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**European Union Foreign Affairs Journal (abbreviated: EUFAJ)**  
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## Editorial

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Dear readers,

*This issue contains various contributions on the Eastern Partnership countries: one about Moldova, its way to the EU, but also about the problems of this country which is not yet too well known in the EU, one with a creative contribution by an author who knows exactly what he is writing about: Eduardo Lorenzo Ochoa on a possible new association agreement between Armenia and the EU, one which explains Georgia's statehood from a historical perspective and a factsheet on EU-Ukraine affairs. This was just finished several days before the downing of Malaysia Airlines MH17. But there is also a short paper on EU sanctions; this became even more topical after the tragic loss of the 298 humans in this aircraft. It might be of use if one wants to make an assessment if EU foreign policy is efficient enough or not. And there must also be mentioned a report on a Berlin conference of the European Geopolitical Forum, Brussels, with a scenario on the economy of Nagorno Karabakh, Azerbaijan and Armenia.*

*But also one of the relevant papers from Iceland's social and economic organisations on the country's possible EU membership is re-printed here, and it's arguments on fisheries and agriculture have led to the finishing of Iceland's EU accession negotiations. It has to be assumed that in the near future there will be no other EU negotiations, but Iceland is to a high extent part of the EU Single Market although it cannot really influence this. This would substantially differ if Iceland would continue to negotiate.*

*Finally, we have to apologize: We forgot in the last issues to mention our Editorial Advisory Board member Catherine Maia, that law professor in Portugal and France who also teaches every year in Brazil, who is also the very gifted founder and director of the MULTIPOL blog, which gives with never-ending energy information about international (public) law, but also on human rights and related subjects. See her also under [http://www.libertas-institut.com/de/EUFAJ/Catherine\\_Maia.pdf](http://www.libertas-institut.com/de/EUFAJ/Catherine_Maia.pdf).*

With best regards,



Hans-Jürgen Zahorka

# *Is Moldova's European Integration Irreversible?*<sup>1</sup>

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**Victor Chirilă, Victoria Bucătaru, Lina Grău<sup>2</sup>**

## **Summary**

*During the last five years, the Republic of Moldova noted a series of progresses in developing its partnership with the European Union (EU) which reveals an obvious trend of moving closer to the EU.*

*The Association Agreement with the EU can be a historic turning point in the subsequent evolution of our country. This is a unique chance for giving a stronger impetus to the modernization process of the Republic of Moldova, having European integration as its reform vehicle. Are the political class and the society able to build on this opportunity? Are we able to assure the irreversibility of Moldova's European integration? These are the questions that still have to be answered by Moldovans. The liberalization of the visa regime with the EU is an eloquent proof that we can mobilize to accomplish the desired goal that we have enough resources for acting when we know what we want to achieve, where there is adequate solidarity of the political class, when national interests prevail over party interests.*

*However, the implementation of the Association Agreement will be a task much harder to achieve, especially, in the current regional and domestic context that is rather complicated. There is a series of worrying trends which, if left alone, could divert or slow down the enforcement of the commitments assumed via the Association Agreement with the EU.*

## **Is the Republic of Moldova closer to the EU?**



Is the Republic of Moldova closer to the EU? It is a question that is asked not only by our European partners, but also by Moldovan citizens. There is no a clear-cut answer. However, we have different opinions and attitudes which reflect both the people's perceptions on the reform processes carried out under the slogan of European integration, as well as the division of the society between the East and the West, between the Eurasian option provided

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<sup>1</sup>This publication has been produced by the Foreign Policy Association Moldova, APE ([www.ape.md](http://www.ape.md)), with the support of the Black Sea Trust for Regional Cooperation, and the German Marshall Fund of the United States. The opinions expressed are those of the authors and do not necessarily reflect the views of the Black Sea Trust for Regional Cooperation, and the German Marshall Fund of the United States.

<sup>2</sup>Executive Director APE, Program Director APE and Program Coordinator, respectively.

by the Customs Union Russia-Belarus-Kazakhstan and the European integration option offered by the EU.

According to the last Barometer of Public Opinion, carried out in April 2014<sup>3</sup> by the Institute for Public Policies in Chişinău, 68% of citizens believe that things are heading the wrong way in the Republic of Moldova, only 18% trust the national justice and only 5% are satisfied with the economic situation in the country. At the same time, 45% of the people are ready to vote for Moldova's accession to the Customs Union Russia-Belarus-Kazakhstan and only 44% are for EU accession, if such a referendum would be run now.

Nevertheless, this statistic data is not sufficient for a decisive answer whether Moldova is moving closer or farther from the EU. Moldovan public opinion was and continues to be influenced by a range of foreign and domestic factors, which distort Moldovans' perceptions of the reforms which take place, as well as on the country's development options. Among these harmful factors there are the anti-European media campaign that is constantly promoted by the media of the Russian Federation, which prevail on the media market of the Republic of Moldova; the political crisis in Ukraine; political scandals within the coalition for European integration, which, in 2013 have severely shattered the country's political and institutional stability; the anti EU association propaganda launched especially by the Party of Communists (PCRM) and the Party of Socialists (PSRM); non-transparent privatization of the Savings bank (Banca de Economii) and the controversial concession of the International Airport Chisinau; lack of tangible progresses in combating high level corruption; lack of an appropriate government strategy to keep the public permanently informed of the opportunities, benefits and reforms of the European integration process, etc.

In reality, however, not only the European Commission's monitoring reports, but also those put together by non-governmental organizations prove that, in spite of numerous domestic political obstacles and institutional drawbacks, the Republic of Moldova managed to advance in the most of cooperation areas with the EU, such as:



<sup>3</sup> <http://www.ipp.md/libview.php?l=ro&idc=156&id=681>

*1) A new ambitious legal framework for the Moldovan-European partnership was negotiated*

Moldovan authorities managed to complete the negotiations of the Association agreement and establish the Deep and Comprehensive Free Trade Area (DCFTA) with the EU, which was initialed on 29 November 2013 at the Eastern Partnership Summit in Vilnius.

*2) Visa regime with the EU was liberalized*

The dialogue on visa liberalization with the EU was successfully completed. On 28 April 2014, the decision of the EU Council and the European Parliament to abolish Schengen visas for Moldovan nationals entered into force. In the course of the first month of the liberalized visa regime, 35,905 Moldovan nationals holders of biometric passports travelled to the European Union, of which only 9 citizens were returned because they did not comply with the requirements for entering the European Union.

*3) The Republic of Moldova joined the common EU aviation area*

The Agreement on Common Aviation Area between the EU and the Republic of Moldova was signed in June 2012 in Brussels. The document provides for the start of low-cost flights to a number of destinations in Europe and lower prices for air tickets. Thanks to this agreement, Wizz Air launched low-cost flights to Rome and Venice in 2013 which cost twice less than the previous ones. At least 200 thousand Moldovans who legally work in Italy are potential beneficiaries of these low-cost flights.

*4) The judiciary reform was launched in line with European practices*

The reform of the judiciary is under way, the focus being mainly on adopting the legislative framework. In 2013, the Parliament passed a number of important laws that are aimed at assuring the independence of the judiciary, permitting large-scale confiscation of property acquired through acts of corruption, as well as of permitting integrity trials. Criminal liability for illegal enrichment was introduced, punishment for acts of corruption was stiffened and the interdiction to hold public positions for those convicted for corruption was extended to 15 years<sup>4</sup>.

After a long period of uncertainty, the reform of the prosecutor's office started. On 11 July 2013, the Prosecutor's General Office and the Ministry of Justice established a joint working group which developed the concept of prosecutor's office reform which implies changes in

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<sup>4</sup>Monitoring of anti-corruption policies in central public authorities in 2013, Chişinău 2014, <http://www.transparency.md/Docs/Raport%20monitorizare%20politici%20APC%20rom.pdf>



the proceedings of appointment and dismissal, disciplinary measures and system demilitarization. The concept shall be approved by the Parliament in the following weeks. During the last four years, one third of judges were replaced with young judges, graduates of the National Institute of Justice, people with new approaches and visions. After 24 years of disregard for the phenomenon of corruption in the judiciary, it was for the first time that 3 judges and 4 prosecutors were dismissed for taking a bribe, while other 5 judges were dismissed for illegal rulings.

5) *The Ministry of Interior registered first results in creating a new police system, adjusted to European standards*

After a series of failed attempts, in 2013 the Ministry of Interior reform registered first results in creating a new police system adjusted to the European standards, where the ministry functions were separated from those of the police. At present, the ministry develops, evaluates and coordinates the implementation of police policies. Policing, public order maintenance, prevention and fighting against criminal activities are exclusive tasks of the General Inspectorate of Police. This separation of the police from the policy-making was made by the adoption in 2012 and entry into force in 2013 of a new law on policing and the status of the police officer. At the same time, the Border Guards Service was reorganized according to the standards of the Schengen Border police subordinated to the Ministry of Interior.

6) *The first steps in combating discrimination in the Republic of Moldova were made*

The Law on ensuring equality which entered into force in January 2013 was adopted by the Parliament of the Republic of Moldova on 25 May 2012 in circumstances of tough opposition from the clergy of the Orthodox Church which associated the law exclusively with the promotion of the rights of sexual minorities. In June 2013, the activities of the first National Council for preventing and fighting against discrimination and for assuring equality, that has the main task of fighting against and punishing discrimination, as well as of promoting non-discrimination in the society, started. Until today, the Council registered 129 discrimination complaints and 29 decisions were taken<sup>5</sup>.

7) *The process of transposing EU standards in various areas was sped up*

In the context of negotiations of the Deep and Comprehensive Free Trade Area (DCFTA) with the EU, Moldovan authorities have sped up the process of transposing EU standards in

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<sup>5</sup>The Council for preventing and fighting against discrimination and for assuring equality, Annual Report 2013, <http://egalitate.md/index.php?page=page&id=850&l=ro>



various areas. In the field of circulation of goods and technical regulations, the Republic of Moldova harmonized 3,300 standards and withdrew 269 conflicting standards. In the sanitary and phyto-sanitary area (SPS) the National Food Safety Agency was established.

The above mentioned results are only a partial proof of the fact that Moldova obviously comes closer to the EU, both in the direction of advancing to a new qualitative level of the legal framework that would define the political and economic objectives of the Moldovan-European partnership in the following years, as well as in the direction of harmonizing Moldova's institutional and legislative framework with that of the EU. For the first time, the Association agreement offers our country the perspective of economic integration with the EU. Both the president of the European Council, Herman Van Rompuy, on 14 May 2014<sup>6</sup>, as well as the European Parliament on 17 April 2014<sup>7</sup>, expressly declared that this agreement is not the last stage in the evolution of Moldova's relations with the EU.

Moreover, the European Parliament recognized the validity of article 49 for the member states of the Eastern Partnership, clearly specifying Moldova's right to apply for the status of candidate country for acceding to the European Union. In its turn, institutional and legislative harmonization with the *acquis communautaire* sets the necessary conditions for future qualitative changes at the level of synchronization of sectoral policies, technical standards, working practices and mentality with those of the EU member states.



Government building of Moldova. Source of map and flag: CIA Factbook

<sup>6</sup>Speech by President Herman Van Rompuy at the Europe House, Tbilisi, Georgia, 14 May 2014, [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ec/142590.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/142590.pdf)

<sup>7</sup>European Parliament resolution on Russian pressure on Eastern Partnership countries and in particular destabilization of eastern Ukraine (2014/2699(RSP), <http://www.europarl.europa.eu/sides/getDoc.do?type=MOTION&reference=P7-RC-2014-0436&language=EN>

## **Is Moldova's European Integration irreversible?**

Pro-European authorities and parties in Chisinau believe that the Association Agreement with the EU will assure the irreversibility of Moldova's European integration, opening itself the path towards EU accession by 2019. The ambitious objectives of the current government risk to create exaggerated expectations among the public that would be difficult to accomplish; this could endanger even more the public support for European option of the country's development. On the other hand, there is a series of worrying circumstances, domestic and foreign, which could speed up or halt the implementation of the Association agreement with the EU in the following years, and, including, the reform agenda which it envisages.

To avoid such a disastrous scenario for its future, the Republic of Moldova urgently needs to ensure the following indispensable conditions for a full-scale valorization of the Association Agreement: 1) society's support for European integration; 2) solidarity of the main governing and opposition political forces around the European option; 3) involvement of ethnic minorities in the European integration process; 4) convincing changes in the reform of justice; 5) tangible results in combating high level corruption; 6) guarantee of the freedom of the media and pluralism of opinions; 7) assuring domestic political stability; 8) create a new pro-European coalition after the Parliamentary elections to be run in autumn. All these are at present strongly jeopardized by a number of adverse factors which can compromise the course of reforms and European integration in general should they be left without the appropriate attention from the authorities.

### **Society's support for Moldova's European integration is dwindling**

Firstly, one can see it as clearly as possible that the public support for Moldova's European integration is decreasing. In the last 5 years, the support for an eventual EU accession dropped by 19%, from 63% in 2009 to 44% in 2014<sup>8</sup>. The reasons for this situation are multiple, including, one can mention here the emergence of certain new regional integration alternatives, intensely promoted by the Russian Federation and its cohort in the Republic of Moldova: the Customs Union Russia – Belarus – Kazakhstan and the future Eurasian Union. Both projects are quite attractive for a society that is nostalgic after the deceased USSR.

Nevertheless, the main reasons are domestic, such as multiple political scandals among the main pro-European political parties elected to govern the country (the Democratic party, Liberal Democratic Party and the Liberal Party), especially during 2009 - 2013; political instability associated with these scandals; lack of convincing achievements in the reform of the judiciary and fight against corruption at high level; ignoring the dialogue with ethnic minorities; and not lastly, lack of continuous information strategy of the entire society of the

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<sup>8</sup>Barometer of public opinion, IPP, <http://www.ipp.md/lib.php?l=ro&idc=156>

stake, opportunities and costs of the European integration process. After having initialed the Association agreement, the authorities managed to revamp the dialogue with the society on the European integration in partnership with the civil society and European partners, in particular with the EU Delegation in Chisinau. This ample information campaign needs, however, more credibility in the society's eyes. Or, this cannot be achieved only through messages about bright European perspectives, if they are not accompanied by tangible changes of the social and economic realities in the country.

### **The credibility of the pro-European political parties has been severely damaged**

Concomitantly, political scandals during 2009-2013, multiple accusations of corruption addressed to the representatives of the alliance for European integration, non-transparent privatization of the Savings bank (Banca de Economii) and the controversial concession of the International Airport Chisinau substantially deteriorated the image and credibility of the governing pro-European parties. After five years of government, the pro-European parties are almost decapitated by credible, charismatic and influential political leaders, the trust between them and their leaders is below zero, they no longer enjoy the unconditional support of the representatives of the civil society, while the national media which supported them with solidarity in 2009 was split apart by them based on party criteria. These circumstances are extremely alarming in the light of the parliamentary elections to be run in autumn and in the perspective of subsequent establishment of a new pro-European majority. After the scandal related to "Pădurea Domnească" in 2013, which led to the collapse of the Alliance for European Integration and jeopardized Moldova's European course, the leaders of the Liberal Democratic Party and the Democratic Party assure us that they've learned their lesson and that they've learned to cooperate, communicate and resolve the differences at the dialogue/negotiations table. Their statements seem to be confirmed, obviously until the contrary is proved, by the future actions of the Pro-European Coalition, created in May 2013 by the Liberal Democratic Party, the Democratic Party and the Liberal Reformatory Party. Thanks to the promotion to main state positions of politicians which were not touched by political scandals and accusations of corruption, the dialogue and interaction between the Government and the Parliament improved considerably.

Nevertheless, the main reasons of political scandals between 2009 and 2013 were not resolved. Oligarchs' control of the economy, the political system and state institutions; monopolization of the media; competition for political control over the judiciary, fiscal and banking institutions, as well as over the most profitable economic activities in the country; all of these phenomena continue to exist. Moreover, there are high risks that the differences between the main protagonists of the Pro-European Coalition over those phenomena would blow up once again in the run up to or after the upcoming Parliamentary set for November 30<sup>th</sup>, 2014.

## **Freedom of the media and pluralism of opinions are threatened by increased oligarchic control<sup>9</sup>**

Freedom of the press and pluralism of opinions are more and more threatened by issues which raise concerns among media experts, the society and foreign partners. In the lack of an adequate financial independence, the existing media sources and those that are newly created have been gathered whether around political parties or “press moguls” – businessmen with non-transparent political and economic interests that, via the media that they finance, aim at enhancing their own influence and credibility in the society. These media sources are, the most of the times, disregarding the principle of pluralism of opinions and act as “political stick” against the opposition, representing in favorable light only the activities of their own owner and its close circles. Another phenomenon noted by media experts of the civil society was the creation of big press trusts concentrating under the “hut” of one single owner of a number of radio and TV channels and information portals.

Thus, one creates the appearance of a large diversity of information sources, while de facto reality behind all of these is that there is only one owner and often, the same editors and reporters. Media experts also signaled the lack of transparency of the ownership in the media. Often, the real owners of media trusts are unknown, while the law does not impose them to step out of the shadow.

There are very few truly independent and unbiased media sources left in the Republic of Moldova, they being those which receive, almost exclusively, direct funding or project funding from international development partners. On top of that, in the context of the Russian military aggression in Ukraine, there is a raising concern about the protection of Moldova’s informational space from the anti-European propaganda and instigations to interethnic hatred and separatism, coming from the Russian TV channels. It has been found that Chisinau does not have any mechanism to protect and counter these instigative messages, which is extremely dangerous in the conditions when the Republic of Moldova is a multi-ethnic state with potential hotbeds of separatism.

## **Starting with November 2009, the people’s trust in the main state institutions continuously weakened.**

Starting with November 2009, the people’s trust in the main state institutions, Government, Parliament, President’s Office and Justice constantly diminished, weakening their capacity to mobilize the society in supporting European integration. This trend is also confirmed by the Barometers of Public Opinion conducted within the referred to period<sup>10</sup>. Certainly, the

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<sup>9</sup>Memorandum on Press Freedom in Moldova 3 May 2013 – 3 May 2014, API, <http://www.api.md/news/view/en-memorandum-on-press-freedom-in-moldova-3-may-2013-3-may-2014-428>

<sup>10</sup>Barometer of public opinion, IPP, <http://www.ipp.md/lib.php?l=ro&idc=156>

intermittent political scandals during November 2009 and May 2013 left their mark on the people's perception of efficiency and credibility of the key institutions of the state. Nevertheless, the main discontent of the public is related to the results of institutional and legislative reforms undertaken by the authorities, which have not yet delivered substantial, tangible, quality changes to the society's daily life.

The examples of the judiciary reform of the Ministry of Interior reform are relevant in this regard. Although in both cases important transformations were realized or initiated<sup>11</sup>, they are however shadowed by the incapacity of the judiciary, the bodies for combating corruption and of the Ministry of Interior to investigate and resolve a series of cases of public resonance, such as: 1) punishment of those guilty for organizing violence and ill-treatment in April 2009; 2) accusations of corruption in 2013 of high officials at the ministries of health, finance, transport, culture, sport, state chancellery and the tax inspectorate; 3) elucidation of the odious murder of two teenagers in Durlesti in 2011; 4) investigating the non-transparent privatization of Banca de Economii and the controversial concession of the International Airport Chisinau.

### **The opposition of the ethnic minorities towards European integration increased significantly**

The opposition of the ethnic minorities<sup>12</sup>, which constitute about 1/3 of the country's population, towards European integration increased significantly. If in November 2009 21% of ethnic minorities would have voted against Moldova's accession to the EU, then in April 2014 this figure went up to about 75%<sup>13</sup>.

The most disappointed by the European integration option is the Gagauz minority. Starting with 2009, their opposition went four times up from 21% to over 80%<sup>14</sup>. This baneful trend is more and more exacerbated by internal fights of political leaders and parties in the Gagauz autonomy, by the discontent of the Gagauz administration with their communication and interaction with the central authorities in Chisinau and especially the pro-Eurasian and anti-European propaganda permanently promoted by the TV channels of the Russian Federation which totally prevail in the media space in the autonomy.

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<sup>11</sup>According to the Minister of Justice, Oleg Efrim, over 60% of the actions provided for in the Action Plan for the Justice Sector Reform Strategy for 2013 were implemented, while the others are under way.

<http://justice.gov.md/libview.php?l=ro&idc=4&id=1875>

<sup>12</sup>According to the census of 2004, ethnic minorities (Russian, Ukrainian, Gagauz, Bulgarians, Jewish and others) are about 28% of the population of the Republic of Moldova.

<sup>13</sup>BPO November 2009 and April 2004, <http://www.ipp.md/lib.php?l=ro&idc=156>

<sup>14</sup>Ibidem

Specifically in this context, on 2 February 2014, in the Gagauz autonomy two referenda took place: one consultative and one “legislative”<sup>15</sup>. The presence at the polls was of about 70% of the total number of citizens with the right of vote in the region<sup>16</sup>.

In the first case, the residents of Gagauzia were called to vote in relation to the foreign policy vector of the Republic of Moldova and to say in particular whether they are for our country’s accession to the European Union or the Customs Union Russia–Belarus–Kazakhstan. In the second case, the residents of the region had to say whether they agree that the Gagauz autonomy exercises its right to external self-determination if the Republic of Moldova loses its independence. About 98.47% voted for the Customs Union Russia–Belarus–Kazakhstan, with only 2.57% voting for the European Union accession. Also, for the right of foreign self-determination of the Gagauz autonomy voted 98.09% of the total number of voters who cast their votes. Recently, Mihail Formuzal, the governor of the autonomy, made a statement to the Turkish publication *Milliyet*<sup>17</sup> that if the Republic of Moldova signs the Association Agreement with the EU, the Gagauz autonomy will declare its independence, because, to him, the Republic of Moldova wants to join NATO and because of the Association Agreement, Russia will refuse to import wines and farm products from the autonomy. If Formuzal’s threat would be put into practice, it would exacerbate the political tensions between the local administration and the central authorities, ethnic peace would be blown up and internal stability would be compromised for a long time.

### **Internal stability is on its edge because of the severe deterioration of regional security**

Internal stability of the Republic of Moldova is on its edge also because of the severe deterioration of regional security as a result of the annexation of the Crimean peninsula by the Russian Federation and open support by the Russian authorities of separatism in the South-East of Ukraine. After what happened in Ukraine, the borders in the post-Soviet area are no longer guaranteed by anything and anyone. Russia defied its own arrangements and security guarantees assumed in bilateral agreements with Ukraine and multilateral agreements such as the Budapest Memorandum of 1994, next to the US and the United Kingdom. Also, Russian authorities raised the protection of Russian co-nationals (Russians and Russian-speaking minorities) from the post-Soviet countries above the bilateral and international

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<sup>15</sup>Causes and effects of the referenda from UTA Gagauz-Yeri, IDIS Viitorul, February 2014, <http://www.viitorul.org/doc.php?l=en&id=4328&idc=295>

<sup>16</sup>On the territory of the Gagauz autonomy, there are 155.6 thousand inhabitants or 4.6% of the country’s population. Gagauz represent 82.1% of the total population of the autonomy territory (127.8 thousand citizens), Bulgarians – 5.1% (8 thousand citizens), Moldovans – 4.8% (7.5 thousand citizens), Russians – 3.8% (5.9 thousand citizens), Ukrainians – 3.2% (4.9 thousand citizens), other nationalities – 1%.

<http://www.gagauzia.md/pageview.php?l=ro&idc=408>

<sup>17</sup><http://dunya.milliyet.com.tr/gagavuzlar-ne-istiyor-/dunya/yarday/1891723/default.htm>



treaties which guarantee the inviolability of borders and sovereignty of states in the post-Soviet area.

Moreover, the Russian Federation unilaterally assumed the right to intervene in post-Soviet states under the pretext of “maintaining legal order” and “combating extremism and fascism”, notions that are interpreted and manipulated as it pleases. Events in Ukraine are a confirmation of the fact that neither non-alignment, nor neutrality is able to prevent an eventual Russian military interference on the territory of another sovereign state. On top of these, bilateral and multilateral treaties signed by Russia in the area of regional security and guaranteeing of post-Soviet borders are no longer credible.

### **Pressures put by the Russian Federation on Moldova become increasingly burdening**

After a series of veiled messages aimed at discouraging the authorities in Chisinau to sign the Association Agreement with the EU, Russian Federation proceeded to concrete pressures and threats. In 2013, Moscow authorities stopped the imports of Moldovan wines on the Russian market and threatened to revise the bilateral trade and economic agreements, to impose protection customs duties for goods imported from the Republic of Moldova and to modify the travel regime to Russia for Moldovan nationals. According to the Russian deputy prime-minister Dmitri Rogozin, the signing of the Association Agreement with the EU will have severe consequences on the Republic of Moldova and its citizens who work in the Russian Federation<sup>18</sup>, about 700,000 of them.

Also, there are signs that indicate direct involvement of Russian Federation representatives in encouraging and supporting the anti-European referenda in the Gagauz autonomy, such as the meeting between the Russian politician, Dmitri Rogozin, and the Gagauz governor Mihail Formuzal<sup>19</sup> before the referenda; open funding of the plebiscites by a Russian businessman<sup>20</sup>; and the presence in Comrat on 2 February of Roman Khudyakov, deputy in the State Duma of the Russian Federation<sup>21</sup>. After organizing the respective referenda, the Russian authorities have looked into the request by the governor Mihail Formuzal on the resumption of imports of wines from the region and they've decided that 5 companies from the autonomy can export to the Russian market, continuing to maintain the embargo for the majority of Moldovan companies.

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<sup>18</sup>Rogozin: Signing of the Association Agreement with EU would have serious consequences on Moldova, TRM, 10 May 2014, <http://www.trm.md/en/politic/rogozin-semnarea-acordului-de-asociere-cu-ue-ar-putea-avea-consecinte-grave-pentru-moldova>

<sup>19</sup><http://unimedia.info/stiri/rogozin-incita-iar-spiritele-ce-i-a-spus-emisarul-rus-lui-Sevciuk-50671.html>

<sup>20</sup><http://www.prime.md/rom/news/social/item5594/>

<sup>21</sup>[http://www.publika.md/referendumurile-de-la-comrat-au-fost-monitorizate-de-observatori-straini--care-nu-aveau-acreditarea-cec-video\\_1792961.html](http://www.publika.md/referendumurile-de-la-comrat-au-fost-monitorizate-de-observatori-straini--care-nu-aveau-acreditarea-cec-video_1792961.html)



## **Transnistrian conflict continues to hang as the “Sword of Damocles” over Moldova’s domestic security and stability**

Transnistrian conflict continues to hang as the “Sword of Damocles” over Moldova’s domestic security and stability. Small steps policy of engaging with the Transnistrian authorities shows increasingly more signs of attrition. The dialogue between Chisinau and Tiraspol produce increasingly fewer practical results. The list of conflicting issues extends, while the Transnistrian administration distances itself increasingly farther from the median of a potential consensus which could be negotiated with the Moldovan authorities.

In this connection, the stake of Moldovan authorities is the continuation of the dialogue with the Transnistrian administration and especially the prevention of any armed outbreak of the conflict which could jeopardize Moldova’s chances of signing the Association Agreement. Transnistrian administration and the Russian Federation insist that the signing of the Association Agreement with the EU by Ukraine and the Republic of Moldova would result in such effects as the isolation of the Transnistrian region, worsening of the dialogue between Tiraspol and Chisinau, increased levels of confrontation which would inevitably lead to conflict escalation. At the same time, the biggest weakness of Moldovan authorities in relation to the Transnistrian issue is the lack of a credible national reintegration policy.

## **Conclusions and Recommendations**

The signing of the Association Agreement with the EU would signify for the Republic of Moldova a turning point in its further evolvement. The said agreement would place our country on the trajectory of economic integration with the EU, which, volens-nolens, would prepare the ground for fulfilling the compulsory criteria for obtaining the status of a candidate country for EU accession. This assumption is no longer categorically excluded even by the most skeptical EU members.

In the meantime, the Republic of Moldova would have to mobilize its society, political class, institutional and financial resources for assuring domestic and foreign conditions required for a coherent and constant enforcement of the Association Agreement, considered by the supporters of European integration a unique instrument for the modernization of the country. In the current domestic and foreign context, the question which many foreign partners ask themselves is whether our country is capable of exploiting fully this unique chance of asserting itself as a European state with sustainable democracy, functional institutions and a competitive market economy.

The dialogue on the liberalization of visa regime with the EU, in spite of lasting longer than forecast, proved that the Republic of Moldova is able to respect its commitments, initiate and

conduct difficult reforms, mobilize its internal resources, provided that the following conditions are secured:

1. A clearly defined goal, that unites the political class and the society;
2. Clearly formulated and mobilized domestic political will;
3. Solidarity of the political class and the society for accomplishing the set goal;
4. Functional parliamentary majority that would assure domestic political stability required for the realization of reforms;
5. Functional Government which could mobilize scarce administrative and financial resources;
6. Foreign partners' support.

The enforcement of the Association Agreement alongside the establishment of the Deep and Comprehensive Free Trade Area (DCFTA) will be a more complicated process than the visa liberalization process. This time, unlike the Association Agreement with the Central European states, there is not a clearly defined goal with regard to our country's accession to the EU, while the benefits of the Association Agreement will not be imminent for the largest part of our society in the first years. As a result, the mobilization of the political class and the society would be extremely complicated, especially when they are severely divided by divergent economic, party, clan and geopolitical interests. On top of these, domestic stability and the functionality of the state are jeopardized by a series of worrying trends such as:

- The society's support for Moldova's European integration has constantly decreased in the last 5 years;
- Political scandals have deteriorated the image and credibility of pro-European parties;
- Freedom of the press and pluralism of opinions are threatened by increased oligarchs' control over the press;
- Citizens' trust in the main state institutions went constantly down in the last 5 years;
- The opposition of ethnic minorities versus European integration significantly increased;
- Severe deterioration of regional security;
- Opposition of the Russian Federation against the signing of the Association Agreement;
- Multiplication of divergent issues between the Republic of Moldova and its Transnistrian region.

What should the political class, the society and western partners do in these circumstances? From our viewpoint, the following actions should be undertaken:

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- 1) Mobilization of the society to support the Association Agreement with the EU by launching a large-scale social solidarity movement that would include relevant stakeholders: renowned personalities, representatives of the academia, opinion leaders, non-governmental organizations, representatives of the businesses, bankers, journalists, newspapers, radio and TV channels, press agencies, trade unions, professional associations, chambers of trade, political leaders and parties, etc.
- 2) Signing of a Declaration by which the representatives of the Parliamentary political parties, the Government, academia, business community and civil society would express their support for Moldova's firm orientation to focus its development on promoting the attributes of a democratic society – state of law, political pluralism, separation of powers, free elections, respect of human rights, including of persons belonging to national minorities, building of an efficient and sustainable market economy compatible with the principles, norms, mechanisms, institutions and policies of the European Union
- 3) Adoption by the Parliament of the draft law on modifying the Broadcasting Code in order to assure transparency of the media ownership, with subsequent adoption of the new draft Broadcasting Code
- 4) Adoption of the draft law for modifying the Law on public procurement, so that it would establish obligations to assure transparency of public procurement files in the area of press
- 5) Conditioning by the EU of its economic assistance by substantial progress in the investigation of cases of high level corruption and conviction of those which are guilty of these
- 6) Speeding up of the reform of the Ministry of Internal Affairs by reaffirming the univocal support of the pro-European coalition of the initiated reforms, otherwise the contradictions between various competing camps within the Ministry risk to derail the reform process started last year
- 7) Identification and initiation of new forms of dialogue and interaction between the central authorities and national minorities to avoid their alienation from reform processes that are taking place in the country under the aegis of the European integration agenda
- 8) Reconfirmation of the political support by all Parliamentary parties for the principles of Transnistrian political settlement set by the *Law of the Parliament of the Republic of*

*Moldova no.173 of 22 July 2005, on the basic provisions of the special legal status of the communities situated on the left bank of Dniester (Transnistria)*<sup>22</sup>

- 9) Elaboration of a Strategy for country's reintegration which would guide all state institutions and the society in applying its provisions. This would reflect the main challenges, threats and opportunities of the settlement and reintegration; exactly establish the sources of funding; evaluate the possible impact of reintegration; expressly formulate mechanisms of coordinating and implementing the country's reintegration policy
- 10) Reevaluation of threats and risks to national security in the light of events in Ukraine and threats by the Russian Federation to the Republic of Moldova
- 11) Strengthening the dialogue and cooperation with the neighboring countries Ukraine and Romania in the area of maintaining regional security
- 12) Studying of the experience of EU member states, Finland, Austria and Sweden on how to assure national security, exploiting the principle of active neutrality and non-alignment.

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<sup>22</sup>Law of the Parliament of the Republic of Moldova no.173 of 22 July 2005, on the basic provisions of the special legal status of the communities situated on the left bank of Dniester river (Transnistria), <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=313004>

# *EU-Armenia Relations:*

## *Possible Future Developments and Prospects*

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*Papers on Cooperation between Parliaments and Citizens/Civil Society, the Interaction between State Institutions in the framework of EU Integration, Eastern Partner countries national parties' integration into EU political families, Strengthening Civil Society and its Interaction with State Institutions.*

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## List of acronyms

AA	Association Agreement
ASEAN	Association of Southeast Asian Nations
CPCA	Comprehensive Partnership and Cooperation Agreement
CSP	Country Strategy Paper
DCFTA	Deep and Comprehensive Free Trade Agreement
EaP	Eastern Partnership
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
EU	European Union
FCA	Framework Cooperation Agreement
MERCOSUR	Southern Common Market
NIP	National Indicative Programme
PCA	Partnership and Cooperation Agreement
SME	Small and Medium Enterprise

## Foreword

*The main goal of this short paper is to promote a constructive debate focused on EU-Armenia relations. The text does not intend to present an exhaustive list of different scenarios but aims to provide hints on the future of EU-Armenia relations based on the work already achieved by both sides in this field, as well as the experience and the examples of other countries around the world. The purpose of this short paper is not to speculate on the circumstances that drove the EU and Armenia to the current situation, but to contribute with clarity to the ways and means those relations may develop, given that both sides will be revisiting the basis for their relations in the near future.*

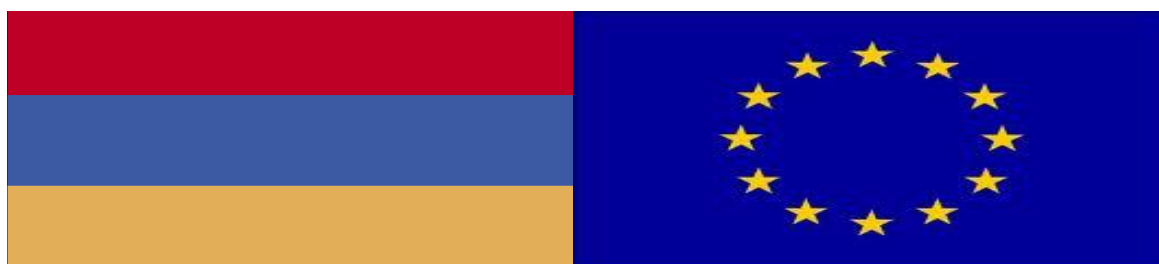
## Executive summary

*Armenia concluded its negotiations on the EU-Armenia Association Agreement which includes a Deep and Comprehensive Free Trade Area (hereinafter AA & DCFTA) in July, 2013. However, its announcement to join the Russia-led Customs Union hinders its initialling, given incompatibilities with its trade component. Nevertheless, the European Union and Armenia have developed and reached a high degree of cooperation over the past four years. Proof of this includes achievements in areas of the Human Rights Defender Institution, electoral processes, transparency, good governance, freedom of the press, border management and fight against crime and corruption. These are examples of Armenia's efforts in implementing EU-inspired reforms and standards.*

*On the other hand, the EU has deep relations with other partner countries throughout the world, including some that belong to existing customs unions and trade blocs, such as Brazil, for whom the EU is the primary trading partner, and Malaysia, where trade and other domains of cooperation are dissociated. Inspired by these cases, there clearly should be room for further cooperation between the EU and Armenia, regardless of their respective trade commitments with third parties.*

*In addition, there is a growing consensus, both on the EU and the Armenian side, about the need to upgrade EU-Armenia's legal basis for cooperation, taking into consideration all the above-mentioned. This future legal*

*basis could take the shape of an “AA Light” or “PCA Plus” that would allow the EU and Armenia to further develop their relations by capitalising on their current achievements, given that the vast majority of areas for cooperation are non-trade related. However, even in the area of economic cooperation, sectoral agreements should remain feasible, as is the case, for instance, for EU-Uruguay relations. Finally, it is now up to the Republic of Armenia to take the initiative and show political will for further cooperation with the EU and to make concrete proposals in the areas already defined in the EU-Armenia joint declaration, adopted in Vilnius in November 2013.*



## **Introduction and Background**

Since 1996, the relations between the European Union and the Republic of Armenia have been gradually intensifying, moving from the Partnership and Cooperation Agreement<sup>23</sup> (hereinafter PCA), signed in 1996, to the EU-Armenia AA. The latter's negotiation process started in July 2010, reaching the final step on 25 July 2013 when both sides concluded all rounds on the AA and DCFTA. The trade component of this agreement, the DCFTA, also implied the accession of Armenia to the EU internal market, to the EU Customs Union.

However, in September 2013, the President of the Republic, Serzh Sargsyan, announced publicly that Armenia would join the Russian-led customs union, together with Belarus and Kazakhstan. Consequently, the Republic of Armenia could not initialise the Association Agreement with the EU during the Vilnius Summit in November 2013, given that one country cannot belong to two different customs unions if those customs unions do not already have a trade agreement or share the same standards. However, during the Vilnius Summit, the EU and Armenia did adopt a declaration<sup>24</sup> putting forward their ambitions to continue and enhance their cooperation in non-trade related areas, such as human rights, good governance, rule of law etc. Notably, these issues actually represent the largest part of the EU-Armenia AA. During that period, all kinds of speculations were heard, ranging from the possibility for Armenia to still sign the AA in Vilnius without the DCFTA, to the classic, ungrounded catastrophic approach stating that it was the end of EU-Armenia relations. In the end, the pragmatic approach won over adventurism and, as mentioned above, the EU and Armenia

<sup>23</sup><http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:21999A0909%2801%29:EN:HTML>

<sup>24</sup>[http://www.eeas.europa.eu/statements/docs/2013/131129\\_03\\_en.pdf](http://www.eeas.europa.eu/statements/docs/2013/131129_03_en.pdf)



defined some areas of cooperation together with the commitment to revisit the basis for their relations shortly.

Currently, EU relations with Armenia are governed by the EU-Armenia PCA, which entered into force in 1999 and which provides a legal basis for cooperation in the areas of political dialogue, trade, economy, law making, culture, prevention of illegal activities and control of illegal immigration, financial cooperation in the field of technical assistance, trade in goods, provisions affecting business and investment, cross-border supply of services and legislative cooperation.

It is on these particular aspects, namely areas of cooperation and the basis of future EU-Armenia relations, that we hope the present paper can make a modest contribution to and provide realistic scenarios for discussion among decision makers, EU-Armenia relations stakeholders, and last but not least the Armenian society at large.



## EU-Armenia cooperation achievements

The 2010-2013 period was undoubtedly the most intensive in terms of reforms in the recent history of the Republic of Armenia and generally speaking, the Republic of Armenia made good progress in its EU-inspired reforms programme in most fields. This considerable effort has been repeatedly acknowledged by the European Union<sup>25</sup>.

In the field of democracy and human rights, Armenia has reinforced the independence of the Human Rights Defender (Armenian Ombudsman) and both the legislative and presidential elections were assessed positively by the international community<sup>26</sup> as a step towards consolidated democracy. In addition, Armenian institutions have become more transparent and therefore more solid, thanks to the ongoing reforms taking place in this area.

On one hand, the establishment of an Ethics Commission<sup>27</sup>, which holds public hearings to initiate discussions on the conduct of high-level officials and conflicts of interest, has

<sup>25</sup>[http://ec.europa.eu/world/enp/docs/2012\\_enp\\_pack/progress\\_report\\_armenia\\_en.pdf](http://ec.europa.eu/world/enp/docs/2012_enp_pack/progress_report_armenia_en.pdf)

<sup>26</sup><http://www.osce.org/odihr/elections/101314>

<sup>27</sup><http://www.epress.am/en/2012/01/11/armenia-president-establishes-ethics-commission-of-high-ranking-officials.html> ; <http://www.ethics.am/>

contributed to the reinforcement of Armenian state institutions. Further work is however needed for the Commission to be more independent and have additional scrutiny powers. On the other hand, Armenia is the region's 2014 World Press Freedom Index<sup>28</sup> leader, a report published by Reporters without Borders, ranking 78<sup>th</sup> overall, even though the report also notes the need for further improvement. The protection of personal data and the treatment of workers are also part of the reforms programme together with consumer protection, education, training and youth as well as cultural cooperation<sup>29</sup>.

Coming to rule of law, in addition to the judicial reform aiming at a fully independent judiciary, the following legislation changes were adopted: border management, money laundering and terrorism financing, fight against crime including illicit drugs, terrorism and corruption<sup>30</sup>. However, given the overall state of the Armenian judiciary, reforms should still continue in this domain.

Along the same lines, the Anti-Corruption Strategy was gradually implemented; e-governance is currently working in most structures of the Armenian Government together with an electronic tax-return system, an important tool for improving business environment and reducing corruption risks. In addition, Armenia has set up an online interactive budget system, which gives people public access to information about the state budget, including data on how and why funds are being spent<sup>31</sup>. Most aspects of the government procurement have been made transparent to the public through a mandatory electronic payment system<sup>32</sup>.

Significant steps have been taken towards the improvement of the business environment. According to the World Bank's Doing Business Report<sup>33</sup>, Armenia has moved up by 3 points thanks mostly to the elimination of the company registration fees, which facilitates creation of new companies, and by merging the employee and employer social contributions and individual income tax into one unified income tax. Additionally, there has been a wide range of reforms on sustainable economic development covering more than 30 areas, such as energy, transport, environment protection, industrial and small and medium enterprise (SME) cooperation, as well as product standards.

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<sup>28</sup><http://rsf.org/index2014/en-eastern-europe.php>

<sup>29</sup>[http://ec.europa.eu/world/enp/docs/2013\\_enp\\_pack/2013\\_progress\\_report\\_armenia\\_en.pdf](http://ec.europa.eu/world/enp/docs/2013_enp_pack/2013_progress_report_armenia_en.pdf)

<sup>30</sup><http://visa-free-europe.eu/wp-content/uploads/2011/06/Armenia-countryraportPASOS.pdf>

<sup>31</sup><https://www.e-gov.am/interactive-budget/>

<sup>32</sup>[http://www.mfa.am/u\\_files/file/OGPAP\\_Armenia\\_English.pdf](http://www.mfa.am/u_files/file/OGPAP_Armenia_English.pdf)

<sup>33</sup><http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB14-Full-Report.pdf>



Noravank Monastery Complex and Canyon. Armenia

Source: [http://www.armeniapedia.org/index.php?title=Noravank\\_Monastery](http://www.armeniapedia.org/index.php?title=Noravank_Monastery)

Map and flag: CIA Factbook

At the institutional level, efforts have been undertaken concerning good governance and rule of law meant also to improve the administrative capacity of the country through twinning programmes, professional training and secondment of personnel. Moreover, Armenian institutions have been gradually re-organised in order to also be compatible with the EU bodies and institutions.

Overall, the progress made by Armenia in the above-mentioned areas have strongly contributed to bringing Armenia closer to European standards and resulted in a positive impact for Armenia. In the context of the Armenian society being traditionally weary and distrustful of the country's administration, it represents a step towards building a much needed cohesion across all parts of the Armenian civil society.

### **EU cooperation frameworks and examples**

Given the recent international engagements of the Republic of Armenia, throughout this chapter we are going to focus on analysing EU cooperation with countries that are already members of an existing customs union or that are in the prospect of integrating one in the near future. On the other hand, the EU has also launched Strategic Partnerships for Modernisation with some countries which rely on bilateral sectoral agreements. The objective

is that these examples could serve as inspiration both for the new framework of EU-Armenia cooperation as well as its content.

## **1. EU cooperation with MERCOSUR member states**

MERCOSUR (Southern Common Market, which also includes a customs union) was founded in 1991 by Argentina, Brazil, Paraguay and Uruguay. Venezuela became a full member in July 2012, and Bolivia has been in the process of becoming a full member since December 2012; while Chile, Colombia, Ecuador and Peru are associated states, meaning they can join free trade agreements but remain outside the bloc's customs union.

Formal trade talks and negotiations (concerning areas such as market access or tariffs) are taking place between the EU and MERCOSUR as a whole, not its individual members.

### **1.1 EU cooperation with Brazil**

Brazil is a founding member of MERCOSUR. Nevertheless, the country has also been gradually developing deep relations with the EU.

In 1992, the EU and Brazil concluded the European Economic Community-Brazil Framework Cooperation Agreement (hereinafter FCA) aiming to expand and diversify trade between the parties and to step up several areas of cooperation. In the following years, a series of bilateral agreements were concluded between the EU and Brazil on areas including maritime transport (1992), textile and clothing products (2002), scientific and technological cooperation (2004), fusion energy research (2009), and civil aviation safety (2010). Similar sectoral agreements were also concluded with other member states of MERCOSUR.

Moreover, in 2007, the EU launched a Strategic Partnership with Brazil<sup>34</sup> that includes fields such as effective multilateralism, cooperation on human rights, climate change, sustainable energy, the fight against poverty, as well as MERCOSUR's integration process and Latin America's stability and prosperity, which indicates that a Strategic Partnership and its sectoral agreements also have an impact on the entire region. Trade has also come to be a subject of dialogue, as the EU became the country's first trading partner, accounting for 20.8% of its total trade and being its biggest foreign investor present in most sectors of the Brazilian economy<sup>35</sup>.

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<sup>34</sup>[http://eeas.europa.eu/brazil/index\\_en.htm](http://eeas.europa.eu/brazil/index_en.htm) This EU-Brazil Strategic Partnership Joint Action Plan (2009-2011) reads: "The Joint Action Plan will enable both sides to start new regular bilateral dialogues as well as deepen existing partnership in areas that are of mutual strategic importance. The leaders emphasized the importance of the High Level Political Dialogue for the discussion of issues of common interest."

<sup>35</sup><http://ec.europa.eu/trade/policy/countries-and-regions/countries/brazil/>

## 1.2 EU cooperation with Uruguay

A founding member of MERCOSUR, Uruguay signed the FCA with the EU in 1992<sup>36</sup>. Since then, bilateral relations have intensified, not only in economic terms (the EU is the biggest source of investment<sup>37</sup>), but also politically. The Agreement foresees cooperation in areas such as health, social, administrative and food matters, rural development, environment, investment promotion and technology transfer.

Trade relations between the EU and Uruguay are important, with Uruguay consistently posting a surplus, mainly due to agricultural exports. The EU is Uruguay's second trade partner (15% of Uruguay's exports in 2011) and the first market for Uruguay beef (29% of beef exports)<sup>38</sup>.

## 2. EU cooperation with ASEAN countries

The Association of Southeast Asian Nations (hereinafter ASEAN) is a political and economic organisation of ten countries located in Southeast Asia, formed in 1967 by Indonesia, Malaysia, the Philippines, Singapore and Thailand. Since then, it has expanded to include Brunei, Burma (Myanmar), Cambodia, Laos, and Vietnam. Its aims include accelerating economic growth, social progress, and cultural development among its members. From an economic point of view, they are organised around a free-trade area, and they expect to implement the ASEAN Economic Community by 2015, consisting of a single market, a highly competitive economic region, a region of equitable economic development, as well as a region fully integrated into the global economy. Moreover, some of its members, such as the Philippines, are urging the establishment of an ASEAN customs union.

### 2.1 EU cooperation with Indonesia

After Free Trade Area negotiations between the EU and some ASEAN countries proved difficult, the EU decided to pursue its cooperation with Indonesia, focusing on non-trade related issues. Today, both are actively working on the EU-Indonesia Framework for Comprehensive Partnership and Cooperation Agreement (hereinafter CPCA). This Agreement foresees bilateral cooperation with ASEAN states and the organisation as a whole. Other sectors are also included in the Agreement. The EU and Indonesia have committed to work not only on cultural and social matters but also on their industrial policies and SME cooperation, by promoting joint research projects in selected industrial areas and

<sup>36</sup>[http://eeas.europa.eu/uruguay/index\\_en.htm](http://eeas.europa.eu/uruguay/index_en.htm)

<sup>37</sup><http://ec.europa.eu/trade/policy/countries-and-regions/countries/uruguay/>

<sup>38</sup>[http://eeas.europa.eu/uruguay/index\\_en.htm](http://eeas.europa.eu/uruguay/index_en.htm)



contacts between economic operators, as well as on science and technology, with the exchanging of information and know-how and other forms of human resources training<sup>39</sup>.

With this Agreement, the EU and Indonesia are also willing to improve movement of goods and passengers, maritime and aviation safety and security, human resources development, as well as environmental protection by amending certain elements in existing bilateral Air Services Agreements and engaging dialogue in the field of maritime transport, which is, in the case of Indonesia, an important issue. Education and culture, human rights, health, modernisation of the state administration and cooperation in combating illicit drugs, money laundering and corruption are also on the agenda.

As for the trade and investment part of the CPCA, the parties rely on World Trade Organisation regulations and have set several objectives such as encouraging transparency of trade regulations, promoting access to each other's markets, in particular for services, and have expressed their interest in considering the possibility, in the future, of concluding a protocol on customs cooperation, but do not explicitly mention any DCFTA ambition.

## **2.2 EU cooperation with Malaysia**

A bilateral PCA is being negotiated between the EU and Malaysia, whose relations have been evolving for more than thirty years under a European Community-ASEAN Agreement. Through this PCA, both parties seek to deepen their relations and mutual commitment by collaborating on numerous subjects. It is indeed necessary that various areas of cooperation are considered, as economic opportunities alone are not sufficient for such a goal. However, Malaysia and the EU do not discard economic cooperation. Apart from the PCA, they are separately negotiating a Free Trade Agreement to maintain, regulate and develop their trade relations.

## **EU-Armenia prospects for cooperation**

### **1. Current legal basis for EU-Armenia relations**

Armenia's inclusion (as one of the countries of the South Caucasus) in the European Neighbourhood Policy (ENP) (2004) and the Eastern Partnership (EaP) (2009) delivered new frameworks and programmes for EU-Armenia joint work, complementing its PCA. Concretely, the EU adopts a Country Strategy Paper<sup>40</sup> (hereinafter CSP) for Armenia which is developed in close consultation with the Armenian administration and reflects the national priorities. The current one covers the 2007-2013 period and is mostly put into practise with

<sup>39</sup>[http://eeas.europa.eu/delegations/indonesia/documents/eu\\_indonesia/eu\\_idnpca\\_en.pdf](http://eeas.europa.eu/delegations/indonesia/documents/eu_indonesia/eu_idnpca_en.pdf)

<sup>40</sup>[http://ec.europa.eu/world/enp/pdf/country/enpi\\_csp\\_armenia\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_csp_armenia_en.pdf)

the financial resources provided by the European Neighbourhood and Partnership Instrument (hereinafter ENPI)<sup>41</sup>.

The CSP for Armenia sets out the overall objectives of EU assistance, encompassing all its instruments and programmes. Based on the CSP, a National Indicative Programme (hereinafter NIP) for the ENPI is adopted and implemented. It supports implementation of the key objectives of the PCA, the ENP Action Plan and the priorities of the Eastern Partnership and includes areas such as deeper political cooperation, trade, economic relations between Armenia and the EU, social and economic development between the regions in Armenia, and increased mobility and security to facilitate the movement of goods and persons. The programme also takes into account the implications of the changing situation in the region. The current NIP covering the period 2011-2013 sets out the priority areas for bilateral EU assistance to Armenia representing 157.3 million euros. Only one out of those three priorities is trade related, and in terms of financial assistance, the two non trade related priorities represent around 75% of the EU support.

The same situation applies to the AA where trade matters concern around one tenth of all elements of the Agreement, although it is fair to say that the DCFTA part acts as an incentive and is often the main motivation to accomplish all reforms defined in the AA.

## **2. Alternative legal basis for future EU-Armenia relations**

It is clear that the EU and Armenia need to upgrade the legal basis of their relations, since the Partnership and Cooperation Agreement, which entered into force in 1999 seems to be obsolete for a country that concluded an AA with the EU.

Indeed, there seems to be a consensus on both the EU and the Armenian side to revisit the legal basis of their relations as it has been expressed in the EU-Armenia joint statement of 29 November 2013<sup>42</sup>. Given the impossibility of moving forward with the already negotiated AA/DCFTA, another document, such as an “AA Light” or a “PCA Plus”, which would preserve the past achievements and build upon them, will have to be defined.

In this regard, the EU’s recent, repeated acknowledgement for deeper differentiation between the EaP countries is especially relevant. Therefore, there is little risk for Armenia to be offered a standardised “template” document that would define the EU’s relations with each of the EaP countries, regardless of their specific internal situation or geopolitical setting. Instead, the new legal basis for the EU-Armenia relations would recognise Armenia’s

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<sup>41</sup>The ENPI was established to provide assistance for the development of an area of prosperity and good neighbourhood with the partner countries covered by the European Neighbourhood Policy (ENP)

<sup>42</sup>[http://www.eeas.europa.eu/statements/docs/2013/131129\\_03\\_en.pdf](http://www.eeas.europa.eu/statements/docs/2013/131129_03_en.pdf)



specific situation and offer a prospect for cooperation best adapted to its ambitions and needs. This is also an opportunity for Armenia to proactively propose a tailor-made framework for its future relations; an occasion that the country cannot afford to miss.

When we look at the previous chapters and the international engagements of the Republic of Armenia, it seems that the Malaysian approach could be followed in terms of splitting the trade component of the relations from the others.

However, as we have just mentioned, a PCA would not fit the high level of cooperation that the EU and Armenia have already reached. In this regard, although a Framework for Comprehensive Partnership and Cooperation Agreement could be a legal basis to consider, it still does not cover all the areas of cooperation of the EU-Armenia AA (setting aside the trade component). Ideally, a new type of association agreement should be developed, aiming at including all the chapters of the EU-Armenia AA not related to trade, since its negotiations were successfully closed on 25 July 2013.

### **3. Potential areas of cooperation**

As mentioned earlier, the largest part of the existing EU-Armenia cooperation is not directly related to trade, therefore it is clear that there is enough room to uphold a high degree of cooperation, provided there is a strong political will to do so.

Regarding the contents of such cooperation, as both sides stated in Vilnius, the main axis should be: improvement of democratic institutions and the judiciary, promotion of human rights and rule of law, good governance, fight against corruption, and strengthening of the civil society.

More specifically, it could cover three of the four sections (all except DCFTA) of the AA that the EU and Armenia concluded in July 2013:

- Common Foreign and Security Policy
- Justice and Home Affairs
- Issues including the environment, science, transportation, and education

In particular, this new AA would therefore be a comprehensive agreement which reflects the existing wide range of cooperation in political and economic areas, and develops these areas further. To reflect the new quality in the EU-Armenia relations, it should go far above and beyond the existing PCA commitments.

The new Agreement could provide for a firmer commitment to an institutionalised dialogue on common values, notably democracy and rule of law, good governance, and respect for human rights and fundamental freedoms, including minorities rights, a market economy and sustainable development.

It could also enhance cooperation in foreign and security policy, with focus on regional issues, non-proliferation and disarmament. Deepened cooperation in economic areas such as business and investment climate, public finance, macroeconomic stability, and employment as well as social affairs could also be part of the text together with further cooperation in energy matters, paying particular attention to issues concerning security and diversification of supply.

On the other hand, enhanced relations in other sectoral policy areas such as transport, and aviation in particular, environment and public health, science and technology, education and culture and information society and media should also be included. People-to-people contacts, inter alia through exchange and cooperation programmes for schools, students (increased number of scholarships) and researchers, should be further strengthened. In addition, further cooperation in the field of justice, liberty and security that are only partially covered in the PCA together with institutional building could be part of this new AA.

Finally regarding trade, even though the Republic of Armenia is supposed to join the Russian-led customs union, there might still be room for cooperation with the EU on a sector-by-sector basis. Such sectoral agreements in areas that both parties are interested in can be signed – especially when it comes to providing technical assistance, in the form of e.g., twinning projects – as we have described is already the case for Uruguay and Brazil. The key challenge remains Armenia's capacity to meet and keep the EU standards and to fully upgrade quality infrastructure institutions in line with EU standards, and this would certainly be the main topic of discussion while negotiating such sectoral agreements. In any case, it appears that Armenia has adopted the closest standards to those of the EU, among all countries set to become part of the EURASIAN Customs Union. Therefore it is foreseeable that Customs Union members' companies will increase their presence in Armenia. In this regard, it would be mutually beneficial for both the EU and Armenia to develop additional mechanisms of cooperation in this field.

## **Conclusions and Recommendations**

One of the main factors to consider while analysing the situation we have described in this paper is that there are no precedents in the history of EU relations with third countries of a state finalising its negotiations for an AA and DCFTA with the EU and then failing to initialise it. Therefore, concrete imaginative solutions and innovation are key to overcome the

current state of play and further develop the future joint work expressed during the Vilnius summit in areas such as democracy, good governance, civil society and human rights.

Because of this precedent, it is obvious that the above-mentioned circumstances have undermined the level of trust that the Republic of Armenia built throughout three years of successful reforms vis-à-vis its EU counterparts, and therefore rebuilding trust remains the necessary condition to successfully find a positive way out of the current situation. Moreover, some scepticism from the EU side may arise, given the poor record in the above-mentioned areas of Armenia's future partners in the Customs Union, according to EU assessments<sup>43</sup>.

In this regard, it would be positively perceived if Armenian officials continued their frequent visits to the EU institutions at the same level and with the same intensity as over the last three years. Along this same line, the parliamentary cooperation component remains determinant in this period of uncertainty. Additionally, a perceived weaker commitment of the Armenian parliament to the EURONEST Parliamentary Assembly and/or the European and Armenian parliament Cooperation Committee would risk being interpreted as a lack of interest in EU-Armenia relations at large. However, stimulating a debate on EU core values should be considered, and past approaches focused on borderline EU issues that create unnecessary controversies and disapproval should be abandoned.

In conclusion, it is now up to the Armenian side to send a clear signal regarding the content of their future relations with Europe, as well as regarding the legal base of these relations. Such initiative should take into consideration the Republic of Armenia's new international commitments, but also express a continuously strong political will to work together with the EU along those lines, developing a new type of association agreement based on most of the past achievements. In this regard, the access to EU programmes and agencies granted recently by the EU to the Republic of Armenia<sup>44</sup> and the use it will make of it remains an opportunity for Armenia to convince its European partners of its commitment to cooperate with the EU. In addition, the new European Neighbourhood Instrument (ENI) will make funding faster and more flexible and should allow Armenia to define together with the EU an ambitious programme for the 2014-2020 period.

Finally, looking back in history and with just one glance at the map, it becomes very clear that this South Caucasus republic has already shown its expertise in overcoming a whole range of complicated, often dramatic, situations with its powerful neighbours, while managing to preserve its European values. The more support Europe provides to Armenia, the more margin of manoeuvre Armenia will have to rebuild its relations with the EU.

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<sup>43</sup>[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/137151.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/137151.pdf)  
[http://europa.eu/rapid/press-release\\_SPEECH-13-690\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-13-690_en.htm)  
[http://eeas.europa.eu/statements/docs/2013/131127\\_01\\_en.pdf](http://eeas.europa.eu/statements/docs/2013/131127_01_en.pdf)

<sup>44</sup><http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2013-0555&language=EN&ring=A7-2013-0406>

## *The Resistance Movement and the Issue of Restoration of Statehood in Georgia in 1801-1914<sup>45</sup>*

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### **David Paitchadze**



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Statehood in Georgia was abolished in the beginning of the XIX century. While the whole century saw unheard-of technological and scientific advances in the history of humankind worldwide, Georgians spent this time struggling for the right to education and administration of church services in Georgian language. The process of formation of nation states in the XIX century Europe is near to end, whereas the Georgians, the under Russian Empire still demand political Autonomy. Prominent representatives of the Georgian society never stopped seeking ways to restore statehood. Before establishing the first Republic, the process of restoration of statehood and resistance movement had undergone different stages headed by: 1. Nobility, 2. Liberals, 3. Multiparty Democrats.

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<sup>45</sup> On 27 June, 2014 Georgia signed Association Agreement with the EU which provided the country with a Deep and Comprehensive Free Trade Area with the Union. In light of this, it becomes worthwhile to observe the Georgian statehood building phase which served as a cornerstone for the country’s Europeanization process.

The treaty of alliance and protectorate between Kartli-Kakheti Kingdom (East Georgia) and the Russian Empire, known in historiography as “the Treaty of Georgievsk” (Paychadze, 1983; Butkov, 1869; Tsagareli, 1892, 156-157; Tsereteli, 1917, 3-8; Dubrovin, 1886; Avalov, 1901; Kheltuplishvili, 1901; Tsintsadze, 1960; Berdzenishvili, 1965, 185-244; 1973, 446-475; Georgievskiy Traktat, 1983) was concluded on 24 July, 1783, which is the document of great importance and interest from the perspective of international law.

The title of the Treaty clearly suggests its dualistic meaning. While *Alliance* infers equality, *Protectorate* indicates asymmetric relationships. Interestingly, the XVIII century European International Law is familiar with such form. The work of a Swiss jurist, Emer de Vattel – “Le Droit des Gens ou principes dela loi Naturelle” published in 1758, brought the author international recognition. Vattel speaks about the issue of seeking protectorate by a nation: “When a nation is not capable of preserving herself from insult and oppression, she may procure the protection of a more powerful state. If she obtains this by only engaging to perform certain articles, as, to pay a tribute in return for the safety obtained,—to furnish her protector with troops,—and to embark in all his wars as a joint concern,—but still reserving to herself the right of administering her own government at pleasure,—it is a simple treaty of protection, that does not at all derogate from her sovereignty, and differs not from the ordinary treaties of alliance otherwise than as it creates a difference in the dignity of the contracting parties. ... A weak state, which, in order to provide for its safety, places itself under the protection of a more powerful one, and engages, in return, to perform several offices equivalent to that protection, without however divesting itself of the right of government and sovereignty,—that state, does not, on this account, cease to rank among the sovereigns who acknowledge no other law than that of nations” (Vattel, 1959, 32).

Thus, according to the international law norms of those times, Kartli-Kakheti remained a sovereign state. Due to the complex form of statutory obligation, researchers gave the Georgievsk Treaty various legal assessments, emphasizing the political importance. An outstanding Georgian jurist and diplomat, Z. Avalishvili saw such confusion of vassalage and protectorate forms that he found it difficult to assign the Treaty any category (Avalov, 1901, 142).

The list of the European researchers engaged in studying the above issue is short. Frantz Liszt’s conclusion about the legal state of the Republic of Georgia is worth mentioning (Liszt, 1918). He wrote it at the commission of German government and Georgian delegation. Liszt was the most reputable jurist in German-speaking world. According to his conclusion, the Treaty represents quite an original form of vassalage, which allows to recognize Georgia as a subject of international law. In Nippoldt’s opinion, the Treaty is a classic example of protectorate but at the same time, he viewed Georgia as a vassal state. Interestingly, in Nippoldt’s view, the Kingdom of Kartli-Kakheti retained the features of a sovereign state and therefore, he considered it a subject of International Law (Nippoldt, 1920, 18-23; 27). His conclusion was probably based on the fact that according to the Treaty, King Erekle II of

Kartli-Kakheti reserved the right, certainly with the consent of Russia, to negotiate with neighbouring countries. The King had the right to have his diplomatic representatives at the Royal Court of Russia, while the official residence of Russia in Tbilisi was categorically banned to avoid their interference into the domestic affairs of Georgia.

Le Fur considered Georgievsk Treaty a specimen of protectorate (Le Fur, 1932). So did Allen and Lang (Allen, 1932, 210; Lang, 1957, 206). Given the fact that International Law is a very dynamic and fast changing field, we must admit that many things from today's point of view seem quite different. But the Georgian politicians were basing their judgment on the corresponding norms, recognized at that time which allows us to conclude that Georgievsk Treaty was in fact an attempt to establish Georgia's statehood legally, in accordance with International Law and the Russian protectorate must have been consisted in the protection of the Georgian statehood.

King Erekle had the following titles: the King of Kartli, the King of Kakheti, successor and assign of Samtskhe-Saatabago, Prince of Kazakhi, Prince of Borchalo, Prince of Shamshadili, Prince of Kaki, prince of Shaki and Shirvani, Sovereign of Ganja and Erevan (Georgievskiy Traktat, 1983, 25). Thus, pursuant to the Treaty, Catherine the Great not only acquaints the population of the above territories with Erekle's rights, but also, in compliance with Article two and Article four separate, she undertakes the obligation to support Erekle and his successors at the time of war and peace so as to strengthen the sovereignty on the above territories (Georgievskiy Traktat, 1983, 71; 77).

Despite the grandiosity of the ceremonial of signing the Treaty, Russian Empire was in no hurry to make any real steps. Kartli-Kakheti Kingdom had to pay a heavy price for the attempt of political rapprochement with Russia in 1795. The old King Erekle II, being left to the mercy of fate by his protector, was unable to resist the infuriated Agha Mohammad Khan and the Persians burnt Tbilisi down. In Russian-Persian relationships, it was highly important to possess East Georgia. In accordance to the Amasya Peace Treaty, concluded between the Ottoman Empire and Georgia in 1555, the Persians viewed East Georgia as their protectorate. Therefore, naturally they would not have come to terms with the Russian orientation of the Royal House. Catherine II's oriental policy was to bring Persia under Russia's influence and, thus, establish links with India (Butkov, 1869, 355).

In this context, strengthening the statehood in East Georgia, logically, must have been in Russia's interest. The Russian army invaded the South in 1796. Shortly afterwards, they occupied Darubandi, Khuba, Baku, Saliani, Shemakha and were preparing for the invasion in central Persia but in November, Catherine II passed away. Her son and the heir to the throne, Paul I chose a different policy. Russian military units were recalled from the Persian border, followed by others troops, having entered the country short time before. Paul I, rather than seeing Georgia as his strong ally, directed his Caucasian policy to abolishing the sovereignty of Kartli-Kakheti Kingdom. Thus, Erekle II was once again left face to face with Persia.



Tbilisi managed to avoid another devastation only because of the death of Agha Mohammed Khan in May 1797. King Erekle attempted to strictly demand from Paul I fulfilment of the Treaty terms, finally. His ambassador was still on the way, when the old king passed away on 11 January 1798.

The heir to Erekle II, Giorgi XII faced the threat of domestic and international crisis but no protectors or allies could be seen. Therefore, in the spring of 1798, the King charged Aslan Orbeliani with the mission to seek Sultan's protection. The Ambassador was still in the country, when Erekle's envoy, Prince Davit, brought back good news about Paul I's benevolent attitude. Thus, Giorgi XII renewed relations with the Emperor. Paul I demanded that Giorgi XII applied to him with the request of his approval as a King pursuant the Treaty terms. It did not take him long to do so and asked the Emperor to award him the King's status and recognize his son Davit as the successor to the throne, plus, help him with 3000 soldiers (Tsagareli, 1902, 156-157).

On 26 November 1799, the Russian regiment headed by Major General Lazarev entered Tbilisi to festively present Giorgi XII with Royal Insignia. However, in his letter of gratitude, Giorgi XII expressed his dissatisfaction about the paucity of troops and described the complex external circumstances regarding the aggressive policy of Persia. He also mentioned that Baba-Khan had claimed to take his elder son a hostage (Tsagareli, 1902, 186-187). As a token of loyalty to Paul I, the King of Kartli-Kakheti presented a new project of the agreement to him in June 1800, in which he wilfully rejected the sovereignty, maintained by force of the Treaty and agreed to Autonomy with rather limited terms (Butkov, 1869, 461-462; Tsereteli, 1916, 67-68). In November 1800, Paul I reviewed the above mentioned project and sent it back with the Georgian ambassadors for the King to approve and a new delegation entrusted with the King's and people's rights was to take it back to Petersburg for execution.

The Emperor was definitely stretching the time. Deterioration of Giorgi XII's health was no secret to anyone. Moreover, back in October the princes got involved in dynastic rivalry and pleaded the Emperor to enthrone King Erekle's son, Iulon, instead of David. Meanwhile, Paul I took to his plans. On 18 December 1800, he issued a manifesto by force with which Kartli-Kakheti Kingdom was abolished and annexed to Russia. The document was secretly kept at the Emperor's Court. On 28 December 1800, Giorgi XII passed away. Major General Lazarev notified Tbilisi population that the Emperor's supreme will not enthrone anyone until the issuance of the extraordinary decree. At the transition period, Prince Ioane, Egnate Tumanishvili and General Lazarev represented the supreme power (Tsagareli, 1902, 192).

Naturally, the announcement caused disturbance among people. That, being under the Russian protectorate, did not entail apparent opposition which was only due to the fact that "Treaty of Georgievsk" was perceived by people as a warrant of Kingdom's survival. Such unheard-of defiance certainly caused anxiety and protest. Besides, supporters of maintaining

Bagrationi Dynasty came against each other. Some supported Iulon, Erekle's son, and others – David, Giorgi's son. Iulon based his claims on King Erekle's will, whereas David was relied on the Emperor's consent given to George XII. Paul eliminated the motives of their dispute at one dash. The inner conflicts between dynasty members suited him perfectly; hence he refrained from nominating the successor to the throne. He stated that in the given situation supporting any one of the two would entail domestic warfare. However, the above circumstances could not still serve the grounds for unification of the people blinded by struggle. On his words, it would have been better to abolish the Kingdom *for the sake of people's interests*. But Paul's intention was doomed to failure since he became the victim of a plot. Before the next King, Alexander I, got round to Georgia, the country had been ruled by David, but without the King's title.

Manifesto on abolishing Kartli-Kakheti Kingdom and its annexation to Russia was issued on 12 September 1801 in Petersburg. In April 1802, General Knorring, together with numerous Russian officials, arrived in Tbilisi. Manifesto of Alexander I was read in Sioni Cathedral. Knorring demanded that the attendants took the oath, and those who protested were arrested... East Georgia became a Russian governorate and the Russian rule started with repressions.

People did not understand the Russian rules of governing and neither did they understand the foreign language of officials, which caused permanent conflicts in everyday life. And still, it was the Georgian nobility who were the first to oppose occupants' rule. The Russian state legislation did not recognize the Georgian rule of holding administrative positions by inheritance due to which a large part of the Georgian nobility became unemployed. Nostalgia towards the Georgian traditional order was growing among the peasants and they supported enthroning of Iulon, Erekle II's son.

The unrest organized by nobility started in 1802 in Kakheti. About 40 000 people attended the first meeting (Bendianishvili, 1980, 32). Both, noblemen and peasantry pledged allegiance to prince Iulon and urged the population to come out. The government sent troops to dissolve the meeting but plotters repelled the attack. The movement gradually spread all over Kakheti. Conspirators sent a letter to the Russian commanders-in-chief which said that entire Kakheti pledged allegiance to the Russian Emperor first and then to prince Iulon. Thus, the aim of the movement was to restore the terms of Georgievsk Treaty. Georgian historiography qualifies it as autonomist movement (Bendianishvili, 1980, 36). Russian generalship arrested the messenger and started repressions. In response, the conspirators enhanced their campaign and established contacts with Erekle's sons. The idea of armed revolution matured. Rebels attempted to conclude alliance with Persia. Certainly, Russian generalship could not stay indifferent to such development of events. General Lazarev brought sizeable forces into Kakheti and stifled the revolt.

The Russian government takes rigorous actions. General Tsitsianov is commissioned to exile the King's family, while Tsarism seeks support inside the country. The most reliable forces were the noblemen having been stripped of rights and in the bad grace of King Erekle, whom the Emperor reinstated in his rights. Some were bribed. Oppositionists sought shelter in the then sovereign Kingdom of Imereti (West Georgia).

In 1804, the Russo-Persian war broke out. The representatives of the royal dynasty attempted to take advantage of the situation. Some from Imereti and some from Persia were trying to involve the Georgians as well as Dagestan and North Caucasian Khans in the fight (Berdzenishvili, 1965, 320). The peasantry was under unendurable oppression, being impoverished by various taxes and morally insulted by impudence of police officials. As if the increased road and transport taxes under war conditions were not enough, Russian officials also demanded people's army. The highlanders from Kartli and Kakheti joined the army; however, instead of waging the fight in the direction of Erevan, they used their arms against Russian occupants.

In 1804 they captured Stepantsminda (Kazbegi) and Larsi. The rebels blocked the Georgian Military Road and asked Erekle's sons - Iulon and Parnavaz to take charge of the rebellion. This indicates that highlanders supported the restoration of the Georgian traditional form of statehood – the monarchy. Iulon and Parnavaz immediately set out to join the rebels. The Russian government took counter measures. The Russian troops headed by Tsitsianov blocked the roads to highlands. General Nestaev approached the Georgian border from the North with 3000 soldiers and 30 cannons. Finally, Iulon and Parnavaz were taken as prisoners. The rebels were defeated. Tsitsianov continued persecution of Bagrationi family and their exile to Russia.

### **Russia strengthened positions and now it came the turn of Imereti Kingdom.**

Towards the end of XVIII century, the feudal disunity reached classic forms in West Georgia. De jure, King of Imereti was considered a suzerain of West Georgia. However, de facto he was only Imereti ruler. Although under a three-century long aggression of Turks it did maintain political independence and never paid any tribute. While Guria province remained partially in vassal relationships with the King, Abkhazian province stayed under Turkish protectorate, whereas Mengrelian prince was trying to wage the independent policy. In its turn, prince of Abkhazia was trying to put an end to Turkish dependence. His elder son was brought up as a Muslim and the youngest one as a Christian and was related with the prince of Mengrelia by marriage. With the aim of strengthening independence and drawing on allies hoping to regain the influence on former vassals, King Solomon I of Imereti repeatedly pleaded the Russian Tsar in 1781-1782 to restore protectorate in the same form as had been promised to Erekle II. He expressed particular concern about the Turks' intention to build a castle on the Black Sea coast in Anaklia (Tsintsadze, 1960, pp. 269-275).

At that time, Russian government was trying to avoid exacerbation of relationships with Turkey. Therefore, the Imereti King was refused in protectorate. Due to the abolishment of Kartli-Kakheti Kingdom, Solomon II naturally expected that the Russian government would treat him similarly. That is why he tried to establish diplomatic links with Turkey and engage Sultan in the process of negotiations with Russia. The Turks did not want to complicate relationships with Russia at that moment, and rejected Solomon's proposal. Parallel to that, Imereti King was trying to make peace with Samegrelo so that he would exclusively represent West Georgia in negotiations with Russia. So, he was trying to unite West Georgia with Russia's help, to establish Imereti Kingdom as a single subject of law, at least de jure. This policy failed too. In 1803, Russia acknowledged the protectorate requested by Mengrelian Prince Grigol Dadian. Thus, the Prince of Mengrelia became the subject of the Russian Empire independently with quite limited autonomous rights (Berdzenishvili, 1965, 293). Naturally, the Russian government considered it a temporary measure.

In March 1804, the Russian government offered Imeretian King the project of protectorate agreement, with very limited sovereignty, which he refused to sign. In response, the Russian army invaded Imereti. Finally, Solomon was forced to sign the agreement on 25 April 1804 in village Elaznauri. The terms were much graver than in the Treaty of Georgievsk. Imereti King had to obey his official representative, the viceroy of Georgia rather than directly the Russian Tsar. The King retained certain Autonomy but had to execute criminal law in accordance with the Russian system. The Russian troops were stationed in Imereti (AKAK, 1868, 374; 391; Tsereteli, 1917, 14-19).

Such status certainly did not suit the King. That is why in 1806 he offered another project to the new viceroy, general Gudovich (AKAK, 1868, 115; 120-121). Solomon demanded a higher status, which would allow him to have direct relationships with the Emperor. The Russian government estimated it as a hostile act against Russia. The military machine got off the ground. After severe battles in April 1810, Solomon yielded himself prisoner to the Russians. The old plan of the Russian government about exiling the Bagrationi family representatives was still in force. Solomon was convinced he would share the same fate. Therefore, on 10 January 1810 he escaped from Tbilisi prison. The King who was taking up defence in Akhaltsikhe waged active political activities. Mass appraisal started in Imereti. The rebels encircled the Russian military units taking defence in castles. The rebels invited Solomon to Imereti. King of Imereti held negotiations with Persia and Turkey hoping to maintain sovereignty at the expense of confrontation of two warring parties. Mutineers achieved serious military success in the summer 1810, but on 5 September, the Russian army headed by General Pauluch heavily defeated the Turks near Akhalkalaki. Solomon lost the hope for external help and moved back to Akhaltsikhe. De facto, the reign was abolished in Imereti. Solomon continued fighting, but since Russia concluded a Treaty with Turkey (1812) and Persia (1813) and Georgia was recognized as an integral part of Russia, further struggle made no sense. Solomon II passed away in 1815 in Trabzon.

In 1810, principalities of Guria and Abkhazia received the document on coming under Russia's protectorate and subordination. Later similar agreement was concluded with Svaneti (Tsereteli, 1917, 19-23; Bendianishvili, 1980, 65). The Agreement of Protectorate with Abkhazeti, written in Russian and Georgian languages (and not Russian and Abkhazian) concluded between Sefer Ali-Bey (Giorgi) Shervashidze and Russian Emperor deserves attention. It unambiguously confirms that Abkhazian principality was the constituent part of common Georgian political space. (Materialy i zapiski po voprosu o vladetel'skikh i imushchestvennykh pravakh potomkov svetleyshego knyazya Mikhaila Shervashidze, poslednego vladetelya Abkhazii», Wenden, 1913, Manuscript copyright, published only 100 copies)

The limited status of Autonomy, which was so much unacceptable for Imereti King, turned out quite acceptable for the above principalities. Here we can see the signs of Feudal separatism, since pursuant to this agreement; the Vassals of Imereti emphasized their *independence*. The Russian government naturally did everything to support separatism.

**The flames of revolt, caused by stationing military forces in villages, were spread to Kakheti in 1812.** The rebellions started in Dagestan, Shirvan and Shak simultaneously. Kakhetians attempted to capture the military road in order to join the North Caucasian rebels. They declared Grigol Bagrationi, George XII's grandson, the King and were preparing to capture Tbilisi. On 1-2 March 1812, Pauluch and Grigol met face to face on the battlefield where Grigol was defeated and surrendered to the Russian General. The unrest abated and repressions started. Erekle's son, Alexander, who was in Persia, got actively involved in the revolt from the beginning... The war between Russia and France was going on parallel to the Russo-Persian war and as Napoleon entered Moscow, Alexander arrived in Tbilisi. It was a new impetus for the revolt. Alexander supposed that he would block the military road and be enthroned with Persia's military help. However, he intended to settle the conflict peacefully provided that Russia would officially proclaim him a King (Berdzenishvili, 1965, 462). The battles and negotiations lasted for more than a year. Alexander became convinced that the terms of the Treaty had long been forgotten by the Russians. The restoration of statehood in Georgia could not have been the result of any compromise. The Russians considered the idea as anti-state. The only way left was fight. In May 1813, Alexander was defeated and sought shelter in Dagestan.

The Russian assimilatory policy considered household or court reforms insufficient and they were shortly followed by church reforms. Pursuant to the law issued by the government in 1811, autocephalous status of the Georgian Church was abolished and Georgian Church was subject to the synodical rule of the Russian Orthodox Church. Catholicos Anton II was removed from his office and forced to leave for Russia. Barlaam Eristavi was appointed the first exarch. Church lands of East Georgia were transferred into the possession of treasury. Thus, the Georgian clergy was deprived from independent economic basis and was brought to



the level of civil servants. This “reform” caused great disturbance in Kartli and Kakheti but ended relatively peacefully.



Domed Church, Sagarejo District, Kakheti, built by Euphemos, Superior of Natlismtsemeli Monastery at Davit Gareji Lavra with the consent of King Erekle II in 1794

Source : <http://www.kakheti.travel/?m=5&double=19>

In 1815, exarch Barlaam carried out reforms in Imereti. Imereti High Priests were deliberate to present necessary documentation for which the government deposed Barlaam and appointed Theophylact Rusanov of Ryazan an exarch. The latter, being a complete ignorant of Georgian church order and traditions, started transforming it into Russian manner.

Religious services were allowed only in Russian language. Theophylact did not like Georgian frescos either and they were lime washed. Autocephaly of one of the oldest churches was abolished at one stroke. Nobody ever expected this from the country having common faith with. “Neither fire-worshipers and Muslim Persians, nor Arabs or pagan Mongols and Turks had ever ventured to do anything like this to Georgian church” (Javakhishvili, 1953, 111).

Rusanov’s attempts to reorganize Georgian church were strongly protested in Imereti and another revolt started in 1819. High priests as well as nobility and peasantry were dissatisfied with reforms since they turned the age-old traditions of social relationships upside down. The revolt spread to Racha and Guria as well. Rebellion leaders wanted the revolt to spread all



over Georgia and North Caucasus. The question of restoration of Imereti Kingdom was raised.

There appeared several pretenders to the throne: Zurab Tsereteli, Ivane Abashidze, but most popular was Prince Alexander (Erekle II's son) who had fled to Dagestan and was in Persia at that time. (AKAK, 1874, 536-537; Bendianishvili, 1980, 83-85)<sup>46</sup> That is how the plan of Georgia's political unification under one monarch, the successor of the King of Kartli and Kakheti, was devised. But naturally, this purely feudal legal form of unification of the state would make sense and yield results only in the event of victorious rebellion. Imeretians knew from their experience that Russian government would not satisfy their demand for self-governance; hence they were struggling for absolute independence. In April 1820, Kaikhosro Gurieli's army defeated the Russian regiment near Shemokmedi. Imereti ruler, Puzirevski died in the battle. But the success turned out to be short-lived. Russian government sent a large regiment led by general Veliaminov. The revolt was stifled. Many Georgian villages were turned into ashes. On Ermolov's words, heavy economic loss, rooting out orchards and vineyards and extreme poverty would be the punishment for West Georgia thereafter (Ermolov, 1863, 212).

Resistance movement of nobility was aiming to restore Bagrationi family in their rights. In 1812 and 1817, Erekle II's grandson Davit Bagrationi presented his concept on Georgia's political system to Alexander I (Enikolofov, 1942, 126-165) assuming that if Russia could put up with the existence of Finland's Autonomy at the border of civilized Europe, given Russia's interests, it would be quite possible to maintain Georgia's Autonomy at Persian border. Georgian statesmen were trying to win the heart of the Russian King flattering him by saying how grateful Kings of Austria, Prussia, France, Spain and Portugal were to him for having been reinstated to their thrones and after 1266 years of reign, Georgian House of Bagrationi also deserved his benevolence and attention. Russian Royal Court considered these appeals anti-State directed against the interests of Georgian people, as Georgia had wilfully joined Russia.

The public opinion established in Georgia was that Russia violated the norms of international law and arbitrarily destroyed one of the oldest states. Hence, during the fight against Russian colonialism they considered it admissible to address third states using any forms inside the country, including terrorism. In the 30s of XIX century, a secret society is being formed whose aim is to get rid of Russian officials by means of conspiracy and restore the Kingdom on the grounds of 1783 Treaty. In Georgian historiography, this period is also considered the

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<sup>46</sup>Solomon II was childless and prince Alexander was the most active among Bagrationi family members. Revolt spread all over West Georgia. The letter of Imereti ruler, Kurnatovski to General Veniaminov proves its popular character. The letter said: "The revolt has spread globally. Nobody supports us. Gurians and Mengrelians are prepared to take joint actions together with Imeretians. Abkhazians have also chosen the same way. Government's loyalty is doubtful. Their power against nation-wide public opinion is negligible."

example of autonomist movement (Gozalishvili, 1935; 1970; Berdznishvili, 1980; 1983; Bendianishvili, 1980, 104).

Conspirators' plan was simple. They linked the start of the revolt with the elections of noblemen's local assembly and leaders. The elections were appointed on 20 November 1832. According to conspiracy plan, that day Luarsab Orbeliani was to host a banquet in his house to be attended by high ranking officials whom the conspirators would either kill or arrest. Next they were to attack the armoury and strategic sites. The revolt had to be spread all over Georgia, North and South Caucasus simultaneously. The rebels proclaimed prince Alexander the King, who was in Persia. Before that, the country was to be ruled by Sejm headed by Erekle II's granddaughter, Princess Tamar. In their plans, they attached great importance to diplomatic activities and western countries' support. Thus, they pinned hopes on Poland's revolt. They viewed the future government system of the country as that of a reorganized and modernized monarchy (Gozalishvili, 1935, 134; Bendianishvili, 1980, 111)<sup>47</sup>.

However, some occasional Republican preferences could also be observed (Gozalishvili, 1935, 92). Conspirators had carried out serious work; they issued a magazine and actively promoted the necessity of restoration of statehood and not only in Georgia. Their plans also envisaged the engagement of Russian army's Caucasian regiments in the war against Shamil, and they hoped to lure out the rest of them from Tbilisi by means of spreading rumours as if Prince Alexander was going to invade with his army. The Russian troops, stationed near the Persian border, left Tbilisi. The date of elections was postponed several times so was the date of revolt until the conspiracy had been disclosed. Participants were arrested. A new wave of repressions started. Georgian printed media was banned...

### **In the 60s of the XIX century, a new stage of resistance movement of Georgia unfolds.**

The generation educated in Russian and European universities return to Georgia. The idea of restoration of statehood acquires new, this time Republican forms. Although Ilia Chavchavadze, the leader of "Tergdaleulebi" (people with western education), was the representative of nobility like the majority of them, his work for public good was a classic example of Liberal trend. Ilia appears to be the supporter of nation state in the concept of country's self-governance.

"Tergdaleulebi" faced numerous problems. The major problem consisted in that Russian assimilatory policy was directed exactly at national language, national church, national identity, national pride and statehood. The task set before them was to regain the lost national values. Equipped with European education, they were under the influence of on-going European processes. The history of European public opinion of the first half of the XIX century is characterized by upsurge of Liberal-National movement. Nation state was not the end in itself. National rights were derived from human rights that are individual and

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<sup>47</sup>The project considered creating "upper and lower chambers". Kings and ministers would belong to the upper chamber and the elected deputies – to the lower chamber. No information is given on the distribution of power.

universal. The doctrine on popular sovereignty considers a nation the collection of people recognizing the same justice, represented by the same legislative meeting and having same government accountable to them. Thus, it meant transition to civil nation state. National and popular interests came forth instead of previously existing abstract state interests that were equalled to dynastic interests. Civil society (bourgeoisie) had always called for unity in its theoretical aspirations since citizens' interest in disposing the capital was that of national character.

In the beginning of the XIX century, Liberal-Democratic national movements primarily hoped to implement the ideas of freedom, democracy and parliamentarism in the nation state. For them, nation state was a synonym of democratic constitutional state and Parliamentary government was the only means of implementation of these ideals. The heroes of European "Risorgimento" were poets, linguists, historians who contributed to their peoples' cultural awakening and political identity in the nation state by means of word and print. These were: for the Germans – Iohann Gottfried Herder, Johann Gottlieb Fihte, Friedrih Ludwig Jahn, publicist Ernst Moritz Arndt; for the Greek– poet Rigas Vellestinlis, philologist and the creator of modern Greek language Adamantios Korais, for the Irish – Daniel O'Connell, poet Thomas Davis, for the Polish- historian Joachim Lelewel, writer Adam Mickiewicz, for the Czechs – historian Frantisek Palacky, in Italy - Giuseppe Mazzini. Their work was directed at the reform of national language and strengthening national identity. "Awakeners" of the nation based their judgment on the idea that the nation should speak one language and that language unity was the precondition of the nation state. Language boundaries were viewed as natural borders of the state. That is why they were striving to create literature in national language. In this regard, they often appeared to be language reformers. "Tergdaleulebi" were influenced by this movement and the work of their outstanding representative, Ilia Chavchavadze is the summary of it all. Creation of modern literary language, reforming the alphabet, the slogan "Motherland, Language, Faith" speaks for the fact that Ilia Chavchavadze consistently carried out the ideas of common European phenomenon – Liberal Democratic Nationalism in Georgia. For him, Liberalism was the means of achieving national freedom through personal freedom. One of his famous heroes, Lelt Ghunia epitomizes exactly this idea. Ilia had a perfect understanding that under given circumstances, it was impossible to speak about Georgia's full independence. Therefore, he was working relentlessly for obtaining the right to self-governance and Autonomy.

Georgian newspapers and magazines issued on the initiative of "Tergdaleulebi" actively promoted the idea of nation state, strongly supporting national movements of Italians, Polish and others. They actively cooperated with Russian Liberals. (Bendianishvili, 1980, 119-123) Gradually political demand for transforming Russia into a Federal State is being matured. However, Georgian statesmen could not dare to promote the idea overtly out of fear of censorship in the 70s of the XIX century; but on the other hand, they welcomed the plans of transformation of Austria on Federal basis (Nikoladze, 1960, 73-77).

The revolt broke out in Bosnia-Herzegovina against Turkey in 1875. Georgian society expressed solidarity to rebels and criticized the policy of England supporting Turkey (newsp. „Droeba“, 1875, № 95). An uprising began in Ajara (which at that time was within the Turkish boundaries). Georgians did not want to fight against the Balkans being part of the Turkish army. Thus, they refused to join the army and revolted against Turkey. This ended in the attack on Turkish regular army. Georgian political leaders were watching the development of events feeling obliged to help their brothers (newsp. „Droeba“, 1875, № 110). Such unanimity of Georgian people played a great role in Russo-Turkish war in 1878 for the benefit of Russia resulting in Ajara's annexation to Russian Empire and their return to historical borders of Georgia. (Melville, R und Schröder H-J, (Hrg) Der Berliner Kongress von 1878, Die Politik der Grossmächte und die Probleme der Modernisierung in Südosteuropa in der zweiten Hälfte des 19 Jahrhunderts, 1982, Wiesbaden, 51-63; 205-225; 369-383; 473-485; Istoriya Diplomatii, 1963, 126-133)<sup>48</sup>.

The Georgian public officials approached the renewal of their relationships with Ajarian people with great delicacy. They helped them in establishing Georgian schools and print media. The religious differences, being the most delicate issue, were approached with tolerance. By progressive Georgian public, while Russian government placed emphasis exactly on the above feature trying hard to turn it into source of tension (Bendianishvili, 1980, 139-140).

The idea of possibility to use political methods instead of armed conflict was gradually maturing in Georgian and, generally, in the Caucasian society. They considered it important to work actively in self-government bodies of the nations. Complicated external circumstances and “Liberal reforms” carried out by Tsarist government seemed to allow the above. In Caucasia, they fostered hopes for Speranski's work in Petersburg. Georgian newspaper “Drosha” is issued in 1873 in Paris and Caucasian statesmen supporting the idea of building up the country on federal basis rally round it. Here emerges the idea of creating Caucasian Federation and its secession from Russia (Khundadze, 1928, 315-316)<sup>49</sup>. The Congress held in 1874 in Geneva was attended by the representatives from all social political circles of Caucasia. Most Congress participants supported the idea except “Narodniks”, who went against secession from Russia (Khundadze, 1928, 321).

Ilia Chavchavadadze was developing the idea of Russia's transformation into a Federal State with particular consistency. Thus, the issue of political Autonomy of Georgia was considered within the context of the Russian national political situation. The cooperation of the Georgian

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<sup>48</sup> Although Russia ceded the Kars district, i.e. the historical part of Lazistani, according to the Treaty of Berlin, the city itself was the constituent part of Karsim, as well as Ardahani (Artaani). The return of Ajara to Georgia was an extremely important phenomenon by itself. Batumi was transferred to Russia, however was declared Porto Franco, which clearly indicates the fact that the English, Turks, Prussians and Austrians had trade-economic interests in Caucasia.

<sup>49</sup> The idea belongs to P. Izmailov, but he was supported by Georgian public officials.

political organizations or individuals with the Russian Revolutionary movement was of great importance. The new generation of the Georgian students studying in the Russian universities had excellent relationships with leading figures and revolutionary organizations of Russia. However, they did not have their own political organization. That's why they organized the first Student Congress in 1892 in Kutaisi in which Georgian students from Petersburg, Moscow, Kiev, Odessa and Warsaw took part. They discussed burning issues of Georgian society, among which the national question was, certainly, the central one. Debaters paid a special attention to the definition of nation. They pointed out that racial, ethnic and religious signs fell by the wayside. Finally, they formulated the concept as follows: **The nation is a spiritual unity of groups linked by common language, mutual love, customs and habits and history.** Besides, the Congress emphasized the great importance of territory for the nation (Shvelidze, 1969, 56-57).

The declared aim of the Georgian students' organization was serving the country and Georgia's liberation from Tsarism. The Congress rejected the idea of active cooperation with Russian revolutionaries but not because they considered it impossible to fight jointly against Tsarism, but because the Georgian students did not want to disperse their scarce forces. The Congress requested political consolidation of the Georgian students and creation of a secret organization. The latter was called "Freedom League of Georgia". The working plan of the League looked as follows: its aim was to set Georgia on a path of new social-economic and political development, explain the reasons of its backwardness to people. The League paid great attention to the problems of other Caucasian peoples, aspired to cooperation with them so that they acquired independence and unite into Federation if they desired. Georgian students devoted great attention to other non-Caucasian ethnic groups and the League had to take care of their rights. Basically they supported such formation in Caucasia which would rule out national, religious or any other type of oppression. Georgian students considered that this way they would match national interests to universal principles. Having been brought up on national discrimination, they protested all kind of inequality (GCSHA, Fond 12, Dept. 13, folder 438, 2-4).

Student organization leaders attached great importance to the relationships with the Russian Social Democrats and European political organizations. It's worth mentioning that they failed to form one monolithic organization due to the members' different outlooks. After the League was dissolved, its members joined different parties. Majority became members of Socialist – Federalist and National Democratic Parties, whereas minority held the Marxist position. The second Congress of the League was held in July 1893 in Tbilisi. Gendarmerie got hold of the organization documents. Most members were arrested. The organization fell apart. This was the end of the second stage of the Georgian national movement.

XX century started with active social and national movements in Russia, especially before and during the first Revolution. Newspaper "Iveria" founded by Ilia Chavchavadze advocated common democratic principles in the period of the revolution but its main value was



regaining national statehood. The priority of the so-called *minimum programme* for “Tergdaleulebi” was to obtain the status of Autonomy. According to the plan of “Iveria” editorship, the Federal South Caucasia was to enter the Russian Federation which would unite territorial autonomies. “Tergdaleulebi” were trying to establish a precedent of creating Georgian, Armenian and Azerbaijani political autonomies. However, the Armenian public officials were against such a formulation. While agreeing with the Autonomy of the South Caucasia they fought against the idea of building it on federal principles (Newspaper “Iveria”, 1905, №№ 37; 38; 39)<sup>50</sup>. The Georgian national-territorial Autonomy became the subject of discussion among Georgian nobility as well. They appealed to the Russian King with the request to grant Georgia the status of Autonomy. Naturally, the Republican “Tergdaleulebi” were aware of nobility’s desire to retain their privileges but despite this, they closely cooperated with them, since their primary objective was to gain the right of self-governance (“Iveria”, 1905, №№ 41; 42; 43; Bendianishvili, 1980, 167). As true Democrats and Republicans, “Tergdaleulebi” saw their main support in broad masses of people in the nation. Given the serious class confrontation, “Tergdaleulebi” called the nation for unification by placing the priority on the consolidated national interests. “Tergdaleulebi” supposed that under the circumstances of national self-governance, the Georgian nation would settle its social problems and it was only possible to defend workers’ interests living on the periphery within autonomous units. “Iveria” editorship could clearly see that each social class interpreted the concept of Autonomy for their own benefit. They believed it was necessary to have a temporary agreement between the existing parties in order to achieve the common goal, since getting rid of Tsarist bureaucracy and creating free political order instead, served everybody’s interests. In their opinion, such system would create preconditions for each class to defend their interests. Thus, the issue of primary importance for Ilia Chavchavadze and his like-minded people was to seek mechanisms to harmonize general national principles which in their opinion would be national Autonomy based on common democratic principles. Naturally, “Tergdaleulebi” only welcomed the involvement of nobility in the common process but this picture would be incomplete if “Tergdaleulebi” failed to involve such numerous party as Social-Democrats in their activities (**Back in the 90s of XIX c. Georgian public figure G. Laskhishvili promoted the theory of expediency of uniting all political organizations on national basis** (newsp. “Iveria”, 1895, № 19, Shvelidze, 1993, 25-28; Laskhishvili, 1992). Their statements on declaring Social Democratic Party a genuine advocate of working people’s interests, served the above mentioned aim (“Iveria”, 1905, №№ 32; 33; 60; 62; 63; Bendianishvili, 1980, 168).

Therefore, Social Democrats were given their own space in the common process. But for the Georgian Social-Democrats who were firmly standing on the principles of proletarian internationalism, class interests came before national. Georgian Marxists refused to demand

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<sup>50</sup>Such position of Armenian public officials was naturally the result of their ambitions, which indicates that the conflicts in South Caucasus had to be considered from historical perspective, i.e. against the background of the dynamics of development of national political concept of Caucasian peoples.



national Autonomy for Georgia. Moreover, the doctrine of class struggle disunited Georgian political spectrum having been pieced together so laboriously. This turned out to have been tactically advantageous for the Russian Party (Georgian Marxists represented a Georgian faction of All-Russian Social-Democratic Labour Party) in order to come to power, but not so beneficial for Georgia. Thus, for the Georgian Social Democrats, the Georgian Autonomy was not a political goal, at all. It was not included in their program. So the unification of the Georgian social political forces on a common democratic basis proved impossible. The first national-democratic concept appears back in 1901-1902 – “The grounds for common actions” whose author believed that the above pointed historical moment created the grounds for common practical actions for disputing groups. These were:

1. Protection of Georgian language,
2. Establishment of Georgian trade and industry,
3. Keeping Georgian economy in hands of Georgian people
4. Popular-cultural work and Georgians’ interference into municipal self-governance (Shvelidze, 1993, 58).

The author of this theory recognized the existence of classes and their interests but was against class antagonism in contrast to the principle of class cooperation. Thus, **under national oppression, unification on national basis was given a priority over social matters**. The author of the theory - Archil Jorjadze, a nobleman, supported democratic system. Not being content with theoretical work solely he started practical activities.

In 1903, Georgian newspaper “Sakartvelo”

was launched and the ground for the foundation of Socialist-Federalist Party was laid in Paris. The first conference of the Georgian revolutionaries living abroad opened on 1 April 1904 in Geneva and was attended by Georgian anarchists, Socialist-Revolutionaries, Social Democrats and National Democrats, 26 people in total. The main goal of the conference was to establish a political party, which would unite all Georgian political organizations under one flag. The Social Democrats headed by N. Zhordania left the conference since the key issue of national Autonomy turned out unacceptable for them. The resolution adopted by the Conference regretfully pointed out that the Georgian Social-Democrats did not represent an independent party as they remain the constituent part of the Russian Social-Democrats. Therefore, the Georgian Autonomy was unacceptable for them (Shvelidze, 1993, 132-136).

**The major outcome of the Geneva conference was the foundation of the Georgian Socialist Federalist Revolutionary Party**, uniting political groups of different trends: the group of newspaper “Sakartvelo” – was the core part, Anarchists, Socialist Revolutionaries, and National Democratic group of Liberal orientation. Such miscellaneous composition

makes us think that the social issue about the forms of ownership played a minor role and the main task was to unite under the flag of the Autonomy demand. In this respect, withdrawal of the Social Democrats was a heavy loss. The major goals of this non-proletarian party should be viewed as follows: the final goal was full independence but in the given reality, separatism was condemned. They supported the overthrow of the autocracy and democratization, but not democratic centralism of Russia, which would not consider minority interests. **Here is the formula: Georgian Autonomy within the Federation of South Caucasia and the membership to South Caucasian Federation within the Russian Confederation.** Unlike Social Democrats, declaring themselves proletarian advocates, Socialist Federalists, given the peculiarities of Georgia, considered themselves defenders of peasantry interests. They opposed the Marxist formula of turning peasantry into proletarians and viewed a peasant as a petty proprietor, producer. In order to restrict selling lands by peasants and moving to cities, they supported Socialist Revolutionaries' program. The land was to be transferred to democratically established territorial unions for public use. Certainly, the Socialist-Federalists were not the political party of the same orientation. They were united under "romantic-utopist" theory of common grounds. They failed to achieve the main goal – uniting all political forces. The Social Democrats from the left and separatists from the right criticized them heavily. The Social-Democrats had no difficulty in assuring broad masses that the Socialist Federalists were a nationalist and small bourgeois party. The hard core of the party had no mechanisms of propaganda abroad, so they couldn't have been Social-Democrats' competitors.

The arguments between Socialist Federalists and Social-Democrats that Georgian political Autonomy would not only break up the unity of proletarians and internationalism, but rather support their unity, made no sense either (newsp. „Cnobis Purceli“, 1905, № 2805). So, the Socialist Federalists were strongly opposed to Georgian Social-Democrats, although found much in common with European Social-Democrats. "Federalists, in their debates concerning national question, based their judgment on Revisionists and declared themselves the followers of the European Socialism" (Bendianishvili, 1980, 179). Federalists' leader, Archil Jorjadze was trying to prove scientifically the fairness of having a state for each nation. For him nation and state are inseparable concepts. Thus, Jorjadze favoured the concepts of 18<sup>th</sup> century Europe (Jorjadze, 1911, 88). **For Federalists, the Treaty of Georgievsk served the legal basis for demanding national Autonomy, or statehood.** However, being Republicans, they were against monarchy and supported Constitutional Parliamentarism.

**Georgian "Mensheviks" criticized the idea of Georgia's Autonomy.** For Zhordania the demand for Autonomy is Nationalism in the sense of reactionary. He was against the idea that Federalists used Federalism as a means of implementing Socialism, as Federalism did not imply Democratism (Ani, 1917). In his work "We and Federalists", N. Zhordania, opposes the idea of national-territorial Autonomy (i.e. political self-governance). He makes a clear distinction between territorial and national Autonomy considering nationality only a cultural

phenomenon, and is inclined to cultural Autonomy. Thus, Autonomy was to be granted not to Georgia, but to the Georgian nation regardless of territory, having only cultural-educational issues under its competence. For him, nationalism is a reactionary, aggressive phenomenon. Contrary to that, Archil Jorjadze and Socialist Federalists' newspaper "Tsnobis Purtseli" demanded having national-territorial or political Autonomy based on Constitutional Parliamentarism and constitutional protection of minorities residing in Georgia. It clearly shows that if Socialist Federalists shared Liberal-Democratic values, N. Zhordania was under the utopian influence of Russian interpreters of Marxism.

To avoid further theoretical debates it could be only emphasized that Zhordania and his party fellows did not have national statehood in their programme, even in the form of Autonomy. However, it should be noted that a group of autonomists had existed among Georgian Social-Democrats since 1905, headed by V. Darchiashvili (Sidamonidze, 1970, 161). Presumably, Geneva Congress greatly influenced V. Darchiashvili's views. He was the delegation member of Social Democrats, although he did not leave the Conference together with his fellow party members (Shvelidze, 1993, 125-149).

As mentioned above, the Federalist Party was diverse in content. From the day of its foundation, especially in the beginning of the Revolution, a clear trend of its right - National Liberal, non-Socialist wing headed by Shalva Amirejibi, Spiridon Kedia was distinguished. Besides, the political figures that never joined Socialist-Federalist Party rallied round the magazines "Tsnobis Purtseli" and "Sakartvelo".

During the first Russian Revolution patriotically minded nobility and a group of bourgeois intellectuals attempted to create National-Democratic Party. "Tsnobis Purtseli" published "Georgian Autonomists' **Constitutional-Democratic Party** Programme" in 1906. Georgian historiography considers it the first document of National-Democratic Party (Shvelidze, 1993, 200; Mamulia, 1989). Ilia Chavchavadze became the ideological leader of a new Party. National-Democrats considered their party as class-free and national oriented (Veshapeli, 1918). Thus, their **main goal was to build National Statehood, at least in the form of Autonomy**. The meeting of Local government and municipal authorities of the Russian Empire took place in September 1905, which actually supported Federal system of Russia. In April 1906, Ilia Chavchavadze was elected as a member of the state council where he demanded an expanded local self-governance for non-Russian nations. In 1907, the Hague Conference adopted the Petition of Georgian people. Presumably, the document was initiated by Varlam Cherkezishvili (Laskhishvili, 1992, 240-246). "Society in Defence of Georgia" based in London passed the document over to Ernest Niss, the professor of Brussels University who presented the Petition to the Conference (See the Petition text and Earnest Niss's conclusion by Tsereteli, 1916, 59-65; 69-71) which basically emphasized that Russia's unilateral violation of the Georgievsk Treaty termsthat gave the right to Georgia to restore self-governance. The text mentions the loss of autocephaly of the church, Russification

policy, repressions in 1905 during the crush of the Revolution and reprisals carried out by Russia based on nationality.

Thus, the tendency established in Georgian national movement was to set the precedent where international organizations would discuss the issue of Georgia on the basis of international law and raise the question on restoration of its juridical and moral rights to statehood. However, given the real political situation, the authors of the Petition never went further than demanding political Autonomy. It is noteworthy that due to Russian influence, the Petition had never been discussed at the conference.

It must be noted that **the demand for Autonomy was such a fair and fundamental political instrument that it even extended to the ranks of Georgian Mensheviks.** Their opinion regarding Autonomy evolved noticeably after 1905 Revolution. Initially, Zhordania's demand did not go further than regional self-governance of Caucasasia. Naturally, revolutionary party would have been interested in having democratic institutions in place, as a political instrument. It was on Akaki Chkhenskeli's initiative that Social Democrats demanded cultural Autonomy in 1906, which naturally caused Lenin's rage (Lenin, 1973, 174-178).

Autonomists' movement and their ideas were hugely popular all over Russia and that is why RSDLP, the follower of Democratic Centralism, was forced to put the national question on the agenda of the II Congress. While they refused the Bundists to build their party on Federal principles, the *minimum program* included a more extensive local self-governance, the right to people's education in their language and the ephemeral right to national self-determination. Martov demanded regional self-governance for such large units, as Finland, Poland, Lithuania and Caucasasia. Georgian Bolsheviks, Philippe Makharadze, Alexander Tsulukidze strongly disagreed with the idea of any Autonomy which would cut off Georgian proletarians from the rest of the world. In their view, only proletarian unity would be able to break capitalists' opposition. Thus, they were going to settle the national question only after the victory of Socialist Revolution (Newsp. "Mogzauri", 1905, №17; № 21; № 30; Newsp. "Chveni Tskhovreba" 1906, №№ 9; 11; 13, Akhobadze, 1965, 113-147).

Mensheviks' printed organ "Nachalo" supported Autonomy and Federal system. It allowed autonomists group leaders of Georgian Social Democrats headed by Vladimir Darchiashvili to address the IV Congress of South Caucasian Social-Democrats in 1906 with the demand for Autonomy. Finally, Bolsheviks maintained the position of political centralism, while Mensheviks under the leadership of Noe Zhordania supported Regional self-governance of Caucasasia (Akhobadze, 1965, 246 – 256; Sidamonidze, 1970, 174-186). The Georgians, Azeri and Armenians in the Caucasian regional self-government had to be content with cultural Autonomy. Therefore, Mensheviks occurred among the ranks of autonomists. Archil Jorjadze, Federalists' leader welcomed this fact and considered it the important stage in the process of unification of Georgian political circles rallying round the national idea, however,

he criticized the Social–Democrats for inconsistency, saying that it was high time that Mensheviks finalized the national program and should not stop halfway through (Jorjadze, 1911, 269-271).

**National question was so significant in the period of a new upsurge of the revolutionary movement that even Bolsheviks paid due attention to it.** Stalin wrote his famous work “Marxism and the National Question” in 1912. The idea of the work consists in that the final resolution of national question is solely connected with building socialism, although resistance can also be minimized within capitalism. This is the democratization and the opportunity for nation’s free development. Stalin cynically comments: *“A nation has the right to arrange its life on autonomous lines. It even has the right to secede. But this does not mean that it should do so under all circumstances, that Autonomy, or separation, will everywhere and always be advantageous for a nation, i.e., for its majority”* (Stalin, 1946, 312).

Stalin certainly left the final say to the party, assigning it the function of an arbiter and protector to recover and rescue the nations who would seek independence to their own detriment. But at the same time, Stalin gave advantage to Autonomy not based on national peculiarities that “disunite people and workers” but on territorial basis, which contrariwise unites population and divides it on grounds of classes, which is undoubtedly a “progressive phenomenon”. Stalin viewed the nation as an economic unity, independent from the state. According to him, the Czechs and the Poles developed into a nation in Austria, the Croatians – in Hungary, the Lithuanians, Latvians, Ukrainians, Georgians and Armenians – in Russia (Stalin, 1946, 305).

An exception in West Europe became a rule in the East. That is why he makes distinction between the concepts of national and territorial Autonomy. Under national he implies cultural. Such approach is purely pragmatic indeed prompted by the objective of creating socialist nation. That he calls people from Ajara<sup>51</sup> and Kobuleti<sup>52</sup> separate nations does not stand up to criticism (Stalin, 1946, 350). Stalin regarded the resolution of a national question in Caucasia as incorporation of belated nations into the highest cultural mainstream (Stalin, 1946, 351). Here Stalin appears as a typical integral nationalist. In this light he supported regional Autonomy of South Caucasia which meant that demanding Autonomy for Georgian or other Caucasian nations separately, would bear bourgeois and therefore, reactionary character. According to his earnest conviction, national question depended on agrarian issues (Stalin, 1946, 319). Yet he had to admit that it was necessary to build separate autonomies in

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<sup>51</sup>Ethnic Georgians of the Muslim faith.

<sup>52</sup>Kobuleti - a town in the Georgian province of Adjara, inhabited by ethnic Georgians – Gurians (Guria - a province inhabited by ethnic Georgians Christian Orthodox denomination).

Poland and Ukraine. Thus, Stalin equalled Caucasia to them<sup>53</sup>. Such approach allowed Bolsheviks to come out in a united front in the Revolution.

1912 Bolsheviks and Mensheviks reached agreement, about the autonomy of the Caucasus. On the contrary, the Socialist-Federalists demanded the autonomy of Georgia in the State Duma (newspaper "Imereti" 1912, № 75; Bendianishvili, 1980, 198).

A different, non-socialist position in the social sphere and the demand for Georgian independence preconditioned secession of National-Democratic wing from the ranks of Federalists. Despite its final legalization in 1917, they started working in this direction from the beginning. In 1913, a group called "Free Georgia" was formed in Geneva whose active member was Petre Surguladze. National-Democrats demanded Georgia's full independence; however they placed the emphasis on contractual relationships. From tactical point of view, Caucasian Federation accepted certain Autonomy but long-term program still maintained full independence of Georgia (Chkhikvishvili, 1992).

Upon their return to Georgia, National Democrats start acting according to local reality. Petre Surguladze stays in Geneva and starts intensive work to develop relationships with the central powers in order to obtain a guarantee of recognition of Georgia's independence in case of victory. Next he establishes contacts with Mikheil Tsereteli and Giorgi Machabeli, the adherers of Anarchist ideas, who set up "The Committee of National Independence of Georgia" in Berlin whose main goal was to receive guarantees from German and Turkish governments on recognition of Georgia as an independent political body. Besides, another group of Georgian public figures headed by anarchist Varlam Cherkezishvili carries out similar activities in London with Entente countries.

This extremely significant sphere, which indeed requires due attention, has never been covered in Georgian historiography. The fact is that owing to the German policy, which implied revolting the countries bordering Russia, as well as due to the military achievements of the central powers, activities of the committee of the national independence proved to be much more effective...

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<sup>53</sup> It is worth mentioning that today's so-called "ethnic conflicts" in the Transcaucasus actually just the consequences of Stalin's conception of the "territorial autonomies" and in our opinion, should be examined precisely in this context by the scientists, or politician.



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## *A Factsheet on the EU-Ukraine Relations from mid July, 2014<sup>54</sup>*

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The European Union is currently focusing its efforts on de-escalating the crisis in Ukraine. The EU calls on all sides to continue engaging in a meaningful and inclusive dialogue leading to a lasting solution; to protect the unity and territorial integrity of the country and to strive to ensure a stable, prosperous and democratic future for all Ukraine's citizens. The EU has also proposed to step-up its support for Ukraine's economic and political reforms.

### **A priority partner**

The EU is committed to a policy of sequenced engagement with Ukraine and to a close relationship that encompasses gradual progress towards political association and economic integration. Ukraine is a priority partner country within the European Neighbourhood Policy (ENP) and the Eastern Partnership (EaP). The Partnership and Cooperation Agreement between the EU and Ukraine, which entered into force in 1998, provides a comprehensive framework for cooperation between the EU and Ukraine in key areas of reform. An Association Agreement, including a Deep and Comprehensive Free Trade Area, was negotiated in 2007-2011 and initialled in 2012. On 10 December 2012, the Council of the European Union adopted Conclusions on Ukraine that affirmed the EU's commitment to signing the Agreement as soon as Ukraine had taken determined action and made tangible progress towards achieving the benchmarks set out in the Conclusions. An updated version of the EU-Ukraine Association Agenda was also endorsed by the EU-Ukraine Cooperation Council on 24 June 2013<sup>55</sup>.

On 21 November 2013, the Cabinet of Ministers of Ukraine took a decision to suspend preparations to sign the Association Agreement at the Eastern Partnership Summit in Vilnius. The EU took note of the unprecedented public support in Ukraine for political association and economic integration with the EU. On 21 March 2014 the EU and Ukraine signed the political provisions of the Association Agreement, underlining its commitment to proceed to the signature and conclusion of the remaining parts of the Agreement, which together with

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<sup>54</sup>This fact sheet has been written before the tragic shootdown of the Malaysian Airlines aircraft with 298 people on board.

<sup>55</sup>Originally adopted in 2009 and updated in 2011, the Agenda replaced the former Action Plan preparing for and facilitating the entry into force of the Association Agreement.

the political provisions constitute a single instrument. These steps confirm Ukraine's free and sovereign decision to pursue Ukraine's political association and economic integration with the European Union. Following the completion of technical preparations, the EU and Ukraine signed the remaining provisions of the EU-Ukraine Association Agreement in Brussels on 27 June.

## **Recent events**

The EU has been following the political situation in Ukraine closely and has been deeply engaged in seeking a solution to the crisis that developed after months of peaceful protest on the central 'Maidan' in Kyiv following the government's announcement regarding the Association Agreement.

Catherine Ashton, High Representative of the Union for Foreign Affairs and Security Policy/Vice-President of the Commission, and Commissioner for Enlargement and Neighbourhood Policy Štefan Füle have visited Kyiv on multiple occasions since the outbreak of the protests, as have Foreign Ministers from numerous EU Member States and Members of European Parliament in a near-constant demonstration of this engagement. In meetings with the authorities, opposition leaders and representatives of civil society, the EU's efforts have been focused on facilitating dialogue and assisting efforts to stabilise the political situation. The Council of the European Union in its Foreign Affairs formation (convened and chaired by HR/VP Ashton) adopted Conclusions on 10 February 2014 underlining its concern notably over reported abuses of human rights and cases of violence, intimidation and missing persons, expressing its readiness to react quickly to any deterioration on the ground. HR/VP Ashton convened an extraordinary session of the Foreign Affairs Council on 20 February 2014, where in light of the deteriorating situation, the EU decided notably to introduce targeted sanctions and Ministers agreed to suspend export licences on equipment which might be used for internal repression. Expressing deep dismay at the deteriorating session and condemning in the strongest terms all use of violence, the EU urged all sides to engage, without further delay, in a meaningful dialogue, to fulfil the legitimate democratic aspirations of the Ukrainian people.

A second extraordinary meeting of the Council on 3 March 2014 condemned the clear violation of Ukrainian sovereignty and territorial integrity by acts of aggression by the Russian armed forces as well as the authorisation given by the Federation Council of Russia on 1 March for the use of the armed forces on the territory of Ukraine. The EU called on Russia to immediately withdraw its armed forces to the areas of their permanent stationing, in accordance with the Agreement on the Status and Conditions of the Black Sea Fleet stationing on the territory of Ukraine of 1997. The EU also commended the measured response demonstrated by Ukraine. The Council on 5 March adopted EU sanctions focused

on the freezing and recovery of misappropriated Ukrainian state funds, targeting 18 persons identified as responsible for such misappropriation and whose assets within the European Union have been frozen. The sanctions also contain provisions facilitating the recovery of the frozen funds, once certain conditions are met.

In a statement of the Heads of State or Government following an extraordinary meeting on 6 March, the EU underlined that a solution to the crisis must be found through negotiations between the Governments of Ukraine and the Russian Federation, including through potential multilateral mechanisms. Having first suspended bilateral talks with the Russian Federation on visa matters and discussions on the New (EU-Russia) Agreement as well as preparations for participation in the G8 Summit in Sochi, the EU also set out a second stage of further measures in the absence of de-escalatory steps and additional far-reaching consequences for EU-Russia relations in case of further destabilisation of the situation in Ukraine. In the absence of de-escalatory steps by the Russian Federation, the EU on 17 March adopted restrictive measures against persons responsible for actions which undermine or threaten the territorial integrity, sovereignty and independence of Ukraine as well as persons and entities associated with them. In this regard, 21 persons were identified and targeted with a travel ban and a freeze of their assets within the EU. On 21 March the EU strengthened its sanctions in this regard with additional measures against a further 12 individuals. The EU also strongly condemned the holding of an illegal "referendum" in Crimea on joining the Russian Federation, in clear breach of the Ukrainian Constitution. The EU does not recognise the illegal "referendum" or its outcome. HR/VP Ashton said: *"We want to underline very clearly that there is still time to avoid a negative spiral and to reverse current developments."*

The European Council of 20 March 2014 strongly condemned the illegal annexation of Crimea and Sevastopol to the Russian Federation, asking the Commission to evaluate the legal consequences of this action and to propose economic, trade and financial restrictions regarding Crimea for rapid implementation<sup>56</sup>. EU leaders also recalled that any further steps by Russia to destabilise the situation in Ukraine would lead to additional and far reaching consequences for relations in a broad range of economic areas. HR/VP Ashton expressed her grave concern on 8 and 13 April about the surge of actions undertaken by armed individuals and separatist groups in various cities of eastern Ukraine, commending the Ukrainian authorities for pursuing their law and order operations in a measured way to establish the authority of the state. Following a meeting of the Foreign Affairs Council on 14 April the EU called on Russia to repudiate lawless acts in eastern Ukraine and pull back its troops from the Ukrainian border. In light of the latest events the Council decided to expand the list of those subject to assets freeze and visa bans. HR/VP Ashton underlined: *"Free and fair Presidential*

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<sup>56</sup>As part of the EU's non-recognition policy regarding the illegal annexation of Crimea/Sevastopol, the Council on 23 June prohibited the import of goods from Crimea and Sevastopol if they don't have Ukrainian certificates: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/143342.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/143342.pdf)

*elections on 25 May are the best way to express the will of the citizens, as is the process of constitutional reform. We will continue to support the efforts to stabilise the situation in Ukraine economically, financially and politically".* She added: *"We will also continue our diplomatic engagement to try to deescalate the crisis and stabilise the situation. It is crucial that Russia and Ukraine engage in a meaningful dialogue to find a political solution."*

HR/VP Ashton participated in a meeting between the European Union, the United States, Ukraine and Russia in Geneva on Thursday 17 April to discuss the crisis in Ukraine. In a joint statement issued following the meeting, it was agreed inter alia that all sides must refrain from violence, intimidation or provocative actions; that all illegal armed groups must be disarmed and illegally occupied buildings and public places vacated with amnesty granted to those who did so; that the OSCE Special Monitoring Mission should play a leading role in implementation of these de-escalatory measures and that the constitutional process announced by the Ukrainian authorities would be inclusive, transparent and accountable.

HR/VP Ashton in a statement on 24 April expressed her grave concern following continued reports of kidnappings, torture and killings in eastern Ukraine, calling on all parties to the Geneva agreement to implement its terms, including by using their leverage on illegal armed groups to stop violence and to make them hand in their arms. In a statement from leaders of the G7 on 26 April the EU welcomed the positive steps taken by Ukraine to meet its commitments under the Geneva accord, including work towards constitutional reform and decentralisation, the proposal of an amnesty law for those leaving seized buildings and supporting the work of the OSCE, noting the restraint used in dealing with armed bands illegally occupying government buildings and forming illegal checkpoints. In contrast, Russia's lack of concrete actions in support of the Geneva cord was noted along with continued escalation of tensions through rhetoric and ongoing military manoeuvres on the Ukraine's border. In line with the G7 statement and as agreed at the Foreign Affairs Council of 14 April, the EU on 28 April expanded the list of persons subject to targeted sanctions for actions undermining Ukraine's territorial integrity sovereignty and independence, with travel bans and asset freezes on a further 15 individuals. HR/VP Ashton also expressed alarm at the worsening security situation in eastern Ukraine, condemning incidents of violence and intimidation which undermine the normal functioning of the legitimate State institutions and calling for the immediate release of all illegally detained persons. On 12 May 2014 the Foreign Affairs Council underlined the EU's strong support for free and fair Ukrainian Presidential elections on 25 May, and called on all parties to do so, in order to overcome the crisis and allow the Ukrainian people to choose their own future. It underlined that the EU would not recognise any illegitimate and illegal "referenda".

Repeating the EU's call for a thorough investigation of the tragic events of 2 May in Odessa and for those responsible to be brought to justice, the Council also reconfirmed the EU's full commitment to the Geneva Joint Statement of 17 April, calling on all parties to implement it and reiterating its demand for Russia to call back its troops from the Ukrainian border. The



work undertaken by the OSCE and its Special Monitoring Mission was commended. In light of recent developments and in the absence of steps towards de-escalation, the EU broadened its sanctions in relation to the situation in Ukraine: it expanded the criteria allowing visa bans and asset freezes to be imposed and targeted 13 further persons and two entities with these measures.

Presidential elections held in Ukraine on 25 May were characterised by a high turnout and the clear resolve of the Ukrainian authorities to hold a genuine democratic exercise in line with international commitments and respecting fundamental freedoms, despite a hostile security environment in two eastern regions, according to the preliminary assessment of the OSCE/ODIHR. HRVP Ashton in the run up to the vote reiterated the EU's strongest support for the holding of free, transparent and fair elections to allow the Ukrainian people to choose their own future and as a major step to de-escalate tensions and restore stability. The adoption by the Verkhovna Rada of a Memorandum of Peace and Concord was welcomed on 21 May as a particularly positive step to facilitate Ukrainian-led solutions in this regard. Having taken good note of the preliminary election assessment and calling on all parties to respect the outcome, the EU in a statement by Heads of State and Government on 27 May reaffirmed its firm stance on the upholding of Ukrainian sovereignty and territorial integrity, encouraging the Ukrainian authorities to build on the legitimacy of the newly elected President and continue to reach out to the population of all regions of Ukraine, including through on-going round tables of national dialogue.

The High Representative, as well as the Presidents of the European Council and Commission, congratulated Petro Poroshenko on his victory, looking forward to working closely together with the next President of Ukraine in view of ensuring its political and economic stability. While violence in eastern Ukraine continued as a matter of deep concern, the High Representative welcomed President Poroshenko's announcement of a ceasefire and 15-point plan for the peaceful settlement of the crisis, which was also welcomed by the Council on 23 June as a major chance for de-escalation. The Council called on all sides to agree and honour a ceasefire and called on Russia to support the peace plan and adopt measures to stop the flow of illegal fighters, arms and equipment over the border into Ukraine, as well as to use its influence on separatists to stop the violence and lay down their arms. The Council also expressed its concern about the rapidly deteriorating human rights and humanitarian situation in Eastern Ukraine and Crimea, as highlighted by the latest report of the Office of the UN High Commissioner for Human Rights. The EU welcomed the release of the remaining four monitors of the OSCE Special Monitoring Mission in Ukraine on 28 June, calling for further hostages detained by illegal armed groups to be released without delay and reiterating its support for the work of the OSCE. In a statement on 3 July the EU expressed its deep concern over the continuing violence affecting Eastern Ukraine as a result of the activities of illegal armed groups, as well as the impact of this violence on the freedom of media and freedom of expression. The EU denounced the intimidation of journalists by the self-proclaimed

"authorities" in the Donetsk and Luhansk and deplored the incident in which two Russian journalists were injured on 1 July, only a few days after the death of Russian journalist Anatoly Klyan.

High Representative Ashton also spoke to President Poroshenko on the phone on 3 July about the latest developments in the country, underlining the EU's support for his peace plan. She also spoke with German Foreign Minister Steinmeier about the EU's on-going efforts to de-escalate the crisis in Ukraine. In view of the gravity of the situation in eastern Ukraine, the EU expanded further on 11 July the list of persons subject to restrictive measures for actions undermining Ukraine's territorial integrity, sovereignty and independence. The Council will continue to monitor and assess the situation in eastern Ukraine with respect to the four steps set out in the European Council conclusions of 27 June. The EU has continued to encourage the Ukrainian authorities to continue their reform efforts, including as regards constitutional and decentralisation reforms, the rights of persons belonging to national minorities, the reform of the judiciary, fight against corruption and improving the business climate. Having signed the remaining chapters of the Association Agreement with Ukraine on 27 June, EU Heads of State and Government expressed their continued support for the peace plan announced by Ukrainian President Poroshenko and called on all parties to commit to its implementation.

The European Union stands by the efforts of the new Ukrainian Government to stabilise the situation and pursue the course of reforms including constitutional reform. The EU reaffirms the utmost importance of ensuring inclusiveness at all levels of government by the Ukrainian authorities, including through steps designed to reach out to all Ukrainian regions, population groups and to ensure full protection of national minorities in accordance with Ukraine's international commitments. In this regard, it encourages Ukraine to draw on the expertise of the Council of Europe and the OSCE.

### **Increased support and cooperation**

On 5 March 2014 the European Commission proposed a series of economic and financial support measures as part of international efforts in support of Ukraine's economic and political reforms. € 11 billion could be available over the next years from the EU budget and EU-based international financial institutions. This is to stabilise the economic and financial situation, assist with the transition and encourage political and economic reform<sup>57, 4</sup>. As part of this package, legal acts temporarily removing customs duties on Ukrainian exports to the EU were adopted on 14 April, advancing implementation of the tariffs-related section of the Association Agreement's provisions on a Deep and Comprehensive Free Trade Area without waiting for its entry into force. The temporary tariff cuts entered into force on 23 April. On 9

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<sup>57</sup> See also Special Measures 2014 for Ukraine: [http://europa.eu/rapid/press-release\\_IP-14-501\\_en.htm](http://europa.eu/rapid/press-release_IP-14-501_en.htm)

April the Commission decided to create a Support Group to ensure that the Ukrainian authorities have all the assistance they need in undertaking the political and economic reforms necessary to stabilize the country.

Members of European Commission and of the Government of Ukraine, headed respectively by President Barroso and Prime Minister Yatseniuk, met in Brussels on 13 May. They agreed to continue implementation of the joint inclusive European Agenda for Reform which combines Ukraine's short- and medium-term needs and exchanged views on the first progress in this regard. A first disbursement of €100 million from a combined € 1.61 billion Macro Financial Assistance loan programme approved for Ukraine was made on 20 May<sup>58</sup>. Following a mission of EU crisis response experts to assist the Ukrainian authorities in analysing their needs for support in terms of civil security reform (police and rule of law), the Council on 23 June 2014 agreed to establish a Common Security and Defence Policy mission to assist Ukraine in this field and approved a related crisis management concept so that operational planning can be pursued with a view to an early deployment in the summer. The mission will provide strategic advice for the development of sustainable, accountable and efficient security services that contribute to strengthening the rule of law in Ukraine.

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<sup>58</sup>Since 1991 the EU has provided Ukraine with €3.3 billion in grants, alongside approximately € 10.5 billion in loans from the EIB and EBRD and bilateral assistance from EU Member States. In recent years Ukraine has received annually on average € 150m in the framework of the European Neighbourhood Policy.

## *What "Sanctions" Mean? An Overview on EU Restrictive Measures*

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Nowadays there is much written and talked about sanctions - especially from the EU against Russia, in context with the Malaysian Airlines aircraft evidently shot over the East of Ukraine. Sanctions are one of the EU's tools to promote the objectives of the Common Foreign and Security Policy (CFSP): peace, democracy and the respect for the rule of law, human rights and international law. They are always part of a comprehensive policy approach involving political dialogue and complementary efforts.

Hereafter, there is an overview on a sanctions policy of the EU which might hit one or the other state. They have - in different variations and intensity - been applied for the following states or international structures: Afghanistan, Al Qaeda, Belarus, Bosnia and Herzegovina, Central African Republic, China, Democratic Republic of Congo, Cote D'Ivoire, Egypt, Eritrea, Republic of Guinea, Guinea-Bissau, Haiti, Iran, Iraq, Ivory Coast, Democratic People's Republic of Korea (North Korea), Lebanon, Liberia, Libya, Moldova (Transnistria), Myanmar (Burma), Russian Federation, Serbia and Montenegro, Somalia, South Sudan, Sudan, Syria, Terrorist Groups, Tunisia, Ukraine, United States of America, Zimbabwe.

The EU sanctions, according to the EU Council, are not punitive, but designed to bring about a change in policy or activity by the target country, entities or individuals. Measures are therefore always targeted at such policies or activities, the means to conduct them and those responsible for them. At the same time, the EU makes every effort to minimize adverse consequences for the civilian population or for legitimate activities.

The EU implements all sanctions imposed by the UN. In addition, the EU may reinforce UN sanctions by applying stricter and additional measures. Finally, where the EU deems it necessary, it may decide to impose autonomous sanctions.

### **Adoption and entry into force**

The Council imposes EU restrictive measures through a CFSP Council decision adopted at unanimity. While this decision contains all measures imposed, additional legislation may be needed to give full legal effect to the sanctions. Certain sanctions, such as arms embargoes

and travel bans, are implemented directly by member states. Such measures only require a decision by the Council. This decision is directly binding on EU member states.

Economic measures, for instance asset freezes and export bans, fall under the competence of the Union and therefore require separate implementing legislation in the form of a Council regulation, which is directly binding on EU citizens and businesses. The regulation, adopted on the basis of a joint proposal from the EU High Representative for Foreign Affairs and Security Policy and the European Commission, contains the details on the precise scope of the measures decided upon by the Council and their implementation. The regulation usually enters into force on the day following its publication in the EU Official Journal.

## **Frequent measures**

### **- *Arms embargo***

An arms embargo normally covers sale, supply, transport of the goods included in the EU common military list. Related technical and financial assistance is normally also included in the ban. In addition, the export of equipment used for internal repression may be prohibited, i.e. police equipment not covered by the EU common military list. Some examples: vehicles equipped with water cannons, vehicles for the transport of prisoners, barbed wire, anti-riot helmets and shields. The Council might also ban the export of dual use goods to targeted countries, i.e. those that can be used for both civil and military purposes, as set out on the EU list of dual use goods (see *Annex of EU Regulation 428/2009*).

### **- *Asset freeze***

An asset freeze concerns funds and economic resources owned or controlled by targeted individuals or entities. It means that funds, such as cash, cheques, bank deposits, stocks, shares etc., may not be accessed, moved or sold. All other tangible or intangible assets, including real estate, cannot be sold or rented, either. An asset freeze also includes a ban on providing resources to the targeted entities and persons. This means that EU citizens and companies must not make payments or supply goods and other assets to them. In effect, business transactions with designated companies and persons cannot legally be carried out.

In certain cases, national competent authorities can permit derogations from the asset freeze under specific exemptions, for instance to cover basic needs (such as foodstuffs, rent, medicines or taxes) or reasonable legal fees.

### **- *Visa or travel ban***

Persons targeted by a travel ban will be denied entry to the EU at the external borders. If visas are required for entering the EU, they will not be granted to persons subject to such

restrictions on admissions. EU sanctions never oblige a member state to refuse entry to its own nationals. If an EU citizen is subject to a travel ban, his home country must, subject to national legal provisions, admit that person. In addition, member states may grant exemptions to travel bans when they host an international intergovernmental organization, a UN conference or one of the Organization for Security and Cooperation in Europe (OSCE).

### **Where do EU sanctions apply?**

By their very nature, sanctions are designed to have political effects in third countries. Nevertheless, EU restrictive measures only apply within the jurisdiction of the EU, that is:

- within EU territory, including its airspace;
- to EU nationals, whether or not they are in the EU;
- to companies and organizations incorporated under the law of a member state, whether or not they are in the EU. This also includes branches of EU companies in third countries;
- to any business done in whole or in part within the European Union;
- on board of aircrafts or vessels under the jurisdiction of a member state.

The EU does not adopt legislation with extra-territorial application in breach of international law. EU candidate countries are systematically invited to align themselves with EU restrictive measures

### **Legal remedies**

The Council notifies persons and entities targeted by an asset freeze or travel ban of the measures taken against them. At the same time, it brings the available legal remedies to their attention: They can ask the Council to reconsider its decision, by providing observations on the listing. They can also challenge the measures before the General Court of the EU. This a part of the rule-of-law considerations, and e.g. the former Ukraine president Yanukovich is at present contesting that he was set on a list of *personae non gratae*.



# *Iceland's Accession Negotiations*

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**Jóna Sólveig Elínardóttir**

*This paper, commissioned by the Icelandic Confederation of Labor, the Confederation of Icelandic Employers, the Icelandic Federation of Trade, and the Iceland Chamber of Commerce, was written at the Institute of International Affairs, University of Iceland. Its analyses and conclusions are still valid, even if the government of Iceland does not follow any EU accession talks at the moment. However, the arguments on agriculture and fisheries, being in the focus of the paper, are worthwhile to be communicated to our readers.*



Iceland applied for membership of the European Union (EU) in July of 2009 and was formally acknowledged as a candidate country by all 27 member states of the EU a year later. Then a so-called screening process began – involving a systematic comparison of Icelandic and EU law – which took another year to complete. Therefore, two years passed from when Iceland first applied until the actual accession negotiations began. In the 18 month period of active negotiations, prior to them being put on hold in early 2013, 27 out of 33 chapters were opened for negotiation and Iceland presented its negotiating position in 29 chapters. During this process, 11 chapters were preliminarily closed on the same day as they were opened. However, 16 chapters were still open when negotiations were put on hold. This left six chapters unopened, concerning fisheries, agriculture and rural development, food safety and veterinary and phytosanitary policy, right of establishment and freedom to provide services, free movement of capital and justice, freedom and security.

Those interviewed for this report were in agreement that Iceland's accession negotiations were progressing well, especially when compared to other applicant states and also considering the extensiveness of the process. It must be kept in mind that the scope of the accession process has become more cumbersome since, for example, Sweden and Finland negotiated with the EU 20 years ago. At the same time it is clear that Iceland's two decade long participation in the EEA<sup>59</sup> greatly eased the negotiation process. Icelandic law has to a great extent been adapted to that of the EU and there is already a great deal of administrative expertise in this respect in Iceland.

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<sup>59</sup>European Economic Area, EEA, is an agreement entering into force the 1.1.1994 between the EU and the EFTA states minus Switzerland, on the enlargement of the EU Single Market minus agriculture.

The interviewees were aware of the fact that the Icelandic government would have wanted the negotiations to proceed more quickly, but there were mainly five factors, which slowed down the process.

- Firstly, accession negotiations have become more cumbersome since the EU enlargements of 2004 and 2007, when a total of 12 new member states joined the EU. A special screening process has been added as a prerequisite to negotiations. This work delayed the process by one year.
- Secondly, the international financial crisis created difficulties for both negotiating parties in various ways, for example as the Icesave dispute clearly illustrated.
- Thirdly, lack of unity within the Icelandic government slowed down the process and resulted in, amongst other things, the negotiating position for certain chapters not being submitted, such as the one concerning agriculture.
- Fourthly, the decision by the Icelandic authorities in early 2013 to “put the accession negotiations in slow motion” until after parliamentary elections in the spring, caused some uncertainty within the EU regarding the continuation of negotiations and halted numerous processes relating to the accession negotiations.
- Finally, the mackerel dispute resulted in the fisheries chapter not being opened before the accession negotiations were put on hold.

As regards progress made in individual negotiating chapters it is clear that Iceland had already managed to negotiate special arrangements, derogations and/or adjustment periods in numerous cases. These special arrangements were mostly based on what had previously been achieved through the EEA agreement and were in fact simply a reconfirmation of that. The EU had set closing benchmarks in all chapters that had been opened for negotiation, excluding three chapters which fell within the scope of the EEA agreement as well as chapter 27 on the Environment.

Closing benchmarks are conditions, which an applicant state must fulfil before a chapter is closed. In many cases the closing benchmarks revolved around Iceland working to reduce the



transposition deficit of EEA - acts, which fall within the scope of the relevant negotiation chapters.

Accession negotiations, like most other negotiations, are generally conducted in such a way that those issues, which both parties are more or less in agreement over, are dealt with first. Issues where special arrangements and compromises are necessary form a part of the endgame of the negotiations. As a result it is difficult to assess what the results may have been for Iceland in relation to its most important interests, had the negotiations been completed. What is clear is that all new member states have, thus far, been able to negotiate special arrangements concerning certain issues, which have been of top priority to them and the interests of the state. The results of an accession agreement depend to a large extent on the prioritization of the relevant authorities, since only a limited number of issues can reasonably be achieved in any negotiations.

Interviews with EU officials and representatives from its member states revealed there to be a general understanding of Iceland's specificities. However, it was emphasized that negotiations were still just that; negotiations. The EU would never reveal any flexibility on any issue beforehand. Such a manoeuvre would simply be a sign of bad negotiating tactics. A senior official in DG Enlargement pointed out that there are precedents for new *acquis* being written into an accession agreement in order to solve difficult issues during accession negotiations. As soon as an Accession Treaty takes effect, all its special arrangements become part of the EU's *acquis communautaire*, which cannot be changed without the agreement of all EU member states. In the opinion of this senior official, it would be possible to design tailored solutions, which would give Iceland what it needed without going against the EU's basic legal order. On the other hand, the formulation of such special arrangements does take some time in the negotiating process.

From the interviews conducted for this report it can be surmised that the EU was by this time ready to start negotiations on five of the six chapters that had not yet been opened when the accession - negotiations were put on hold:

Chapter 3 regarding right of establishment and freedom to provide services

Chapter 4 regarding free movement of capital

Chapter 11 regarding agriculture and rural development

Chapter 12 regarding food safety and veterinary and phytosanitary policy

Chapter 24 regarding justice, freedom and security

There was a willingness from both parties to start negotiations on four out of five of these chapters during the first half of 2013, that is to say all except chapter 11. This was due to the

Icelandic authorities wanting to have a general consensus, within the negotiating group, concerning Iceland's negotiating position prior to entering into negotiations.

Chapter 24 was supposed to have been opened in December 2012, but the opening was delayed due to reservations voiced by one EU member state - reservations that seemed likely to be retracted before the next Intergovernmental conference on Iceland's accession negotiations.

Had the accession negotiations not been put on hold, the number of opened chapters could have reached 31 in mid 2013. Chapters 12, 24 and presumably 3 and 4 would have been added to the previously opened 27 chapters. The chapters concerning agriculture (no. 11) and fisheries (no. 13) would then have been the only unopened substance chapters in the accession negotiations. These two chapters would both have formed part of the "endgame" of the accession negotiations, involving the biggest interests at stake. Six other chapters would also have been part of this final phase of the process. These include: chapter 27 concerning Environment (which had already been opened without opening or closing benchmarks, even though whaling was within its scope), chapter 17 concerning economic and monetary policy, chapter 22 concerning rural development and structural funds, and chapter 33 concerning financial and budgetary provisions. This would also include the final chapters; No. 34 (concerning institutions, i.e. how Iceland would be represented in the EU institutions) and No. 35 (other issues).

Interviewees in Brussels concurred that as long as the original application would not be withdrawn it would be easy to resume negotiations. There is in reality no pressure on Iceland to make a decision relating to the continuation of the negotiations, now that the negotiating committees have been disbanded and work has stopped on both sides of the table. However, should the negotiations continue to be on hold for many years, the work invested in the process would of course gradually become outdated as the legal landscape of the EU will most likely have changed considerably during that time.

The possible need to reopen these chapters after a long break must then be taken into consideration. Such a revision would, however, in most instances not take a very long time as most of the chapters concerned fall under the scope of the EEA agreement, through which Iceland continues to transpose EU legal acts, regardless of whether the accession negotiations are active or not. If, on the other hand, the application were to be withdrawn, then the process would return to square one. A new application for membership would require a renewed approval of all the EU member states, there would be a need to call a new Intergovernmental conference and the European Commission would need a new mandate to begin negotiations. All other former steps of the negotiation process would then have to be repeated.

## **Economic and Monetary Policy**

The removal of capital controls will be one of the most important issues in the accession - negotiations. Taking into consideration the prior experience of other states, there are certain approaches available to the EU for their support for the process. Three assumptions can be drawn in this context:

Such assistance would be decided upon in the last stretches of the accession - negotiations and no commitments by the EU would be made until the accession agreement would be made public. Such assistance - if provided - would always be part of an IMF program and, therefore, fall under its supervision.

The EU and the European Central Bank (ECB) have already indicated willingness to participate in this process by initiating the establishment of an ad hoc group whose purpose is to reach a common understanding of the task at hand.

It must be kept in mind that loans and lines of credit are not of principal importance in this regard, excepting that access to them creates credibility for the Icelandic krona. The assistance which matters most resides in the credibility resulting from EU support and the prospect of Iceland's accession to the European Monetary Union. Currency markets are, by their very nature, forward looking and they would react as soon as the Accession Treaty would be accepted.

The Icelandic currency area suffers from a transfer problem, a term first coined by Lord Keynes in 1920 concerning the German war damages after World War I. There are simply limits to how much capital can be transferred from one currency area to another in the short term. Currently, there are considerable krona assets, in both domestic and foreign ownership, which look set to leave the country as soon as the foreign exchange market would be opened. Therefore, there is a risk that capital flight will force depreciation in the real exchange rate below economic fundamentals, which would result in diminished standards of living and damage to the Icelandic economy. The transfer problem as a recurrent problem would disappear with the adoption of the Euro as Iceland would become part of a larger currency-area. Nevertheless, the current imbalances have to be solved prior to accession, as the liberalization of the currency market is one of the pre-conditions for a Euro adoption. However, if it is foreseeable that Iceland will join a monetary union, that information can be used to address the problem, by e.g. issuing long term debt to the current ISK holders.

One should also emphasize that this is not the first time that Iceland faces the need to remove capital controls due to demands from the EU. When Iceland signed the EEA agreement in 1994 it needed to repeal sixty year old capital controls. In the aftermath of Iceland's EEA membership foreign capital flowed non - stop into the country for almost 15 years. All odds point to Iceland being able to achieve the same result now through its promise of joining the European Economic and Monetary Union (EMU).

Iceland must fulfil the Maastricht criteria for a Euro adoption. These demand low inflation, discipline in public finance, convergence of long - term interest rates, and last but not least a minimum two year participation in the ERM II program. Already there are eight small - states which have adopted the Euro through their participation in ERM II, six of which completed the process in 2 - 3 years. The process was a bit more extensive for two states in particular; Estonia and Latvia, due to delays caused by the international financial crisis. The ERM II program is under supervision of the ECB, which is obligated to defend  $\pm 15\%$  band around the targeted exchange rate. However, the applicant state itself must maintain its currency within much tighter margins in order to graduate from the ERM II and be able to adopt the Euro. The states themselves must take responsibility for maintaining their currency within  $\pm 2.5\%$  of the fluctuation margins, or thereabouts, in order to be able to graduate.

The eight above mentioned states have chosen three main ways in how they peg their currency to the Euro. The first is to make a binding decision to maintain  $\pm 15\%$  fluctuation margins, but then use other means of financial intervention to maintain the currency rate within narrower margins. The second, is to make a binding decision to maintain  $\pm 2.25\%$  fluctuation margins and the third is to anchor the exchange rate through a currency - board. The most likely choice for Iceland is the first, but the timing of such anchoring would depend on the rate of process in lifting the capital controls.

From 1989 until 2001, Iceland was a shadow member of the ERM program with good success. Not only did the currency - anchor prove useful in reducing inflation, but the 1990's were a unique decade in the country's history in terms of low inflation and rapid economic growth. As a result, Iceland was one of few European states that actually did fulfil the Maastricht - criteria when the Euro was created, and could have been one of the admission states had the EEA agreement allowed for its entry into the EMU. Upon review of Iceland's experience with a pegged exchange rate, and the experiences of other states, it is likely that Iceland should be able to go through the ERMDII process for adoption of the Euro in the minimal amount of time, that is to say in two to three years, if the peg could be maintained without difficulty. This, however, is a rather big "if" since a unilateral peg is always risky and could easily be targeted by speculators.

Upon entering the EMU, the Icelandic authorities will no longer have the freedom to pursue their own monetary policy, and they will have to accept both lower interest - rates and lower inflation from Europe. The change can be predicted, as the base rate of the Icelandic Central Bank has been 4 - 16% higher than the ECB's for the past 10 years, and long - term rates 4 - 6% higher (if compared to 10 year German government - bonds). There is always a certain loss involved when relinquishing monetary independence. States can, to some extent, choose between unemployment and inflation in the short - term, as adjustment can be brought about by devaluation as inflation lowers real wages. With a permanent peg, the possibility of dealing with inflation and the overheating of the economy through devaluation is excluded.



Furthermore, the state cannot react to asymmetric supply shocks, for example if there is a catch failure by the fisheries, by devaluing the currency.

On the other hand, when looking at devaluation as a recession - remedy it is clear that the Icelandic authorities only exercise limited control when it comes to the dosage size in a free currency market and the cure can often become worse than the disease. This would also have been the case had the Icelandic authorities not made the decision to impose capital - controls in the autumn of 2008, in order to stop the free - fall of the Icelandic krona, which would have otherwise greatly disrupted standards of living and the running of businesses in Iceland. Without capital - controls Iceland would have had to suffer very high interest rates and fiscal contraction in order to support the exchange - rate whilst simultaneously suffering a steep economic downturn.

With Iceland's membership of the EMU the Icelandic Central Bank would become a branch of the European Central Bank and would thereby gain the right to print Euros through Repo lending. Through this the Central Bank would receive a powerful financial instrument with which to maintain financial stability and serve as a lender of last resort. Furthermore, the power to print Euros would result in an instant and wide - reaching change for Icelandic homes and businesses, wherein high inflation, exchange rate - instability and interest - fluctuations would be reduced. Entering a common currency area will also lead to increased competition in the financial market and lower credit spreads interest rates. Currently the interest rate spread of the three Icelandic banks are about 100 - 200 points higher than those of comparable banks in Scandinavia.

The EMU was established without any supranational institutions other than the central banks. For the past few years work has been ongoing in an attempt to fix any design - flaws by establishing supranational institutions which can ensure financial stability. This work is still in its preliminary stages and only the future will tell whether enough has been done in this regard. Generally speaking, this should be a positive development for Iceland. A pan - European platform, where the banks would be under surveillance, and to some extent responsibility of the supranational institutions, would considerably reduce the risks to the state and provide a healthier incentive for the financial system. Under present circumstances the Icelandic banks are required to operate under more stringent regulations and higher capital charges than exist anywhere else in Europe, amongst other things because of macroprudential safeguards. It would therefore be very profitable for the banks to enjoy similar operating conditions as their counterparts on the continent under a pan - European “umbrella”.

Of the 78 nation states in the world with fewer than 2 million citizens, Iceland is the only one with a free floating currency and an independent monetary policy. When Iceland's monetary history is viewed it becomes clear that its leaders have generally aimed for maintained fixed exchange rates. In that regard Iceland has directly or indirectly taken part in any fixed

exchange rate regimes on offer in Western Europe. Firstly, when gaining sovereignty in 1918, Iceland was a member of the Scandinavian Monetary Union, which eventually dissipated after the First World War. After that, the Icelandic authorities pegged unilaterally to the British Pound in the interwar years. Iceland became a member of the Breton Woods system after the WWII. This system came to an end in 1972 and resulted in inflation and instability in Iceland which was not overcome until the exchange rate was pegged via a shadow membership to the ERM - Exchange Rate Mechanism in 1989.

The bitter truth is that Iceland cannot peg its currency in a credible manner unless it surrenders its financial independence by joining a monetary union or via currency board, or by anchoring its exchange rate through capital controls. The last option is the one which Iceland has most often been forced to take. Balance of payment problems have often resulted in varying kinds of restrictions on the flow of both goods and capital, which have also entangled the whole economy.

There are probably few western nations which have turned as fast against a market economy, as Iceland did after independence, using various restrictions and prohibitions to maintain stability. When all this is taken into consideration, not to mention the great boon to business which an internationally accepted and traded currency can bring to small nation - states, then there is no other conclusion to be reached than that the adoption of the Euro through membership of the EMU will result in great economic benefits for Iceland.

Naturally, there are certain costs involved as well. There is a considerable sacrifice involved in relinquishing monetary independence, and to some extent the independence of one's public finances, even though Iceland did not fare very well in its management of these economic instruments. Moreover, unemployment is likely to rise higher over the business cycle than has been the case in Iceland, although long - term unemployment figures should not be affected. Adoption of the Euro would also result in the need for considerable institutional change as higher nominal wage increases in Iceland compared to abroad will result in a diminishing competitive advantage and then recession. The EU is a union of sovereign nation - states and Iceland will continue to be responsible for its economic policies and exactly how these new institutional arrangements will be handled will remain Iceland's responsibility.

Since its independence, Iceland has fought a difficult battle in trying to maintain economic stability whilst keeping the country open to the world. In a historical context, no other conclusion can be drawn than that through its participation in the EMU, Iceland will finally be able to solve the paradox with which it has fought for almost a century; to be simultaneously able to enjoy a stable exchange rate and free capital flows.



Icelandic geyser

Pictures, flags, maps: CIA Factbook

European Union Foreign Affairs Journal – N° 2 – 2014

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## Fisheries

Iceland's accession negotiations with the EU concerning fisheries never started due to the mackerel dispute. This dispute resulted in DG Mare, France, Ireland, Portugal and Spain all pressing for opening benchmarks for the chapter. Opening benchmarks are requirements that a candidate state must fulfil before the opening of negotiations in the chapter under question and relate to issues, which fall under the scope of the chapter. The Icelandic authorities could not accept such benchmarks relating to a key chapter, which could either make or break the negotiations. The EU Commission's DG for Enlargement, the Nordic states and the UK were amongst those who supported Iceland's demands relating to this issue through their opposition to these proposed opening benchmarks.

The main negotiating goals for Iceland in the accession negotiations relating to fisheries are threefold:

- Firstly, that Iceland's exclusive economic zone is defined as a special management zone.
- Secondly, regarding operations to maintain strict restrictions on foreign investment in Icelandic fisheries.
- Thirdly, to avoid the Common Fisheries Policy of the EU and the representation of the EU within international organizations regarding fisheries.

The fact that Icelandic jurisdiction over fisheries is not adjacent to that of any current EU member - states, and that most of the fish stocks within it are regional, provides Icelandic negotiators with a strong argument in favour of Icelandic jurisdiction over fisheries being declared a special management zone. These arguments are also supported by the changes made thus far to the EU's Common Fisheries Policy (CFP) which involve minimizing centralized control and transferring decision making powers concerning fisheries to those whose interests are directly affected.

In its negotiations concerning a special management zone, Iceland supported its case using several precedents.

- Firstly, Iceland can point to special zones of control for fisheries within the CFP of the EU.
- Secondly, Iceland can point to the regulation concerning Council Regulation (EU) No 43/2014 of 20 January 2014 fixing for 2014 the fishing opportunities for certain fish stocks and groups of fish stocks, applicable in Union waters and, to Union vessels, in certain non - Union waters, as well as other preceding regulations. Through this regulation the EU transfers the power to its member - states to decide catch

opportunities concerning specific fish populations which only one member state then uses, providing certain conditions are satisfied.

- Thirdly, Iceland can point to the fact that the Accession Treaty with the fishing nation of Norway was rejected in a referendum due to, amongst other things, the result not being suitably accommodating in regard to matters concerning fisheries.

Were Iceland to join the EU, the Icelandic authorities should be able to prevent to a great extent the allocation of fishing - quotas to foreign - owned ships. This is possible without the need for exemptions or special arrangements by applying similar conditions as is done by domestic legislation in the UK and Denmark which are intended to prevent so-called “quota hopping”. One of the conditions stipulated in Danish law is that foreign citizens need to have resided in Denmark for at least two years in order to get a permit for commercial fishing within Denmark’s jurisdiction. Such measures would meet the conditions set forth by the majority within the Foreign Affairs Committee of Althingi (the Icelandic parliament), which specify that no exceptions will be given for foreign fisheries to invest in Iceland in order to prevent the utilization and proceeds of the resource from leaving the country.

The EU’s CFP is a common policy regarding fishing in an international context. This requires that the EU represent the member states within international organizations and in any negotiations with non-EU states concerning fisheries. Iceland's demand that it be exempted from EU representation in its dealings with other states and international organizations outside the EU concerning fisheries will, therefore, always be quite an impediment to negotiations. Such an arrangement is seen as undermining the CFP of the EU and gives other states an unacceptable precedent which they too could rely on in their own accession - negotiations with the EU, even in unrelated areas - such as that concerning human rights. EU officials have pointed out that the CFP is not as inflexible as it seems and that tailor made solutions are quite common within the EU. There is, therefore, nothing preventing a solution from being found which takes into consideration Iceland's wishes. It is, however, impossible to predict exactly how such solutions will be implemented as such exercises are based on conjecture. If the aim is to come to any conclusion concerning these matters then it is vital that accession negotiations be completed. In this context it must be remembered that never before has a state, which has fisheries as its core interest, applied for membership of the EU. Iceland would, therefore, be in a position to have a formative influence in the development of this policy area within the EU.

## **Agriculture and Rural Development**

After Iceland applied for membership to the EU, extensive preparations took place on Iceland's part regarding the policy area of agriculture and as a result considerable expertise was gained in most administrative levels. The development of Iceland’s negotiating position

was in its final - stage in January of 2013 when it was decided to slow down the accession negotiations until the parliamentary elections were over. If consideration is given to the action plan, which was published in mid-2012, and interviews with individuals who participated in this work, it can be safely stated that negotiations would have revolved mostly around how much support Iceland would be permitted to give to the Icelandic agricultural sector and how much production related support would be allowed. Precedents would most likely have been sought from the northern periphery provisions to be found in Finland's Accession Treaty.

The negotiating position relating to the chapter concerning food safety and veterinary and phytosanitary policy contains requests for ten exceptions, special arrangements and adaptation periods. As the negotiations were put on hold before the EU could respond to Iceland's negotiating position it is difficult to judge the likelihood of Iceland's demands being met. For Iceland, it seems that the most important demands had to do with the importation of livestock and raw meat. Interviewees from the EU who were familiar with this policy area thought it likely that Iceland's demands relating to limitations of imports of live animals would have been given proper examination and if Iceland would have been able to show that its demands had a sound scientific basis then solutions would have been found to address its demands. Such exemptions would have to be reviewed regularly and take into consideration any possible changes to the scientific assessment. Here it must be kept in mind that the EU member states have almost no interest, business or otherwise, relating to importation of livestock to Iceland. The demands concerning the continued ban on importation of raw meat relates to the ESA proceedings, the regulatory body of EFTA, on that matter. Its conclusions – whatever they might have been (or will be) – would have had a determining effect on the result reached regarding the agreement between Iceland and the EU. Concerning other Icelandic demands for exemptions from the importation of certain raw materials or products, it can be stated that, at first sight, EU regulations seem to provide ample opportunity for various exemptions, given that these can be supported by scientific reasoning showing that through their importation these materials or products somehow pose a threat to the public or natural habitat of Iceland.

Preparations for accession were well under way regarding regional policy and coordination of structural instruments and there seemed to be few obstacles preventing an agreement from being reached. Iceland's demands revolve first and foremost around ensuring its position within the EU and maximizing contributions from EU development funds. These demands are supported by arguments that take into consideration Iceland's remoteness, insularity, difficult topography and climate and economic dependence on few products. New regulations concerning regional development, enacted at the end of 2013, would most likely make it easier for the EU to come to terms with Iceland, for example through new definitions concerning rural areas in the northern periphery, with a special emphasis on island nation states.



## The EEA Option

The EEA Agreement is the path that Iceland chose over 20 years ago in order to gain access to the single European market and as a framework for its participation in European integration in a wider context. This choice of policy is most likely to continue if a) Iceland's accession negotiations with the EU are not completed, or b) an Accession Treaty will be concluded, but rejected in a national referendum. If such a referendum was to be held, this would mean that voters in Iceland would be choosing between these two options: a) full membership of the EU on the terms stipulated in the Accession Treaty, and b) participation in the EU single market via the EEA Agreement, or by other means.

When the standing and prospects of the EEA Agreement are reviewed it can be asserted that even though the agreement functions adequately and delivers tangible benefits to its signatories, it still has its flaws and it faces new challenges which need to be addressed. The so - called “democratic deficit” has always been a part of the EEA agreement and is one of its main flaws. The transposition deficit is a more recent problem, which has arisen due to delays in the transposition of EEA acts into Icelandic law. Among the biggest challenges is also the rapid development taking place within the EU, which the EEA Agreement has a lot of difficulty in keeping up with. If the agreement is to serve Iceland's interests as effectively in the coming years as it has done for the past two decades then these problems must be dealt with.

The only way to fix the democratic deficit would be to change the EEA Agreement itself. Those officials, from Iceland, EFTA and the EU who were interviewed for this report, were in agreement that there was almost no chance of the EEA Agreement being updated in the foreseeable future - but at the same time there was no indication that any of the contracting parties had any plans to take the initiative to terminate the Agreement. Attempts would be made to find solutions to all the problems that arise in connection with the operation of the Agreement, without the Agreement itself being changed.

The future of the EEA Agreement is fraught with uncertainty, which the Icelandic authorities have little or no control over, but rather they must react in response to each situation accordingly. The policy of sticking to building Iceland's links to the EU and its single market on the EEA Agreement requires a willingness to adapt to whatever developments may occur within the EU. This requires, inter alia, that Iceland will *de facto* have to submit to conditions set by EU supra-national institutions within certain policy areas. This requires a reform of the Icelandic constitution in order for the continuing EEA membership not to be in violation of it. EEA membership also requires a willingness to accept Norway playing the leading role in deciding how the three EFTA states should follow developments within the EU, as it is a simple fact that Norway is the dominant actor within the EFTA pillar of the EEA, and it also bears the lion's share of the “admission fee” to the single market. This “admission fee” is composed mostly of contributions to the EEA Grants fund, fees which are

expected to increase for the period 2014–2019. In this respect it is also important to realize that keeping the formal status of a candidate country provides Iceland with more opportunities to lobby for its interests in European affairs (not least when compared to Norway), even if the accession negotiations are on hold, as this gives Icelandic officials better access to influential officials within the EU administration.

The democratic deficit within the EEA is getting worse. This is evidenced by the fact that elected representatives of the EEA EFTA states have now even less possibilities than before to influence the legal acts and policies which the EEA Agreement obliges them to transpose into the national legal order. Actually, such possibilities for influence have never been significant; this is the price the EEA EFTA states must pay for access to the single market of the EU, without being members of the organization deciding its rules. In fact, it was a surprise to the authors of Norway's comprehensive EEA Review, completed in 2012, just how closely aligned with the EU the Norwegian administrative system and society has become. The lesson the authors draw from this is that the price Norway pays, in terms of democracy and legitimacy, from remaining outside the EU, has gone up. The same can be said for Iceland. The EEA is indeed a "bureaucrats' agreement", as elected representatives of the EEA EFTA states have a very limited role to play in its operation. The transposition deficit has also gotten much worse. The amount of EEA acts, which Iceland has not transposed within the correct time limit or in the proper way, has increased greatly in the past few years. Iceland is now performing worst of the 31 member states of the EEA area, in its efforts to effectively transpose EEA acts. The Icelandic authorities have announced improved efforts to amend this situation. How successful these efforts will prove to be remains to be seen.

One of the main conclusions reached by the Norwegian EEA Review is that Norway has transposed into Norwegian law approximately three quarters of all EU legislative acts and has even implemented this legislation more effectively than is the case for many of the EU member states. In the case of Iceland, this ratio is likely to be closer to two thirds, as Norway has been more active in seeking further co-operation with the EU, beyond the scope of the EEA and Schengen agreements, than Iceland has. It was also confirmed through the screening process of Iceland's EU accession negotiations that Iceland has transposed approximately two thirds of all EU legislation.

The question of Iceland's potential membership of the EU does, therefore, not involve choosing between standing completely outside the EU or participating 100% in its operations; the choice is rather between maintaining the current position, wherein Iceland takes part in two thirds of what the EU does – without having any say in decision making – and full participation, with all the rights and duties this entails.

# *Indicators of Economic Globalization: Monitoring the Globalisation of the EU Economy*

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The globalisation of the world economy creates new needs for statistics. Therefore, **Eurostat, the statistical office of the European Union**, published in July 2014 a set of economic globalisation indicators

*Dedicated section on the Eurostat website:*

[http://epp.eurostat.ec.europa.eu/portal/page/portal/economic\\_globalisation\\_indicators/indicators](http://epp.eurostat.ec.europa.eu/portal/page/portal/economic_globalisation_indicators/indicators)

*Statistics explained article on the Eurostat website:*

[http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/International\\_trade\\_investment\\_and\\_employment\\_as\\_indicators\\_of\\_economic\\_globalisation](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/International_trade_investment_and_employment_as_indicators_of_economic_globalisation)

These identify five aspects of economic globalisation:

- international trade,
- Foreign direct investment (FDI),
- Employment,
- Value added of multinational enterprises
- Internationalisation technology.

All in all, twelve indicators are included in this framework, of which four are shown here more in detail. But first all of those twelve indicators:

*The twelve indicators are:*

- **International trade:**
  - Imports of goods and services in % of GDP,
  - Exports of goods and services in % of GDP,
  - Export to import ratio.
- **Foreign direct investment (FDI):**
  - Inward FDI stocks in % of GDP,
  - Outward FDI stocks in % of GDP,
  - FDI flows intensity – market integration.
- **Employment:**
  - Employment in foreign controlled enterprises as a share of total domestic employment,
  - Employment development in foreign controlled enterprises,
  - Employment development in foreign affiliates.
- **Research and development (R&D):**
  - R&D expenditure in foreign controlled enterprises as a share of total R&D expenditure

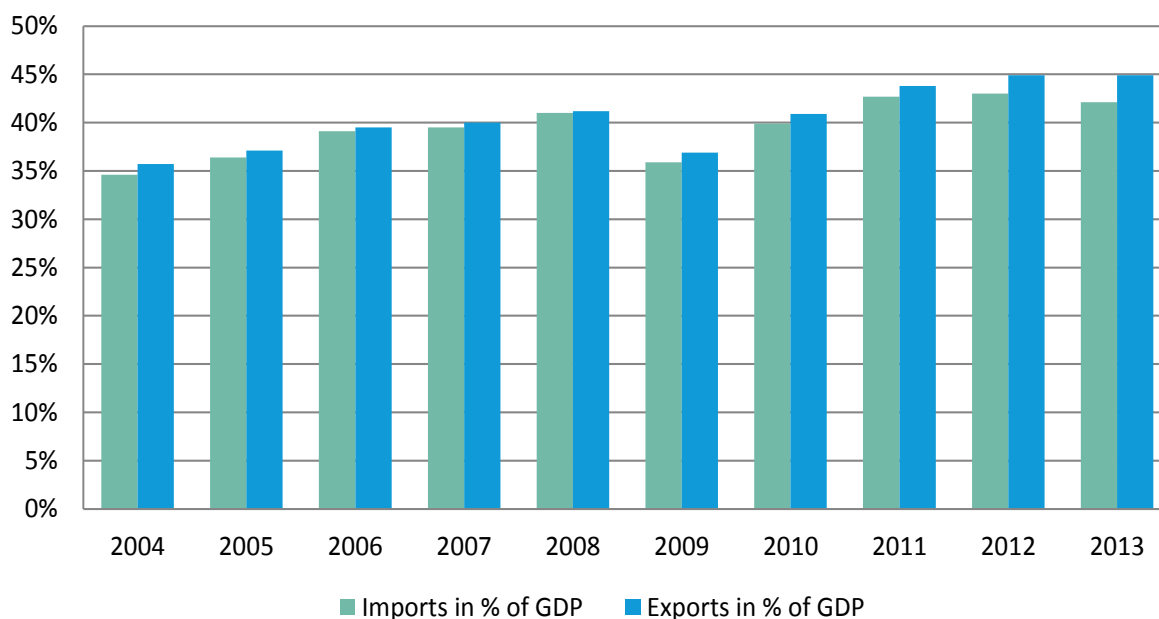
- **Value added:**
  - Value added in foreign controlled enterprises as a share of total value added,
  - Value added development in foreign controlled enterprises.

One of the seven flagship initiatives of the Europe 2020 strategy<sup>60</sup> is to have an “industrial policy for the globalisation era”, which means to support the development of a strong and sustainable industrial base to compete globally. Reliable indicators of economic globalisation and its impact on the EU economy are essential for the effective implementation of this policy.

### **Increase of EU international trade in goods and services in percentage of GDP**

An indicator of economic globalisation is the share of trade in goods and services in percentage of GDP (Gross Domestic Product). In the EU, this share increased between 2004 and 2013, except for a fall in connection with the financial crisis in 2009. In 2013, EU imports were equivalent to 42% of GDP and exports to 45%.

### **EU imports and exports of goods and services in % of GDP**



<sup>60</sup> For more information, see: [http://ec.europa.eu/enterprise/policies/industrial-competitiveness/industrial-policy/index\\_en.htm](http://ec.europa.eu/enterprise/policies/industrial-competitiveness/industrial-policy/index_en.htm)

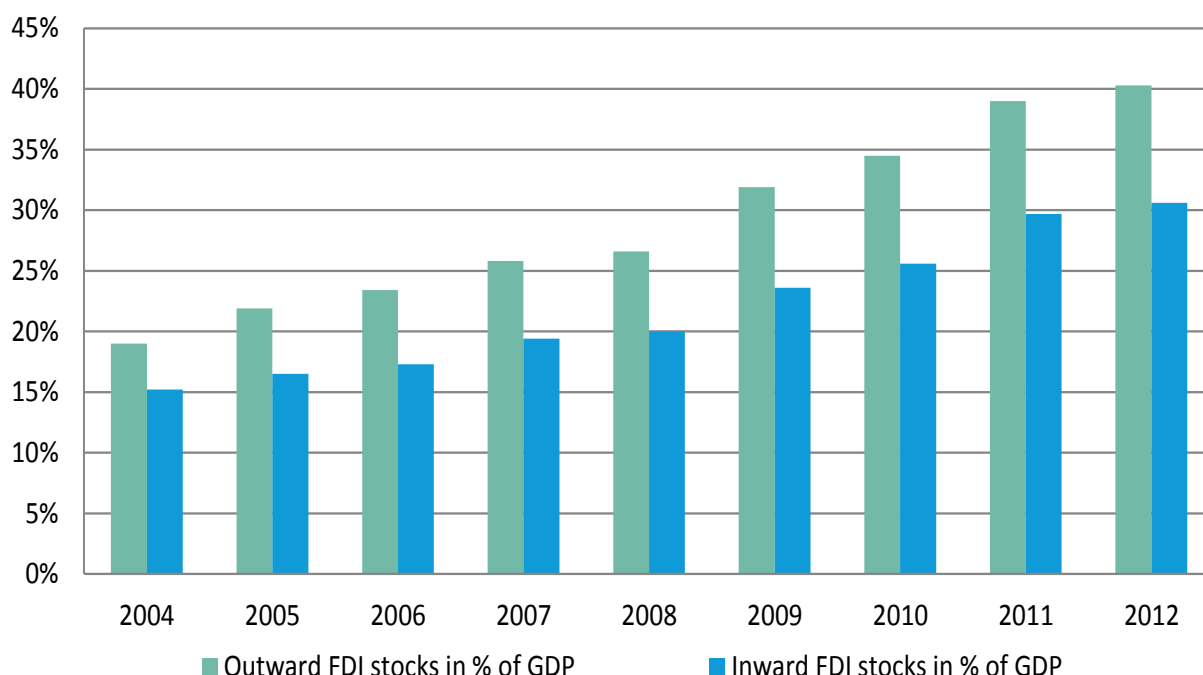
### **Increase for the EU as a net investor in the rest of the world**

Another globalisation indicator is the stock of FDI in percentage of GDP. Both outward and inward investments have grown steadily between 2004 and 2012 in the EU: outward however more strongly than inward. In 2012, EU outward FDI stocks in percentage of GDP were equivalent to 40% of GDP and inward stocks to 30%.

As EU outward investment is larger than inward investment, the EU is a net investor in the rest of the world. The difference between EU outward and inward investment has grown from 4% of GDP in 2004 to 10% in 2012.

This shows also, that on an average a level of 31% of Foreign Direct Investment in the EU is normal, a figure which is topped by the outward investment. Some Eastern European countries have a lot to catch up to be part of the "positive globalisation" (like e.g. Romania etc.), as to be seen in the last table, and in general small countries with an open economy did it very well (Luxemburg, Malta, Cyprus etc.), also exporting many jobs by their FDI outwards.

### **EU outward and inward foreign direct investment stocks with the rest of the world in % of GDP**



# Member States' trade in goods and services and foreign direct investment stocks

	Trade in goods and services, 2013 (% of GDP)		Foreign direct investment stocks, 2012 (% of GDP)	
	Exports	Imports	Held by the rest of the world in the EU	Held by the EU in the rest of the world
<b>EU28</b>	<b>45</b>	<b>42</b>	<b>31</b>	<b>40</b>
<b>Belgium</b>	86	84	102	90
<b>Bulgaria</b>	70	71	95	4
<b>Czech Republic</b>	79	72	67	8
<b>Denmark</b>	55	49	46	75
<b>Germany</b>	51	45	29	44
<b>Estonia</b>	88	87	84	26
<b>Ireland</b>	108	84	157	176
<b>Greece</b>	29	32	10	18
<b>Spain</b>	34	32	46	47
<b>France</b>	27	29	38	59
<b>Croatia</b>	43	42	55	8
<b>Italy</b>	30	28	18	26
<b>Cyprus</b>	45	44	90	32
<b>Latvia</b>	87	86	37	6
<b>Lithuania</b>	60	62	46	4
<b>Luxembourg</b>	176	143	201	205
<b>Hungary</b>	96	88	80	27
<b>Malta</b>	93	88	179	15
<b>Netherlands</b>	88	78	77	125
<b>Austria</b>	57	53	41	52
<b>Poland</b>	48	45	47	11
<b>Portugal</b>	41	40	55	35
<b>Romania</b>	42	43	45	1
<b>Slovenia</b>	78	72	33	16
<b>Slovakia</b>	98	91	60	5
<b>Finland</b>	40	40	38	60
<b>Sweden</b>	46	40	68	74
<b>United Kingdom</b>	31	33	60	69
<b>Norway</b>	39	28	40	45
<b>Switzerland</b>	52	42	113	181



## *Small Enterprises are Missing out on Gains of the Information Economy: New UNCTAD Data Show*

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Smaller businesses, especially those in developing and transition economies, are losing out on the benefits of the information economy, UNCTAD's annual update of its dataset on the enterprise use of information and communication technology (ICT) shows.

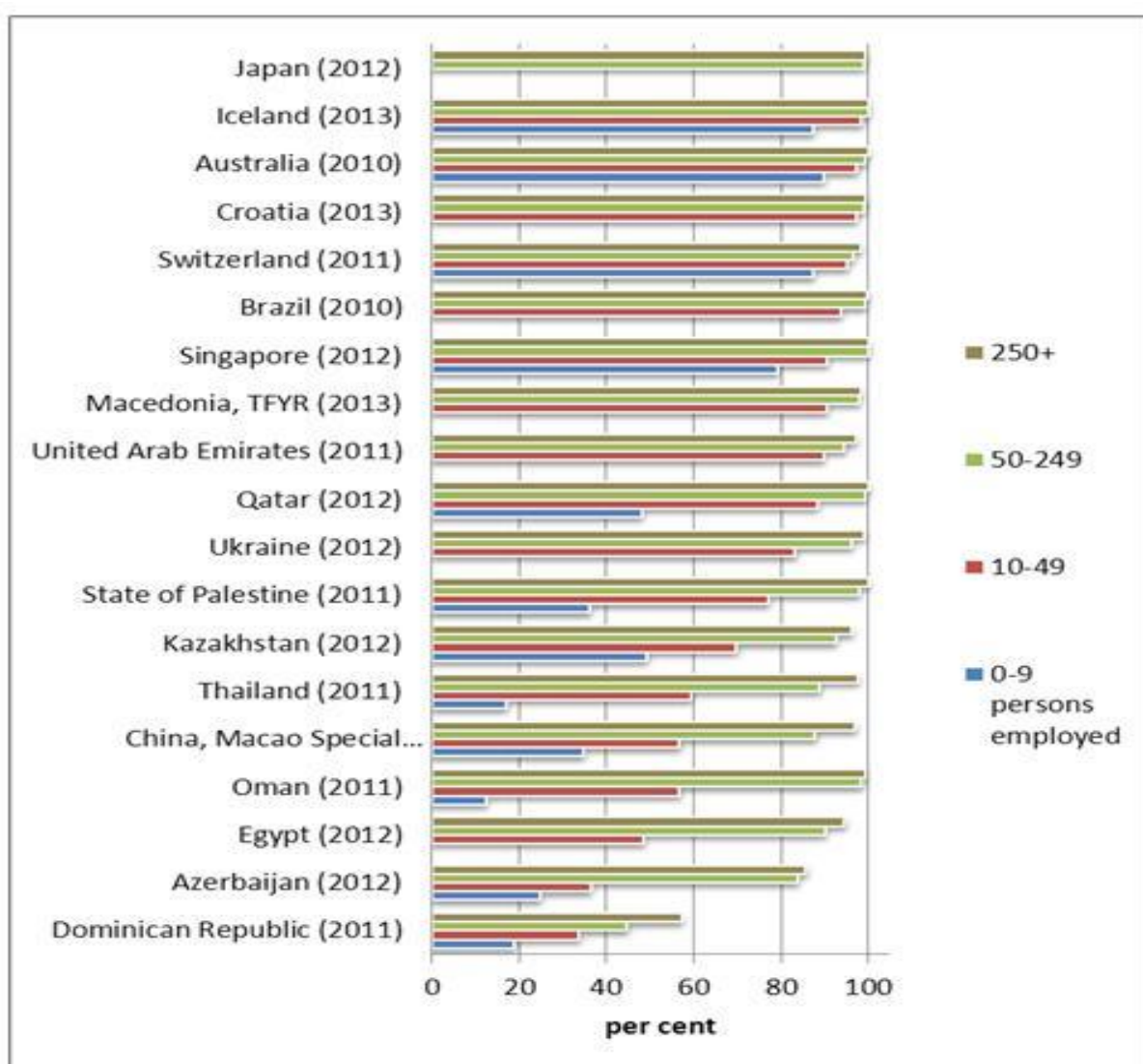
The new data suggest that the smallest companies in particular are less likely to be connected to the Internet (figure 1). While the difference is slight in a highly developed economy such as Switzerland, where 90-98 per cent of all companies use the Internet, the relationship between size of enterprise and Internet use is more pronounced in developing countries. For example, in Oman, while about 98 per cent of companies employing 50 people or more in 2011 were using the Internet, only around 10 per cent of companies with nine employees or less used the Internet. Because micro, small and medium-sized businesses are significant incubators of innovation, growth and competitiveness, their relative lag in ICT connectivity has important policy implications. UNCTAD also tracks businesses that have a web site, businesses with access to the Internet by type and speed of the connection, business use of the Internet and e-commerce. Although the volume and value of global e-commerce transactions continue to expand, UNCTAD data show that, in most markets, businesses are generally more likely to buy products than sell them online (figure 2). Meanwhile, in many developing and transition economies, most businesses – and micro and small enterprises in particular – are significantly less involved in e-commerce than those in developed countries. Even in relatively developed economies, the proportion of businesses selling their products online is well below 50 %.

In other countries such as Azerbaijan, Egypt, Kazakhstan and Thailand, the proportion of businesses selling online was as low as below 20 per cent, according to the latest available data, reflecting the potential gains still to be achieved in this area. Businesses are generally among the first adopters of ICTs such as the Internet, computers and mobile phone technology because it helps boost their competitiveness in local and international markets and can be significant plus to the efficiency and vibrancy of the business sector, which is a key engine of economic growth.

However, businesses are unequally equipped to take advantage of the opportunities presented by the information economy. When looking beyond aggregate figures, small enterprises are much less frequent users of ICTs for internal administration, e-commerce and interacting with governments. Some economic sectors also lag behind.

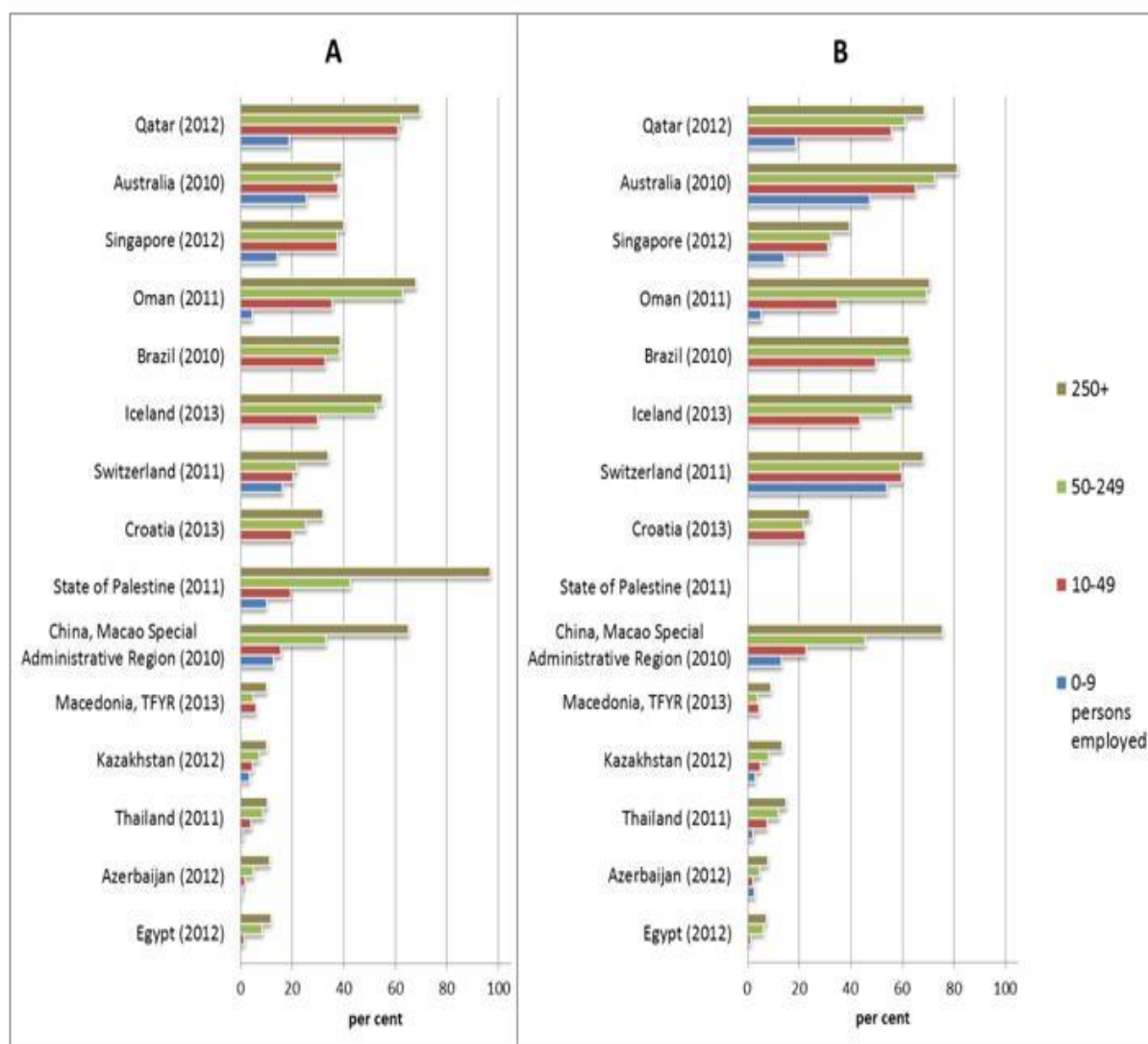
Measuring the information society must be an integral component of national ICT plans and policies and research on ICT trends and impact on development would benefit significantly from improved data quality and availability. This requires close cooperation between policymakers and statistical offices and among stakeholders in the national statistical system. Currently only six African countries report such statistics – without which others have to develop related policies without knowing the facts. The 2015 issue of the UNCTAD Information Economy Report will be dedicated to an analysis of e-commerce and its impact on developing economies.

**Figure 1: Proportion of businesses using the Internet, selected economies, latest available year**



Source: UNCTADStat.

**Figure 2: Proportion of businesses receiving (A) and placing (B) orders over the Internet, selected economies, latest available year**



Source: UNCTADStat.

#### Box 1: Online UNCTAD data on the information economy

In the context of the *Partnership on Measuring ICT for Development*, UNCTAD's Division on Technology and Logistics publishes data for the core indicators related to the information economy (see [http://new.unctad.org/default\\_600.aspx](http://new.unctad.org/default_600.aspx)). Twelve of these concern business use of ICT:

- **B1: Proportion of businesses using computers**
- **B2: Proportion of persons employed routinely using computers**
- **B3: Proportion of businesses using the Internet**

- **B4: Proportion of persons employed routinely using the Internet**
- **B5: Proportion of businesses with a web presence**
- **B6: Proportion of businesses with an Intranet**
- **B7: Proportion of businesses receiving orders over the Internet**
- **B8: Proportion of businesses placing orders over the Internet**
- **B9: Proportion of businesses using the Internet by type of access**
- **B10: Proportion of businesses with a local area network**
- **B11: Proportion of businesses with an extranet**
- **B12: Proportion of businesses using the Internet by type of activity**

The core indicators were developed by the Partnership on Measuring ICT for Development after a consultation process involving NSOs worldwide and were endorsed by the United Nations Statistical Commission (UNSC) at its 40th session in 2009. A dataset for 2003–2013 on business use of ICT can be accessed free of charge [here](#). Data corresponding to 79 economies for selected indicators are available disaggregated by enterprise size class, by location and by economic activity. Data were provided by Eurostat for its member states.



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 DZI Spenden-Siegel



## *What the South Caucasus Region Could be: Exploring the Role of Economic Initiatives as Peace Building Tools in the Nagorno-Karabakh Context*

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On July 7 and 8, 2014, the European Geopolitical Forum (EGF), represented by the institution's director Marat Terterov and the members Ben McPherson and George Vlad Niculescu, held an expert roundtable and post-conflict scenario building workshop in Berlin, on the subject "What the South Caucasus Region Could be: Exploring the Role of Economic Initiatives as Peace Building Tools in the Nagorno-Karabakh Context".



More than 30 experts from the targeted countries – Armenia (Vahagn Ghazaryan, Richard Giragosian, Armen Grigoryan, Anna Hess Sargsyan, Amb. David Shahnazaryan), Azerbaijan (Ibrahim Ahmadov, Vusual Gasimli, Togul Malikov, Asim Mollazade, Fuad Muradov, Rovshan Rzayev, Vugar Saidov) and Nagorno Karabakh (NK) (Andranik Aslyanyan, Ashot Margaryan) as well as from international organizations and institutions

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(Christian Cleutinx, Natalia Mirimanova, Anna Catherina Muller, Alexander Rahr, Oktay Tanrisever, Amb. Douglas Townsend, Tibor Varadi, Wendt-Dieter Freiherr von Gemmingen) were invited to the event.

At a time when the re-escalation of the conflict is widely discussed and considered not unfeasible, the roundtable aimed at exploring ways on the one hand to promote political and security negotiations as well as tackle away the existing insecure atmosphere, and on the other hand, to deploy cooperation prospects and ensure an economically integrated South Caucasus.



The roundtable was composed of three interactive sessions, preceded by short introductory remarks, made by the moderators. Within the framework of the session “Post Conflict regional cooperation in the South Caucasus: A strategic plan for regional development?”, the current state of the conflict, its nature and the lost momentums for its resolution were briefed. The stagnant state of the current peace process and negotiations was highlighted. The non-implementation of the so-called Madrid Principles, drafted by the co-chairs of the OSCE Minsk Group, was identified as a missed opportunity. The 2009 Armenia-Turkey rapprochements were pointed as a by-side trigger for the deterioration of the already complicated state of the negotiations. Furthermore, the absence of economic ties between the countries was argued to be economically unfavourable for all sides.



In light of this, the experts sought to come up with a “strategic plan for regional development”. The issue was whether economic cooperation and incentives stemming from it can result in the conflict resolution. While the Azerbaijani experts were more homogenous and reserved in their positions and opinions and there were more open and criticizing voices both towards the Azerbaijani and Armenian governments from the Armenian experts, the general conclusion was that economic inducements cannot alone be the engine for peace. Yet, it was also acknowledged that they can pave the way for more flexible negotiations, by indicating advantages of having peace and potential for regional economic development over the existing insecure and hostile environment.

On this basis the second session “Considerations of business and investment: reintegrating post-conflict Karabakh within the regional South Caucasus economic framework” examined and detailed the role of business in the regional economic development in a post-conflict era. The experts discussed under which the conditions, if any, the Armenian and Azerbaijani businesses would invest in the region, whether the joint commercial projects in the region are beneficial for the investors, whether the investment projects of the region can also include Armenia as well as what could be the general business potential for NK in case of a stable political atmosphere.

The overall agreement was that that it is difficult to depoliticize business. Hence, it was argued that political will; functioning democracies in the countries, a legal framework between them for economic cooperation are needed. Additionally, the role of the external actors in the business development process by providing sticks and carrots was mentioned. Meanwhile, it was acknowledged that while the external actors can contribute to the situation, the solution should be from inside.

To the point, confidence building and consistency in policies can by no means be undermined. On the one hand, the psychology is to be changed; on the other hand, shared resources, economic interests as well as security concerns of the region should be of a notable consideration. To begin with, informal business communities could be established. Investments into the economy, instead of military, can highly promote economic stance of the countries and the region per se. Thus, while the economic cooperation cannot solely solve the problem, it can break the ice.

The third session was called “Post-conflict scenario building workshop and group simulation”. For that purpose a negotiation process was simulated to speculate scenarios which could come forward in the future and on the basis of these policy implications were provided. It was assumed that it is 2019 and a peace agreement between Armenia and Azerbaijan has been signed, based on the existing Madrid Principles. The minimal conditions for peace and economic cooperation are ensured and an Economic Commission, composed of the experts from both parties, is established to provide a roadmap of key economic cooperation fields and possibilities, schedules, funding methods, etc.



As could be expected, while the experts were more reserved in making policy recommendations at the previous two sessions, during the simulation they were more open and innovative for various challenging proposals and cooperation spheres. Some of the ideas discussed were the launch of the visa liberalization as a first phase for ultimately open borders, energy projects embracing Armenia, peace dividends as well as investments, resettlement funds, cooperation in transport, trade, agriculture, joint deployment of water resources, cross-border cooperation, fight against economic crime, collaboration between the police of the countries, etc.

It is worth mentioning that the roundtable met its mission by ensuring a constructive dialogue, within the scope of which peace building measures and techniques were investigated and cooperation fields, contributing to the security and welfare of the region, were identified.

*Ofelya Sargsyan*

### **The South Caucasian Conflicts and the European Union: Is the Union a competent Actor in the Region?**

The collapse of the Soviet Union resulted to the formation of three independent states with contradictory as well as competing national interests in the South Caucasus. The ethno-political conflicts of the region over Nagorno Karabakh (NK), Abkhazia and South Ossetia have caused thousands of human losses, serious economic slumps, dramatic political instabilities as well as an insecure environment. The created clashing perceptions and policy priorities fuel up the already existing security deficit. At the time being, none of the conflicts has been resolved, negotiations have so far been unfruitful and the reemergence of the war is under wide discourse. The instruments and mechanisms to tackle away the crisis and resolve the conflicts have been proven to be unsatisfactory and inadequate. Yet, strengthening security and ensuring peace and stability in the South Caucasus are not only beneficial for the region per se but are also of high strategic interest for multiple international actors. In this context it is worth mentioning that the region is gaining a growing interest by policy makers and analysts. To the point three exceptional studies are reviewed: “Reassessing Security in the South Caucasus: Regional Conflicts and Transformation” and “EU Foreign Policy and Post-Soviet Conflicts: Stealth Intervention”.

#### ***Annie Jafalian: Reassessing Security in the South Caucasus Regional Conflicts and Transformation***

*Ashgate Publishing Limited, UK; USA, November 11, 2011, 237 pages, £49.50, ISBN- 978-4094-2274-1(hbk), 978-1-4094-2275-4(ebk)*

The first of the books, “Reassessing Security in the South Caucasus: Regional Conflicts and Transformation” edited by Annie Jafalian is a unique volume of pragmatic and scholastic articles by local and regional experts. Through cross-national studies the book attempts to present the security interests and policies of the actors involved in the region as well as aims to reveal the security developments in the South Caucasus after the collapse of the Soviet Union. On the whole, the study investigates the motives and factors triggering the Russian - Georgian war, discusses the consequences of the war in each of the states of the region,

namely Georgia, Armenia and Azerbaijan, seeks to assess the probability of reemergence of a new war, as well as identifies existent and potential co-operations and their developments.

Regarding the Georgian-Russian conflict the chapter ascribes its roots to the early 1990s. This is the period when Georgia was committed to ascertain its independence and sovereignty, whereas Russia sought to remain an unshakeable policy maker. As for the 2008 five day war and Moscow's decision to recognize the independence of Abkhazia and South Ossetia, it is argued that the created situation has weakened the Georgian army, halted the country's access to the NATO, as well as vanished the Georgian hope to regain Abkhazia and South Ossetia. As a consequence, the country is stated to withstand the Russian military threat by seeking the support of international actors, keeping strategic partnerships with Turkey, Azerbaijan and developing co-operations with Armenia.

The study shows that the war affected not only Georgia but also Armenia and Azerbaijan. Thoroughly enough the section analyzes that taking into account the threats stemming from the neighbouring states, Azerbaijan and Turkey, the ensurance of security in Armenia is vital for her survival. In this context, the study argues that the 5-day war had its significant role in bringing Armenia to the idea of normalizing relationship with Turkey. Meanwhile, the discussion develops over the Turkish- Armenian negotiations. Yet, it is acknowledged that the relationship between the two has registered no improvement, given the NK conflict and the Armenian claims for the recognition of the 1915 events as Genocide. Additionally, one interesting point regarding security issues of Armenia and blockade going back to the 1990s posed by Azerbaijan and Turkey is worth mentioning. Richard Giragosian argues that the blockade "has long surpassed its utility" and actually "unified the Armenian (and Karabakh) population".

As for Azerbaijan, the chapter presents that the lesson she took from the 5-day war was the reconsideration of her militarist propagandas since the emergence of a new war could portray Azerbaijan as an unreliable partner for potential partners. Besides, Azerbaijan will have certain difficulties in legitimizing the initiation of a war. Furthermore the intensified Russia-Azerbaijan co-operations, particularly in the field of energy after the Turkish-Armenian negotiations are under discourse.

Regarding the Turkish position and strategies over the region, it is stated that while still considering the Russian factor and presence in her policy shaping, Turkey has sought to counterbalance the Russian influence. In this context the study describes the country's close economic and military ties with Georgia and, especially, Azerbaijan, contradicting them with the frozen Turkey-Armenia bilateral relations.

The next actor addressed is Iran. The section argues that while the country has endeavoured to present herself as a mediator in the region, it has so far failed, given Russia's hegemony over the region and Iran's anti-American predisposition. In these terms, the study marks that

whereas Tehran has been successful in making rapprochement with Armenia, her partnerships with pro-Western Georgia or pro-Israeli Azerbaijan can hardly be considered feasible.

The last part of the book talks about multiple integration and partnership configurations. It investigates NATO's role and interest in the region, arguing that its involvement in the South Caucasus can be triggered by security and power motives well as "based on a diversity of international actors and the creation of identities, norms and values".

Furthermore, the EU's role in the region is under discourse. It is shown that while after the five day war the EU has sought to increase its engagement in the South Caucasus (the Eastern Partnership and the prospective of association agreements are referred to the point), the Union's role has still remained restrained, owing to its lack of hard power, deficiency of common policy regarding the region, as well as the local and regional political developments.

Overall, the volume clearly and systematically notes that despite certain political and historical events and developments, the security of the South Caucasus is still volatile and the region remains with contrasting priorities and policies. The value of the study is also in the fact that it seeks to denote the security threats which have so far been neglected. Particularly, it denotes the growing democratic crisis and corruption as another tangible source of threat to the states' internal security and stability. In addition it shows that "considered as an enemy, an ally or a partner, Russia still appears to be a crucial point of reference that shapes security perceptions, interests and policies".

***Nicu Popescu: EU Foreign Policy and Post-Soviet Conflicts***

*Routledge; 1st edition; 12.01.2011, 176 pages, £90.00, ISBN-10: 0415587204*

The next book to be addressed is "EU Foreign Policy and Post-Soviet Conflicts: Stealth Intervention" by Nicu Popescu. In the book the author aims to reveal the EU's policies, positions as well as role in the conflict resolution processes in the South Caucasus and Moldova. Through interdisciplinary researches and examples Popescu denotes the driving forces for the EU's involvement or non-involvement in the conflict management processes. Additionally, he portrays on the one hand the EU member states and institutions' stance in shaping the Union's foreign policy, its dynamics and approaches, the instruments the Union applies for its intervention, on the other hand examines the impact of the Union's external partners, the circumstances and conditions which enable or disable the EU's involvement in the conflict management.

This study can be divided into 3 parts. The first section provides an overview of the EU's foreign policy instruments and mechanisms in conflict resolution worldwide and, principally,



in the Eastern neighbourhood the pre and post Lisbon Treaty, evaluating the Union's success in this regard as not particularly tangible.

In the next section cases studies, among them being the EU's role in the conflicts over Transnistria, Abkhazia, South Ossetia and Nagorno Karabakh, are addressed. Via the case studies the author convincingly asserts the approach that the EU is more capable in the fields of low politics and seeks to increase its position, actorness and prerogatives by dosage. Also, the analysis acknowledges that the EU was not active in the mentioned cases, conditioned by the lack of the parties engaged, the external pressures, e.g. the Russian factor, as well as by the reluctance of the EU member states. The structure of the cases studies in all the three cases is identical: the context of the conflicts, the driving forces drawing the EU's engagement in the conflicts, the EU's instruments and policies and the outcomes of these policies.

Regarding the EU's intervention in Transnistria, the research argues that the conflict is not of ethnic origin but is of economic, security and political nature and that these are the bases preventing the conflict settlement. To the point, it is to be mentioned that while it is true that the root causes of the conflict could hardly be prescribed to the ethno-cultural roots, it is undeniable that there still exists some level of hostility of the character. Nevertheless, the study falls short in discussing this aspect. Another factor hindering the conflict resolution, yet neglected in the study, could be the linguistic barrier: while the Romanian Moldovans speak Romanian and use Roman script, the Russian and Ukrainian ethnicities in Transnistria speak Russian or Ukrainian, and use Cyrillic script. One more discrepancy concerning the analysis can be in the fact that while the chapter discusses the undemocratic regime of Transnistria as an impediment for the conflict management, it does not define or present the political regime of Moldova and is only sufficed with the discussion of the EU's assistance and policies conducted for and in Moldova. Notwithstanding these points and sticking to the title of the book, "EU Foreign Policy and Post-Soviet Conflicts", it is to be mentioned that the chapter fulfills its objective. It shows that "in the fields of security and in diplomatic attempts the EU's role was not significant ". On the other hand, the chapter argues that the EU has managed to ascertain its role in economic terms, by encouraging Transnistria to make a part of Moldovan economic system.

The next case observed is over Abkhazia and South Ossetia, which, reasonably enough, is presented as of ethno-cultural cleavage. As for the EU's intervention in this conflict, the author coins them as full of discrepancies, disagreements, ambivalent policies and controversies resulted from the EU's internal disagreements, member states incentives as well as the Russian factor. Overall, the author acknowledges that by virtue the EU practiced no policies in the region in the 1990s and, basically, got involved in the region after the 2008 Russian- Georgian war. Yet, the presented multiple examples depict that because of the EU's lack of commitment, its policies were mainly unfruitful given "the high politics nature of



Georgia's conflicts for the EU and EU-Russia relations significantly reduced chances for such an engagement.

The last conflict addressed is concerning Nagorno Karabakh. The author starts the discussion of it starting from the 1990s. Yet, this can be considered as a gap for the root causes of the conflict go far ahead the 1990s. One more point open to discussion is the role the author refers to the Armenian Diaspora and its lobby. While it is calculated that the Armenian Diaspora could be as big as 9 million people spread worldwide and they indeed lead a very active pro-Armenian lobbies and policies, its influential position on the international community and on the Armenian government per se can be widely speculated. One example showing their power restriction can be the fact that even the citizens of the Republic of Armenia living abroad constitutionally do not have a right to vote in the Armenian elections. Concerning the EU's approach to the conflict Popescu describes it as a position of "non-involvement". The reasons he sees in the lack of request from the local parties, in the EU's internal politics, its energy interests, and the incentives of the EU member states as well as the Armenian Genocide issue committed by Turkey in 1915.

Thus, by providing multiple studies the author demonstrates that in the fields of high-politics the role of the EU institutions in conflict management is minimal in comparison to that of low politics. At the end, it is to be mentioned that the book is interesting and opens up new aspects to be researched. One of the fields worth further investigation can be considered the 'politics of EU non-action'. Another interesting subject the study suggests for research is the role the external actors play on the formation of the EU's foreign policy.

*Ofelya Sargsyan*

## **Taiwan and Europe**

***Jens Damm, Paul Lim (Eds.): European Perspectives on Taiwan***

*Springer VS, Heidelberg, Germany, 2012, pages 257, €49,95, (eBook €39,26), ISBN 978-3-531-94303-9*

The overarching goal of Jens Damm and Paul Lim's book, *European Perspectives on Taiwan*, is to illustrate to their audience the European perspectives on Taiwan in regards to their economic, political, cultural, international and at one point religious positions.

This book is noteworthy as it presents Taiwan's current issues and history from a diversified European background, with the self-proclaimed benefit of European education and ideals. Secondly, Taiwan is somewhat unchartered territory, growing in popularity and thus this

book operates as a gateway for knowledge about the island. Suffice to say, the authors and contributors are experts in their fields, having spent significant time in Taiwan and Asia, however, it is clear from even the title of the book that it would be truly biased, rarely exploring alternate points of view. The authors' insular view almost appears as publicity for the European Union.

The historical offerings of the book, specifically, Ann Heylen, and Gunter Schubert, provide appealing insight into both political development and European intervention. As a country, Taiwan has always dealt with outsider's influences and Heylen sufficiently delves into the European influences as well as the Japanese, and PRC's affects. Yoshihisa Amae's article discusses the introduction of Christianity to the Taiwanese through Dutch Missionaries, explaining the PCT "Presbyterian Church of Taiwan," to be a "prototype of Taiwanese nation." (49) He writes that these missionaries first introduced the idea of democracy to the Taiwanese as the church was self governed with democratic laws. He concludes, "Although the missionaries were never directly involved in the native nationalist/political movement, the institution and the tools (language and press) the missionaries bestowed, as well as the experience they provided, namely representative democracy and self-governance resulted in the development of an imagined community...this was a prototype of a civic Taiwanese nation." (63) It seems politically incorrect, and somewhat ignorant to attribute an entire nation's transition to democracy to Presbyterian missionaries.

Furthermore, the following article by Schubert describes the transition to the Democratic period as a struggle between the KMT, Communists and Nationalists. The major political reforms that led to democracy were greatly enforced by revolutionary times, the U.S. pressure, and the introduction of the DPP (Democratic Progressive Party) however the Presbyterian missionaries were not mentioned.

Another major part of the book discusses historical and current interactions between Europe and Taiwan. As Taiwan's statehood is unresolved it has been excluded from International Organizations and therefore international relations, specifically with the EU, have been limited. The discussions of economic relations, political relations, and NGOs are all thoroughly explained in Lim and Winkler, and Sehnálková and Kučera's sections. In the concluding section, cross-Strait relations and tensions are discussed and how Europeans can intervene and influence peaceful collaborations. Fleischauer discusses the approaches to European integration and how they can aid Taiwan and China's relationship. Again, the comparison is arbitrary as issues facing Europe in the 1950's are extremely distant to those facing the ROC and the PRC today.

The end of the book suggests that the ROC and PRC can learn and use similar approaches as Europe had done to better their relationship. While countries can certainly learn from other's successes they can also learn from their mistakes and none are mentioned in any section. The

book reads more as a propaganda tool than an understanding of perspectives as it suggests the superiority of the European ideal.

*Sophie Shay*

## **What the European Constitution May Bring?**

***Stefan Collignon: The European Republic - Reflections on the Political Economy of a Future European Constitution***

*The Federal Trust for Education & Research in association with the Bertelsmann Foundation, London, UK, 2003, pages 212, £ 22.95, ISBN 1-903403-51-0*

In his work, *The European Republic: Reflections on the Political Economy of a Future Constitution* (published by the Federal Trust for Education and Research, 2003), Professor Stefan Collignon addresses the issue of political integration in the European Union in light of the introduction of economic integration incipient at the time of the book's publication.

Recognizing the delicate dialectic between economics and politics, Collignon suggests that the trajectory Europe places itself on in adopting economic integration, insofar as it would like to maintain legitimacy, simultaneously necessitates the introduction of a European Republic with a European constitution. In doing so, Collignon effectively navigates both the pragmatics of what a legitimate, efficient European state would look like and addresses more fundamental theoretical issues about political economy; namely, he provides a strikingly novel argument for democratic governance that has its underpinnings in economic thought.

Thus, by presenting these two frameworks (pragmatic and theoretical) as justifications for trans-national democracy, Collignon at once offers both a crucial guideline to the direction Europe must head in light of its contemporary crisis, as well as a more transcendent and enduring model of political thought. Indeed, the book stands up as both policy guideline and political philosophy, quite presciently offering assessments that apply to the critical juncture where Europe currently finds itself.

*Henry Topper*

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