbated by the absence of “normal” diplomatic relations and the closed border with Turkey.⁸

Armenia has further undermined its own security with this choice to join the EEU. Russia’s significant military presence is first and foremost for Russia’s benefit, allowing Moscow to project its power across the region. Furthermore, despite the fact that Russia claims to be Armenia’s security ally, Moscow continues to sell arms to Azerbaijan, playing the two states off each other. Moreover, the recent slaying of an Armenian family by a Russian soldier based at the Russian 102nd military base at Gyumri in Armenia has prompted a new challenge to Armenian-Russian relations; as Armenian expert Richard Giragosian concludes, “Armenia can’t count on Russia anymore.”⁹

Armenia’s U-turn also underlined Moscow’s new assertive policy of pushing back against EU engagement in the former Soviet space, sending a message to others in the region. Armenia still aspires to have a new agreement with the EU, although it seems unlikely that anything will be signed in the near future. Furthermore, Yerevan has been cautious in how it has presented its re-engagement with the EU, seeking to pre-empt any Russian pressure by highlighting (and exaggerating) its role as a “bridge” between the EEU and the EU.¹⁰

There was significant bitterness among EU politicians and bureaucrats over Sargsyan’s U-turn, not so much over the decision but rather how it was taken. Only a few weeks earlier Armenia’s leadership had reassured the EU that it was on course to initial the agreements at the November 2013 Vilnius EaP summit. On 5 August 2013, Armenian Deputy Foreign Minister Shavarsh Kocharyan stated, “Russia is our military-security choice; the DCFTA is our economic choice.”¹¹ Hence, there is a lingering suspicion that Sargsyan was never negotiating in good faith. Presently

⁷ “Armenia to Join Russian-led Customs Union”, in *Radio Free Europe/Radio Liberty*, 3 September 2013, <http://www.rferl.org/content/armenia-customs-union/25094560.html>.

⁸ Richard Giragosian, “Armenia can’t count on Russia anymore”, in *Al-Jazeera*, 20 January 2015, <http://aje.io/zpj5>.

⁹ *Ibid.*

¹⁰ Richard Giragosian, “Armenia and the Eurasian Economic Union: The View from Yerevan”, in *ECFR Commentaries*, 8 January 2015, http://www.ecfr.eu/article/commentary_armenia_and_the_eurasian_economic_union_the_view_from_yerevan387.

¹¹ Joseph d’Urso, “Russia is our military-security choice; DCFTA is our economic choice, Armenian Deputy Foreign Minister Shavarsh Kocharyan”, in *Commonspace.eu*, 11 August 2013, <http://commonsplace.eu/eng/news/6/id2754>.

the EU is engaged in a so-called scoping exercise about the future of EU-Armenia legal and political cooperation, with the possibility of obtaining a mandate from EU member states to announce the start of negotiations on a future agreement at the May EaP Riga Summit. Whatever the final agreement, it should take the shape of a roadmap, recognising of the limits of Armenia as a partner.

Azerbaijan has no aspirations to join the EU or the EEU. Baku continues to pursue a policy of “choosing not to choose.” Many in Azerbaijan argue that the country’s “balanced foreign policy” is dictated by its geography and the security challenges it faces. The ongoing conflict with Armenia over Nagorno-Karabakh dominates Azerbaijan’s foreign policy agenda. Azerbaijan also finds itself sandwiched between Russia, with its growing aspirations to dominate its near neighbourhood, and Iran, which many in Azerbaijani fear seeks to export its Islamic state model.

While Azerbaijan’s President, Ilham Aliyev, has declared that he wants “Azerbaijan to be as close as possible to Europe,”¹² that it is a matter of strategic importance; that relations have a great potential in the future, relations are far from problem-free but rather are hobbled by mismatched objectives and ambitions and often poor communication. While the EU focuses, in line with its “more-for-more” approach, on the need for comprehensive reforms across a range of sectors and greater progress related to human rights and democracy (most recently in relation to the imprisonment of numerous representatives of Azerbaijani civil society and activists), Azerbaijan wants a strategic relationship based on mutual interests and objectives in which interests are more narrowly defined.

A significant thorn in relations has been the EU’s failure to explicitly recognise Azerbaijan’s territorial integrity in the same way it does with the other countries in the EaP that have territorial disputes (Moldova, Georgia, and more recently Ukraine), which Azerbaijan considers a double standard approach. Baku has frozen negotiations for an AA but is recently engaged in talks for a “Strategic Partnership for Modernisation” (SPM), although a date for finalising and signing is not clear. The core of Azerbaijan’s relations with the EU remains tied to energy with Azerbaijan, which is seen as the “enabler” of the Southern Corridor. The Southern Corridor will transport gas from Azerbaijan’s Shah Deniz II field across Georgia and Turkey to the Greek border, where it will hook up to the Trans Adriatic Pipeline (TAP). TAP will then carry the gas to Albania, finally ending in Italy. Scheduled to begin pumping in 2019, it will contribute firstly to the pricing competition in Europe, and secondly weaken Russia’s ability to use energy as a political weapon – a stated aim of both EU and US policy.

¹² Statement by President of the Republic of Azerbaijan Ilham Aliyev after his meeting with the President of the European Council Herman Van Rompuy, Brussels, 21 June 2013, <http://en.president.az/articles/8499>.

Russia has tried to capitalise on Azerbaijan's disappointment with the West. This has been visible in the numerous visits of Russian delegations over the past year to court Baku. Moscow would like Azerbaijan in its orbit, in particular its joining the EEU. However, the majority of Azerbaijan's political elites and population do not favour membership of the EEU. There is a strong belief that by joining the EEU, Baku's independent foreign policy would be damaged. Moreover, since the energy sector significantly influences foreign policy, joining the EEU would offer Moscow a monopoly over the gas supply to the EU, as accession would impact future energy projects, like the Trans-Adriatic Pipeline (TAP). The strongest card Moscow has as leverage over Azerbaijan is the Nagorno-Karabakh conflict, in terms of offering some progress in Azerbaijan's favour in return for Baku's EEU membership. However, this argument is only backed by a minority in Azerbaijan, not least because there is no guarantee that Russia would follow through on its promises given that Moscow has little to gain from a solution to the conflict. Furthermore, Azerbaijan has not pursued any form of integration with Moscow, either trade or military, since independence. Though Azerbaijan did join the CIS in 1993, this was rather a case of having little other choice based on the geopolitical realities of the time.

All three countries hope to obtain visa liberalisation, although the process is not easy as it incorporates important reforms in key areas such as migration management and the fight against corruption. While it is possible that Georgia may receive a visa-free regime this year, both Armenia and Azerbaijan are lagging behind.

2. The EU and conflict resolution

The region's unresolved conflicts remain a significant security challenge. While one of the principal goals of the 2003 Security Strategy was for the EU to play a greater role in the "resolution" of the protracted conflicts, in reality there has been little appetite to do so.

In the aftermath of the 2008 Georgia-Russia war, the EU became the main security actor in the region, deploying the European Union Monitoring Mission (EUMM) while also being a co-chair of the Geneva Process peace talks aimed at finding a solution to the protracted conflicts. Unfortunately, the six-point peace plan remains only partially implemented by Moscow, and there has also been little effort to tackle Moscow on these issues. Rather, Russia has consolidated its hold on the two breakaway regions while also taking provocative steps such as "borderization" (erecting fences between the areas of Abkhazia, South Ossetia, and territory that's still controlled by Tbilisi), which further increases tensions and instability.

Meanwhile the Geneva Peace Process is little more than "palliative," without making any significant progress in terms of resolution of the two conflicts. As is often the case, the *status quo* has become comfortable, with little thinking over possible alternative options. Unfortunately, the integration treaties signed between Russia

and South Ossetia and Abkhazia, respectively, further strain the already fragile ties between Russia and Georgia and exacerbate the existing instability.¹³

The Nagorno-Karabakh conflict, which represents the greatest threat to regional security, keeps Azerbaijan and Armenia in a state of de jure war. It has created an arms race between the two states and has the potential to drag in other region players – Russia, Turkey, and even Iran – if renewed warfare were to break out. However, the EU has an almost non-existent role in the peace process. Rather it is satisfied to continue to support the efforts of the OSCE Minsk Group. Negotiations on a set of “Basic Principles” that have been going on for several years are stalled, with tensions in and around the “Line of Contact” continuing to flare up. So far, the EU’s main contribution has been via the European Partnership for the Peaceful Settlement of the Conflict over Nagorno-Karabakh (EPNK) and support for confidence building measures (CBMs). EPNK is a European civil society initiative that works with local partners in the South Caucasus on a wide range of peace-building activities. It has also pledged to take a key role in an eventual post-conflict settlement process.

Furthermore, unlike in the conflicts in Georgia and Moldova (Transnistria), the EU has something of an ambiguous position, as it endeavours to maintain a “balanced position” between Armenia and Azerbaijan. As Nicu Popescu writes, “In its quest for neutrality, the EU has moved from a non-policy on Nagorno-Karabakh, to a ‘personality split’, where one face of the EU recognized Azerbaijan’s territorial integrity while the other face of the EU recognized the region’s right to self-determination, which is a central principle of the Nagorno-Karabakh’s secessionist movement.”¹⁴ Unlike the intra-state conflicts in Moldova and Georgia, the conflict over Nagorno-Karabakh was in many ways an inter-state conflict between two recognised states, Armenia and Azerbaijan, each with their own partnerships with the EU. This created greater pressure on the EU for neutrality. Thus, any understanding of EU policy on Nagorno-Karabakh cannot be taken out of the context of EU relations not only with Azerbaijan, but also with Armenia.¹⁵

Hence, whereas the ENP EU-Armenia Action Plan recalls the principle of self-determination, the ENP EU-Azerbaijan Action Plan insists on territorial integrity. Even though the EU may explain these divergences as a consequence of the bilateral negotiation processes, it has nevertheless served to undermine the EU’s credibility in Baku, underlining the challenges the EU faces in dealing with this conflict.

¹³ Dieter Boden, *The Russian-Abkhaz Treaty*, cit.

¹⁴ Nicu Popescu, *EU Foreign Policy and Post-Soviet Conflicts. Stealth Intervention*, London and New York, Routledge, 2011, p. 104.

¹⁵ *Ibid.*, p. 99.

3. EaP and Russia

In 2005, Russian President Vladimir Putin famously said, “the collapse of the Soviet Union was a major geopolitical disaster of the [twentieth] century.”¹⁶ This comment marked the beginning of a new era, with Putin abandoning Yeltsin’s policy of historical reconciliation. According to Eduard Lucas this remark “spearhead[ed] a new approach to the past that glorifies the Soviet Union, denigrates the West and portrays the Yeltsin years as a period of disgraceful weakness and chaos from which Russia had now been rescued.”¹⁷

As the three states have strengthened ties with the EU, Russia has pushed back, considering EaP a tool to erode Russian influence and interests in its near “abroad.” Russia views this region as its sphere of influence and believes that, as Lucas puts it, “Russia has the right to determine its neighbours’ future. And they have no right to complain about it.”¹⁸ Hence, Russia created its own integration project, the EEU. The EEU is fuelled by geopolitical aspirations and was to be the instrument by which he would “bring Russia up from its knees.” By reversing the “civilised divorce” of former Soviet republics from the USSR, he would make Russia a distinctive pole of influence in a multipolar world, putting the EEU on par with the EU, NAFTA, APEC, and ASEAN.¹⁹

During a visit to Armenia on 2 December 2013, Russian President Vladimir Putin declared, “Russia will never leave this region [Trans-Caucasus]. On the contrary, we will make our place here even stronger.”²⁰ Russia has exerted the considerable leverage it has in areas such as security, labour migration, energy, and trade along with the Russian church, Russian-financed NGOs, and ethnic Russian minorities in an effort to derail EU processes. The three protracted conflicts in the South Caucasus are particularly important for Russia as they allow Moscow to pursue a policy of divide and rule by being part of the conflicts and the solutions, while Russia’s military presence enables Moscow to project power and instability.

¹⁶ Vladimir Putin, *Annual Address to the Federal Assembly of the Russian Federation*, 25 April 2005, http://archive.kremlin.ru/eng/speeches/2005/04/25/2031_type70029type82912_87086.shtml.

¹⁷ Edward Lucas, *The New Cold War. How the Kremlin Menaces Both Russia and the West*, London, Bloomsbury, 2008, p. 141.

¹⁸ *Ibid.*, p. 147.

¹⁹ Nicu Popescu, “Eurasian Union: the real, the imaginary and the likely”, in *Chaillot Papers*, No. 132 (September 2014), http://www.iss.europa.eu/uploads/media/CP_132.pdf.

²⁰ Vladimir Putin, *Speech at meeting of the Russian-Armenian Interregional Forum*, Gyumri, 2 December 2013, <http://eng.kremlin.ru/transcripts/6355>.

4. Impact of Russia's war against Ukraine

According to the academic Elkhan Nuriyev, much of what is happening in the South Caucasus today resembles the turmoil of the post-Soviet era, with Armenia, Azerbaijan, and Georgia searching for ways to safeguard their state sovereignty and their national security.²¹ The Russia-Ukraine war has created a climate of uncertainty, exacerbating the already fragile security situation as well as undermining the presence of the EU in the region by further fragmenting it. Given Russia's ongoing proxy war in Eastern Ukraine, it has also underlined that the EU is unable to play a role of guaranteeing security.

The serious violation of the Nagorno-Karabakh ceasefire during the summer and autumn of 2014 was linked to the Russia-Ukraine crisis. Putin's meeting in Sochi with President Aliyev and President Sargsyan was aimed at demonstrating that only Russia has influence over Armenia and Azerbaijan. Karabakh serves as Russian leverage in influencing and promoting Russia's geostrategic aims in the Caucasus. Yet Russia's peace-making and peace-keeping only serve to consolidate the status quo and help bring about "state building" in breakaway regions. By allowing Russia to take lead role, the West, including the EU, is accepting Russian power and influence in the South Caucasus.

The blatant violation of the 1994 Budapest Memorandum makes it even less likely that Armenia would accept similar guarantees for returning the Azerbaijani territories it occupies. Moreover, after Russia's annexation of Crimea, it is even less likely that the four UN Security Council (UNSC) resolutions demanding the withdrawal of Armenia from Azerbaijani territory will ever be implemented. Furthermore, the annexation has strengthened the resolve of the breakaway states to hold out for independence, deeper integration, or even annexation to Russia, rather than work towards a comprehensive solution.

It has also sparked efforts to form stronger regional alliances. Azerbaijan, Turkey, and Georgia have taken steps to further strengthen political, economic, and security cooperation. As a consequence Armenia has become further isolated and dependent on Russia and, to a lesser extent, on Iran.

Armenia's economy – now closely linked to that of Russia in the EEU – has suffered a blow as a result of Western sanctions imposed on Russia. This is evident in the depreciation of the Armenian dram. It has also brought about a steep decline in remittances. According to World Bank figures, nine countries that rely heavily on cash sent home from Russia for their economic buoyancy could collectively lose more than 10bn dollars in 2015 because of the weak Russian currency.²² 21

²¹ Elkhan Nuriyev, "Facing Difficult Choices. The South Caucasus between Russia and the European Union", in *DGAPkompakt*, No. 1 (January 2015), <https://dgap.org/de/article/getFullPDF/26317>.

²² Shaun Walker and Alberto Nardelli, "Russia's rouble crisis poses threat to nine countries relying

percent of the Armenian economy, 12 percent of the Georgian, and 2.5 percent of the Azerbaijani rely on remittances from Russia.

It has further ruptured Azerbaijan-EU relations, with Baku accusing the EU of having double standards: the EU condemns Russian occupation of Crimea by Russia while Azerbaijani lands remain occupied, with little interest from the EU.²³

5. What does this mean for the Eastern Partnership?

The EaP has produced only limited results, failing to replicate the transformative power witnessed in the CEE region. This can be put down to a number of reasons: the EaP having inadequate political and economic support (it is no secret that many EU member states have not viewed the policy as a priority and have been reluctant to increase finance for it); the fact that there is no membership perspective; the lack of a genuine will from some of the partner states for real change; the fact that the EU presented holistic policies but then failed to follow through and that it ignored the geopolitical consequences of the policy in terms of the reaction from Moscow.

Developments in the region have demonstrated that a one-size-fits-all approach does not work and a more differentiated approach is required. Because the EU devised no alternative for the AA/DCFTA, it has found itself needing to go back to the drawing board to devise a "Plan B." This should be done based on the new realities in the region and taking into account new challenges such as Russia's misinformation war. While certain elements of the multilateral track should be maintained, the EU should adopt a predominantly bilateral approach, tailoring roadmaps for each of the three countries that should also include the input of civil society.

As is the case with NATO, Russia wants to be an informal "veto" player in EU-EaP relations so that it may be able to control the geopolitical path of the countries in the "shared neighbourhood." Hence, any revised EaP needs to take into account the fact that Russia is the main threat, as witnessed by its illegal annexation of Crimea and proxy war in Eastern Ukraine.

While it is important to maintain strong engagement with clear benchmarks for Azerbaijan and Armenia, the EU should strengthen its political and economic support for Georgia by quickly delivering a visa free regime and putting on the table at the Riga EaP Summit a clear roadmap that goes beyond association, transforming the process into one of integration – which is key to keeping the EU's transformative power alive. Georgia can be a role model for the region, representing an opportunity for the EU to demonstrate how adopting key reforms and values

on remittances", in *The Guardian*, 18 January 2015, <http://gu.com/p/45xjh/stw>.

²³ "Samad Seyidov accuses organization of pursuing policy of double standards", in *News.AZ*, 10 April 2014, <http://news.az/articles/politics/87642>.

can improve the quality of life of the population.

The war in Ukraine demonstrates the existence of a serious security deficit in the EaP. It is in the EU's interest to have a stable and secure region. Hence, there is a need to be more engaged in regional security, including strengthening its role in security sector reform and taking a more proactive role in conflict resolution. The EU should also aim to deepen cooperation with Turkey, which is increasingly involved in the region.

Updated 25 February 2015

References

Dieter Boden, *The Russian-Abkhaz Treaty: New Tensions in the South Caucasus*, Berlin, Friedrich Ebert Stiftung, December 2014, <http://library.fes.de/pdf-files/id-moe/11092-20141217.pdf>

European Council, *A Secure Europe in a Better World. European Security Strategy*, 12 December 2003, <http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>

Georgia, *National Security Concept of Georgia*, 2012, <http://www.isn.ethz.ch/Digital-Library/Publications/Detail/?id=156940&lng=en>

Richard Giragosian, "Armenia and the Eurasian Economic Union: The View from Yerevan", in *ECFR Commentaries*, 8 January 2015, http://www.ecfr.eu/article/commentary_armenia_and_the_eurasian_economic_union_the_view_from_yerevan387

Tabib Huseynov, "The EU and Azerbaijan: Destination Unclear", in Tigran Mkrtchyan, Tabib Huseynov and Kakha Gogolashvili, *The European Union and the South Caucasus: Three Perspectives on the Future of the European Project from the Caucasus*, Gütersloh, Bertelsmann Stiftung, 2009, p. 49-89 (Europe in Dialogue 2009/01), <http://www.bertelsmann-stiftung.de/en/publications/publication/did/the-european-union-and-the-south-caucasus>

Edward Lucas, *The New Cold War. How the Kremlin Menaces Both Russia and the West*, London, Bloomsbury, 2008

Elkhan Nuriyev, "Facing Difficult Choices. The South Caucasus between Russia and the European Union", in *DGAPkompakt*, No. 1 (January 2015), <https://dgap.org/de/article/getFullPDF/26317>

Nicu Popescu, *EU Foreign Policy and Post-Soviet Conflicts. Stealth Intervention*, London and New York, Routledge, 2011

Nicu Popescu, "Eurasian Union: the real, the imaginary and the likely", in *Chaillot Papers*, No. 132 (September 2014), http://www.iss.europa.eu/uploads/media/CP_132.pdf

The Eastern Partnership, the Russia-Ukraine War, and the Impact on the South Caucasus

Istituto Affari Internazionali (IAI)

Founded by Altiero Spinelli in 1965, does research in the fields of foreign policy, political economy and international security. A non-profit organisation, the IAI aims to further and disseminate knowledge through research studies, conferences and publications. To that end, it cooperates with other research institutes, universities and foundations in Italy and abroad and is a member of various international networks. More specifically, the main research sectors are: European institutions and policies; Italian foreign policy; trends in the global economy and internationalisation processes in Italy; the Mediterranean and the Middle East; defence economy and policy; and transatlantic relations. The IAI publishes an English-language quarterly (*The International Spectator*), an online webzine (*AffariInternazionali*), two series of research papers (*Quaderni IAI* and *IAI Research Papers*) and other papers' series related to IAI research projects.

Via Angelo Brunetti, 9 - I-00186 Rome, Italy

T +39 06 3224360

F + 39 06 3224363

iai@iai.it

www.iai.it

Latest IAI WORKING PAPERS

- 15 | 06 Amanda Paul, *The Eastern Partnership, the Russia-Ukraine War, and the Impact on the South Caucasus*
- 15 | 05 Tayeb Amegroud, *Morocco's Power Sector Transition: Achievements and Potential*
- 15 | 04 Azzurra Meringolo, *The Struggle over the Egyptian Public Sphere*
- 15 | 03 Marie-Claire Aoun, *European Energy Security Challenges and Global Energy Trends: Old Wine in New Bottles?*
- 15 | 02 Daniela Huber and Lorenzo Kamel, *The Multilateralisation of the Israeli-Palestinian Conflict: A Call for an EU Initiative*
- 15 | 01 Maria Giulia Amadio Viceré, *Beyond the Intergovernmental-Supranational Divide in EU Foreign Policy: Insights from Kosovo*
- 14 | 19 Marco Sanfilippo, *Chinese Investments in Italy: Facing Risks and Grasping Opportunities*
- 14 | 18 Sirja-Leena Penttinen, Nicolò Sartori and Kim Talus, *Governance Challenges of the EU's 2030 Energy and Climate Framework*
- 14 | 17 Elif Burcu Günaydın, *Can South-Eastern Mediterranean Gas be a Supply for the EU?*
- 14 | 16 Nathalie Tocci, *The Neighbourhood Policy is Dead. What's Next for European Foreign Policy Along its Arc of Instability?*