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Resource-Based Reluctance, Reversed Asymmetry, and Non-Trade Integration Incentives - Theory and Evidence from European Neighbourhood*

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Abstract:

Among ENP countries, Azerbaijan is outstanding because it leans on its resource base and sees the EU at the receiving end of bilateral relations. At the other extreme, Ukraine depends on EU cooperation, especially with respect to trade. We develop a comprehensive theoretical concept for analyzing both types of asymmetries. We do this by considering both rational cost-benefit as well as constructivist norm oriented national strategies. Furthermore, we contrast the both national strategies to bilateral, regional, and multilateral EU strategies for democracy promotion, economic cooperation, justice and home affairs cooperation, and conflict resolution in European neighbourhood. It turns out that EU strategies of Neighbourhood Europeanization have to be increasingly based on non-tangible tools, on packages of regional and multilateral initiatives which balance out asymmetries, and on other than trade issues, such as security, in order to be more effective.

Keywords: Ukraine, Azerbaijan, ENP, Transition Economies, Institutional Change, Governance, Resource Curse

JEL classification: F15, F50, F55, O17, P20, P30, Q34

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1. Introduction

Studies on ENP are predominantly sceptical about the ENP's capacity to transfer EU rules and values to its neighbourhood, achieving thereby so called *Neighbourhood Europeanization* (Smith 2006; Emerson et al. 2006). Basically, the scepticism is based on the misfit between ENP demands and ENP rewards. ENP demands do not differ much from those of *Enlargement Europeanization*, while ENP rewards – predominantly tangible ones – are considerably smaller because of ruling out EU membership. In addition and notwithstanding the bilateral approach of ENP Action Plans, the uniformity of its demands and its rewards was criticized to diminish ENP effectiveness, because these demands and rewards are applied to the countries with different attitudes towards the EU, with different cultural features, and different levels of socio-economic development etc. Furthermore, the asymmetry of preferences between the EU and an ENP partner-country, which is even exaggerated by the top-down approach of the ENP Action Plans, create disincentives for *Neighbourhood Europeanization* (Bechev and Nicolaidis 2008). Hence, much like in *Membership Europeanization*, ENP tools have to acknowledge partner-countries' own strategies, to intensively incorporate "local ownership" and to rebalance the tool box towards the use of soft or non-tangible rewards and support like linkage-mechanisms.

The EU reaction to these critics (Communication from the European Commission December 2006) seems to be inconsistent. On the one hand, the EU tries to solve ENP problems by deepening the cooperation with ENP frontrunners. By opening negotiation on a free and deep trade area with some ENP partners, by facilitating visa regime or by giving these ENP partner-countries the opportunity to align with CFSP declarations, the EU tries to differentiate among ENP countries taking into account their progress in the implementation of EU demands. On the other hand, the EU joins regional and sub-regional developments within the European Neighbourhood area (Ferrero-Waldner 2007; European Commission 2008) and

launched *regional* initiatives such as *Black Sea Synergy*¹ (European Commission 2007) and *Eastern Partnership* (European Commission 2008).²

Although the EU acknowledged the given heterogeneity of partner-countries, the question is whether a *regional approach* will really help to solve ENP problem or whether the EU just created a ‘new language’ (Emerson 2008a; CEPS 2008). At least, it seems that the regional EU initiatives are even not consistent with each other. While the EU has moderated its targets in the Black Sea Synergy project recognizing a significantly lower leverage than under conditions of EU enlargement with its membership perspective, EaP sounds like ‘old ENP wine in new EaP bottles’.

What has been more or less completely neglected, so far, is the *multilateral approach* of *Neighbourhood Europeanisation* through EU cooperation with OSCE and Council of Europe (CoE). Eastern ENP member states are members in OSCE and CoE alike. Both organizations are based on western norms and values and their strategies are based on persuasion with non-tangible rewards and support rather than strong conditionality. Hence, EU’s incorporation of OSCE’s and CoE’s demands may be useful in order to complement ENP tool box..

Hence, there is a need to bring the bilateral, regional and multilateral approaches of the EU’s Europeanization strategy together in order to form a consistent policy package. In this paper, we provide a comparison of these three approaches of the EU’s strategy. We first and foremost concentrate on strategy analysis than on effectiveness of these strategies in the target countries.. We build thereby on previous research on *Membership Europeanization* and *Enlargement Europeanization* (Schimmelfennig and Sedelmaier 2004; 2005; Emerson 2004a, 2004b, 2004c, 2005; Grabbe 2006, Schimmelfennig 2007; Sedelmaier 2007), but focus on the

¹ The EU’s Black Sea Synergy paper lists 13 priorities – down from democracy to fisheries - and, in another 2008 high level meeting the EU sorted out which of these priorities should be implemented in cooperation with the regions own institution, the Black Sea Economic Cooperation (BSEC) which included Russia and Turkey as the main driving forces.

² Multilateral approaches and support for regional cooperation have been characteristic of the EU’s policy towards its neighborhood since the 1990s. Different formats were applied almost simultaneously to its neighbors in the North (the Northern Dimension), in the South (the Barcelona Process / Euro-Mediterranean Partnership) and in the South East (the Stability Pact for South Eastern Europe) (Andreev, 2008).

strategy of *Neighbourhood Europeanization*. Furthermore, we try to combine both the EU's and the partner country's perspective in analyzing the approaches and tools of *Neighbourhood Europeanization*. In addition to the bilateral approach of EU's strategy through ENP Action Plans, we complement this analysis with a *regional* (EaP, Black Sea Synergy) and *multilateral* approaches (OSCE, CoE). This is to provide a better understanding of potentially winning strategies which may be either traditionally bilateral or innovatively regional or multilateral.

The paper has the following structure. Section 2 provides an overview of the Europeanization strategies that the EU has applied. This section demonstrates a basic inconsistency of *Neighbourhood Europeanization* through ENP, as it combines weak conditionality with ambitious targets. In Section 3, we develop a research design for the case studies which allows for a comparison of bilateral, regional and multilateral approaches of Europeanization. We also show that Ukraine and Azerbaijan are crucial cases of frontrunners and laggards in *Neighbourhood Europeanization*. While "cooperation-willing" Ukraine is dependent on EU cooperation, especially with respect to trade, "cooperation-reluctant" Azerbaijan leans on its resource base and sees the EU at the receiving end of bilateral relations. By considering these crucial cases we are able to flesh out shortcomings and conclusions for ENP in general. Furthermore, the EU's strategy in the four dimensions – democracy promotion, economic cooperation, JHA, and conflict resolution - is to be analysed. The four dimensions are examined by differentiating between the bilateral approach of the EU's strategy (divided in demands, rewards, and support) and regional as well as multilateral approaches by the means of which the EU seeks to achieve the aims of *Neighbourhood Europeanization*. From the individual perspective of an ENP partner-country, we differentiate between rational cost-benefit oriented and constructivist norm oriented strategies. Section 4 implements the elaborated research design for a comparison of EU strategy towards Ukraine

and Azerbaijan, as well as the Ukrainian and Azerbaijani strategies towards the EU in the four dimensions. Finally, section 5 summarizes and draws conclusions.

2. Prospects and Challenges of a Bilateral Approach of Neighbourhood Europeanization

The relevance of *Europeanization* strategy intended to improve institutions and governance in neighbouring countries in a top-down way (with the EU on the top) is obvious. The EU seeks to transfer its own institutions, values and standards to neighbouring countries, as it is much easier to cooperate with partners that “speaks the same language and lives according to the same rules” (North 1991). If institution building is at least to some extent demand driven, neighbouring countries – through their own initiative – would also demand for better (EU-type) institutions in a bottom-up way as they converge towards EU levels of income. However, the convergence through own bottom-up demand is a long-term process (Melnykovska and Schweickert 2008). Speeding up this process needs strong external incentives as was the case in *Enlargement Europeanisation*. To the extent that comparably strong incentives are not available, it would be not credible to demand for large institutional improvements that are inconsistent with the preferences of countries.

As regards *Enlargement Europeanization*, the adoption of EU rules by transition countries implied “the most massive international rule transfer in recent history” (Schimmelfennig and Sedelmaier 2005). Most empirical evidence seems to support the rationalist perspectives, which explain success of the rule transfer to the candidate countries with the presence of EU membership incentive. According to the rationalist perspective, *Enlargement Europeanization* relies on external incentives model. I.e., regardless the fact that conditionality tools are restricted to very weak forms of “punishment” like a slower pace of deepening integration, EU’s conditionality offers the combination of demands and rewards that ensures a transfer of EU norms and values. Therefore, rewards that exceed the domestic

adoption costs are needed for partner-countries to adopt EU rules. Hence, in this model, success depends on determinacy and clarity of demands, size and speed of rewards, and credibility of conditionality (Schimmelfennig and Sedelmaier, 2005, p. 9). Alternative models like social learning and lesson drawing have been regarded as being less explanatory for rule transfer in *Enlargement Europeanization* (Schimmelfennig, 2007, p. 17; Grabbe, 2001; Huges, Sasse et al., 2004). According to the social learning model, which is based on constructivist assumptions, relevant actors internalize values of Europeanization, i.e. they more or less converged to a common European identity. Finally, the lesson drawing model assumes that state-induced reforms and rule adoption take place because state actors judge Europeanization as an effective remedy to inherently domestic needs and policy challenges.

This insight from *Enlargement Europeanization* implies a conceptual challenge for *Neighbourhood Europeanization*, because EU leverage and effectiveness of EU strategy in the neighbourhood might be severely limited due to the lack of attractive incentives and rewards as well as due to the absence of punishment. Europeanization without conditionality implies the long-term internalization and embedding of European norms and values. Such a process is less based on strategic minimization of adaptation costs by attractive incentives and rewards, but instead more on social learning and lessons drawing models. In its dealing with non-candidate neighbours, the EU has to aim less at exerting ‘leverage’ and instead focus on promoting ‘linkage’, which is, according to Levitsky and Way the density of a country’s tie to countries or bodies such as the USA, the EU and other western-led multilateral institutions. (Western) leverage is defined as a (non-Western) government’s vulnerability to external pressure (Levitsky and Way, 2006).

Hence, strategies of *Neighbourhood Europeanization* have as well to refer to quite some features of *Membership Europeanization*, as rule transfer due to the notion of “*goodness of fit*” is the result of *adaptational pressures* that arise when there is a ‘misfit’ between

European and domestic policies, processes and institutions (Cowles et. al., 2001). In other words “[o]nly if European policies, institutions and/or processes differ significantly from those found at the domestic level, is there any need for member states (or accession candidates) to change” (Börzel and Risse, 2006, p. 490). In an alternative approach, Radaelli (2003) interprets Europeanization more as an ongoing interactive and two-way process and less as a one-way reaction to Brussels. This more overtly constructivist approach to Europeanization places additional emphasis on the importance of norms and ideas of EU partner-countries and foreshadows the emphasis on sociological institutionalism takes on Europeanization.³ Having ENP countries in mind, which show an enormous misfit, but despite of this are not very compliant to EU rules and norms, these approaches seem primarily useful for adjustment *within* the EU.

As has been criticized in various contributions (see for example Lavenex, 2004; Stratenschulte, 2005; Lavenex and Schimmelfennig, 2006, p 143; Jahn, 2007; Lang, 2007; Kelley, 2006, p. 30; Kempe, 2007; Lippert, 2007; O'Donnell and Whitman, 2007; Rhein, 2007) a top-down paternalistic, demand oriented approach based on asymmetric dependence of the partner country is still to be found in the ENP. However, lacking strong incentives and support leads to inconsistency. In addition, the one size-fits-all-approach adopted in Copenhagen for enlargement is based very much on a bilateral demand oriented approach. ENP resembles these tactics, yet both forms are accompanied by multilateral based demands.

Empirical support for ENP policies is not encouraging either. In contrast to empirical research on *Enlargement Europeanisation*, only a few studies analyze the impact of the EU on institutional change by means of agreements below a membership perspective. Thereby, Di Tommaso et al. (2007) implementing an index of institutional quality from the EBRD confirm

³ According to all three forms of Europeanisation it seems to be rather widespread to refer to “neo-institutionalist” approaches (for the debate, see also Featherstone, 2003, p. 15).

a positive impact of basic agreements on the quality of institutions in transition countries. Similarly, Schweickert et al. (2008) confirm a positive impact of EU integration on institutional quality using the World Bank Governance Indicators which represent a much broader concept of institutional quality. However, according to Schweickert et al. (2008), for the basic Partnership and Cooperation Agreements (PCA), the positive impact of EU Integration is not due to improvements of institutional quality over time but rather between countries – a grain of salt for too much optimism about institutional change supported by basic EU agreements and a strong indication of the heterogeneity of post-socialist countries. In addition, entry into the NATO accession process has a significant effect over time, i.e. these countries actually improved institutional quality. The “carrot” in this case is regional security rather than economic cooperation. The prospect of NATO accession has a positive effect that is at least comparable to the impact of EU accession (see, e.g., Schimmelfennig, 2007; Pop-Eleches, 2007).

Hence, the message is that basic EU agreements *can* provide positive incentives for better governance, empirical support for such an optimistic view is rather weak, and security issues seem to play an increasing role as an incentive for *Neighbourhood Europeanisation*. All in all, given the conceptual inconsistency of the concept of ENP discussed above it seems that weak incentives should be well-targeted according to the preferences and strategies of ENP partner-countries in order to achieve a significant impact on governance in ENP countries. Furthermore, the linkages have to be strengthened. As will be discussed in the next chapter, to achieve this target requires a comprehensive consideration of the dimensions of Europeanization policies, the EU’s diversified approach beyond ENP, and, most importantly heterogeneity of partner-countries that determines national strategies towards Europeanization.

3. Europeanisation through ENP – the research design and choice of country sample

Four dimensions of Neighbourhood Europeanisation

As argued above, ENP policies still follow the enlargement blueprint which distinguishes between democracy promotion and sectoral cooperation (Schimmelfennig and Sedelmaier, 2004, p. 669). In contrast to a comprehensive idea of sectoral cooperation during enlargement, the ENP concentrates on specific areas which figure high on the EU's list of priorities embedded to various degrees in country-specific Action Plans (APs) (Emerson, 2004b). We consider four dimensions of ENP policies which are of essential importance for both the quality of Europeanisation in neighbouring countries and the EU's strategic interest (see, e.g., Mahnke, 2008):

Democracy Promotion: The EU sees ENP as a democratization tool (Ferrero-Waldner, 2006). At the same time, the EU's democracy promotion strategies have received plenty of criticism for being badly coordinated (Crawford, 2000), for following a "one size fits all" approach (Börzel and Risse, 2004), and for being biased towards an EU view (Barbé and Johansson-Nogués, 2008, p. 91).

Generally, critics argue that there is too little bottom-up and, at the same time, inconsistent top-down strategy (e.g., French, and Mejenfeldt, 2006). EU tools of top-down strategy are political dialogue and official statements. The EU seeks to promote democracy by conducting regular summits, committee meetings and negotiations (Kobzar, 2006). A political dialogue is intended to exercise 'soft power' on elite mentalities and external policy orientation (Vachudova, 2005, p. 83; Nye, 2004; Pridham, 1999, 2001, pp. 75-6; Way and Levitsky, 2006). In the same vein, official statements can be interpreted as a blaming and shaming tool (see, e.g., Zangl, 2001; Mair and Schimmelfennig, 2007, reference to K.E. Smith, 2001).

This tool has many variations: the EU's statements on presidential and parliamentary elections in ENP states, essential comments on the rule of law (especially corruption) and borrowing legitimation from others, which we call cross-checking, i.e. commenting on obligations imposed by other international bodies like OSCE and Council of Europe.

A bottom-up strategy is supposed to support non-state actors and institutions that do not belong to high level politics, i.e. civil society, the education system, and the media. Concerning the civil society and the education system, ENP offers financial support through TACIS/EIDHR and TEMPUS. While TACIS provides infrastructural help and EIDHR promotes bottom-up democracy, TEMPUS provides help with higher education modernization, people-to-people-contacts among European students and, thus, linkages between East and West (see, e.g., Council Decision, 1999). The long-term nature of these programmes allows comparing ENP activities with the pre-ENP era. Freedom of media is an essential part of supporting democracy in neighbouring countries. In contrast to the OSCE, the EU is a rather young player in the field of media support, but views media support as an important tool for promoting democracy (see, e.g., von Franque, 2008). Clearly, the EU's great scope of influence has to be evaluated against the danger that it could misbalance national media markets.

Economic Cooperation: "The basic deal the EU has offered the ENP states consists of economic cooperation in exchange for political reforms" (Vincentz, 2007, p. 117). However, the economic dimension of ENP remains rather vague (Escribano, 2005). The Action Plans give only broad guidelines and do not give threshold levels for eventual achievement (Noutcheva and Emerson, 2007, p. 91). Unlike the EU enlargement and Balkan policies, ENP has a development component and is strictly bilateral (see, e.g., the discussion of ENP as a "hub-and-spoke" policy in Hummer, 2005), which means opportunities to create a unified economic region are ignored.

There is a huge debate on appropriate models for future economic integration between ENP members and the EU. The scope of models ranges from models incorporating bilateral deep free trade or multilateral simple free trade arrangements to models incorporating a stake in the common market, with its four freedoms (maybe without freedom of labour), which is seen as most attractive economic offer right now (e.g., Escribano, 2005; Maurer and Haerder, 2007). For the time being, economic integration remains a bilateral instrument that has a basic trade component and specific cooperation schemes depending on interest of either the EU or the ENP countries. Generally, cooperation is tailored towards establishing bilateral relations, with the intention of postponing decisions on concrete steps of integration into the future (Lippert, 2007; Vincentz, 2007; Lavenex, Lehmkuhl et al., 2007).

Justice and Home Affairs: In contrast to the enlargement process, where JHA have only been discovered as of late, it has been an element of the Action Plans within ENP from the start, which demonstrates the increasing importance of security aspects. The JHA dimension is important, as the political initiation of ENP was also caused by the geostrategic fear of new threats, stemming from insecure borders with rather insecure new neighbours. A core aim in the beginning was to avoid the risk of “negative spillovers” such as illegal immigration, terrorism, organized crime, etc. (see Browning and Pertti Joenniemi, 2008).

The main areas of demands and cooperation in JHA are migration and border policy, combating organised crime and drug trafficking and judicial and police training and cooperation (Occhipinti, 2007). Policy regulations in the field of JHA bear several specific characteristics.

First, some issues are primarily important for EU’s internal security interests (e.g., organized crime, illegal migration, “third-country rule” in asylum policy, safeguarding EU Schengen regime). Second, JHA is both a short-term security strategy and a long-term initiative for good governance, democracy and socio-economic transformation. This

obviously leads to conflicting strategies (see, e.g., Wichmann, 2007). As JHA contains obvious elements of EU interest, EU consequently has had to offer rewards, like visa facilitation against readmission of asylum seekers. Third, it is very much a sovereignty-sensitive policy area.

Therefore, a lot of demands concerning policy changes affect core state functions like border policy or police cooperation. Finally, demands in JHA are closely linked to the acceptance of democratic values, which is obvious in areas where EU cannot offer concrete rewards for compliance, as, e.g., establishing an independent judiciary (Knelangen, 2007, p. 91).

Conflict management: EU as a successful story of international organization serves as a model for successful conflict management, as European integration offered continuous peace among the EC/EU members after Second World War. We lack empirical findings, if the win-win-situation of EU-integration, which is supportive for conflict settlement, would in the field of Neighbourhood Europeanisation. If we regard the conflict management in Cyprus, there has been at least some rather successful example during Enlargement Europeanisation. Following Axt et.al., the nexus between Europeanisation and conflict management is positive, if the nation state's strategy is more norm and value based than rational (Axt et. al., 2008).

In the course of eastern enlargement, the EU becomes increasingly interested in conflict management, but limited these interests to the conflicts close to its enlarged borders. Only after the Russian-Georgian war in August 2008, the conflict management in the South Caucasus became a high global EU priority. Yet in the last years, the territorial conflicts as in Azerbaijan (Nagorno-Karabakh) didn't have had that high priority from EU's side. Nevertheless, general demands on progress concerning these conflicts have been included in the Action Plans of both south Caucasian States. Thereby, Azerbaijan has been rather reluctant to accept help from EU's side (see, e.g., Alieva, 2006, Kamov, 2006). For Ukraine,

conflict resolution in ENP has not affected problems on its own territory until the war between Russia and Georgia. Currently, the EU demands Ukraine to be supportive in the Transnistrian conflict in Moldova are extended with the demands to pursue peaceful arrangement in the Crimean question.

It is evident that the four dimensions of Europeanization differ according to the potential to achieve compliance with targets by either tangible reward and support schemes which impact on net benefits of cooperation or by non-tangible socialization strategies. While economic cooperation and JHA may be negotiable to a large extent, democracy promotion and conflict resolution are more restricted by norms and, hence, need persuasion.

Approaches and Tools of Neighbourhood Europeanization

The EU implements its strategy of *Neighbourhood Europeanization* through three approaches of cooperation with ENP countries: bilateral, regional and multilateral (Table 3). The most important *bilateral approach*, similar to *Enlargement Europeanization*, applies demands, reward and support tools in order to achieve compliance with demands based on conditionality.

As the strategy of *Neighbourhood Europeanization* includes different priorities, we analyse demands according to the dimensions of cooperation. Apart from that, Europeanization is more likely, if demands are as clear and as formal as possible (Schimmelfennig and Sedelmaier, 2004, pp. 664; Jacoby and Cernoch, 2002). Rule clarity is especially important in ENP, as there is no formal benchmark of demands, in contrast to Enlargement Europeanization, which is based on the *aquis communautaire*.

The EU's rewards are specific in different dimensions of integration. However, unlike in Enlargement Europeanization, which has been based on cost-benefit-based conditionality with substantial rewards, Neighbourhood Europeanization offers small rewards. Hence,

Neighbourhood Europeanization has to rely on norm-based socialization, i.e. on support tools to a larger extent.

In addition, following Schimmelfennig et al. (2006), we distinguish between tangible and non-tangible tools with both rewards and support containing tangible and non-tangible elements. It is important to note that the *non-tangible tools* basically assume rather eye-level contacts and help rule transfer through socialization. In contrast, tangible tools are more in line with a rationalists’ approach which has to rely on a cost-benefit calculation by partner-countries (see below).

Table 1 – Levels and tools of EU’s Neighbourhood Europeanization strategy

Bilateral				Regional		Multilateral		
Demands	Rewards		Support		Tangible	Non-tangible	Tangible	Non-tangible
	Tangible	Non-tangible	Tangible	Non-tangible (mostly linkage)				
1. Democracy promotion 2. Economic cooperation 3. Justice and Home affairs 4. Conflict Management	e.g. FTA, stak in Interna Market, visa liberalisation	e.g. Participation in EU agencies and community programmes, right to join GASP positions	ENPI-financing, TACIS, EIDHR, TEMPUS	e.g. twinning/ participation in EU agencies	Additional funds for EaP	Self-enforcement through regional cooperation	Joint Programmes with CoE	“Cross checking” of demands with CoE, OSCE

Source: own illustration.

Non-tangible reward and support facilities are indeed somewhat different than in Enlargement Europeanization. The EU Commission announced the possibility for the ENP states to participate in not less than 20 EU-agencies and 17 Community programmes (Emerson, Noutcheva et al., 2007; COMMUNITIES Brussels, 4.12.2006) and linkage-mechanisms like twinning and various forms of cooperation (Levitsky and Way, 2006, p. 383) play a prominent role.⁴

⁴ There is a debate on how to involve ENP states as much as possible in EU’s institutions without giving them voting rights. Plans such as the Model of Modular Integration, which suggests restricted voting rights in the Council and the EP (Maurer and Haerder, 2007; Lippert, 2007).

The main ambition of the *regional approach* has been to ‘simulate’ multilateralism and ‘joint ownership’ by dealing with groups of fewer and presumably more interrelated states that share common features and mutual preferences. Thereby, a *regional* approach should not fully abandon the EU’s benefits of asymmetric bilateral approach that ENP actions plans (ENP APs) have brought, but rather be complimentary to them (Vahl, 2005; Tassinari, 2006). In particular, moving from a bilateral approach to a regional approach of Eastern Partnership (EaP), it is intended to fill the gap’ between the overarching ENP framework and the level of *practical policy* based on negotiated conditionality of the bilateral ENP APs (Gultekin-Punsmann and Nikolov, 2008). Furthermore, the regional approach attempts to account for the European aspirations in most countries in Eastern Europe and the South Caucasus that search for closer and more intensive links with the EU. Finally, the regional approach was also the reaction to the increased assertiveness of Russia during Putin’s second term and to the war between Russia and Georgia in August of 2008, which require a new regional playing field in order to mitigate possible tensions and/or clashes in bilateral EU–Russian relations (Asmus and Jackson, 2004; Minchev, 2006; Gültekin-Punsmann and Nikolov, 2008; Sherr, 2009).⁵

The regional approach, i.e. Black Sea Synergy and EaP, have just recently started but may already be evaluated concerning their potential for influencing ENP partner-countries and supporting the bilateral ENP approach. The extent of additional funds is rather limited and still uncertain (Lapczynski, 2009). Looking at the period 2010 to 2013, it is most likely that €250 million out of €350 million are reallocated from the bilateral ENPI funds and beefed up by some additional €350 million. As a result total funds, i.e. ENPI plus EaP would contain a total of €700 million. While this is a doubling of the ENPI fund it is only 0.44 percent of the

⁵ In 2008, quite some high level meetings of EU, NATO, and OSCE discussed the neighbourhood policy in different aspects and, especially after the first war in European history since WWII between Russia and Georgia, created hope in the Black Sea region for deeper European integration. However, the results were rather disappointing: OSCE scored absolute zero, NATO hardly scored better, and the EU created new language (Emerson, 2008a).

partner-countries GDP forecasted for 2010.⁶ Apart from re-packaging ENP, the contents are hardly different. There is still a strong conditionality of comprehensive institution building in exchange for the promises that a Neighbourhood Economic Community is possible and that an agricultural dialogue is envisaged. Hence, the approach is also mostly a top-down approach. A new quality might be the EaP Civil Society Form which should allow for a more inclusive linkage strategy. The new quality in the Black Sea Synergy is the fact that the EU recognizes that energy, transport, environment, and security issues are closely related to each other (Nilsson, 2008). There is basically no new idea in this strategy which could not have been or is included in ENP APs. It is the mode of operation – regional instead of bilateral – that should improve ownership and motivation on the part of partner-countries (Emerson, 2008).

Concerning the *multilateral approach* we refer to the fact that the EU in various ways borrows legitimacy for its own demands and evaluation. In addition, the EU launches joint programmes with other international organisations. We consider OSCE and CoE cooperation in democracy and governance related issues. While these two organizations could also be evaluated as alternative external actors, we restrict our analysis to the ENP related activities, i.e., to the EU strategy to incorporate the activities and tool boxes of these international organisation. In this respect, only the CoE offers tangible rewards in the form of joint programmes. Both organizations are involved in the EU's democracy promotion basically through blaming and shaming especially by election monitoring (OSCE) and regular membership monitoring, which in fact is only relevant for CIS states (CoE) on the other hand. Hence, their influence basically works through socialization effects like the non-tangible ENP tools (Gawrich, 2007).

⁶ In addition, the relative importance has increased due to the strong recession in the region which is forecasted to reduce GDP by more than a fourth from 2008 to 2010. Relative to GDP in 2008, Neighbourhood funds amount to 0.23 percent of GDP only.

National Strategies towards Europeanization

We differentiate between three core strategies of ENP partner-countries, which stem from the assumptions of various forms of neo-institutionalism (Table 4), based on either the logic of appropriateness or the logic of consequences (e.g., Hall and Taylor, 1996; in the context of Europeanization see Axt et. al., 2008).

Table 2 – National Strategies towards Europeanization

Determined by	Target
Cost-Benefit	Secure Rewards
	Avoid Punishment
	Secure Financial or Logistic Support
Norms	Support EU norms
	Denying EU norms
Path dependency	Maintain Post-Soviet Mentalities
	Reject EU Norms

Source: Own presentation based on Hall and Taylor (1996).

Reactions at the nation state level set the stage for any impact the EU might have. The cooperation strategy from the nation state's side is based very much on interests and preferences of elite and population. A first motive which drives support of Europeanization is net benefit of cooperation with the aim to secure rewards or/and financial and logistic support, avoid punishment. Thus, appropriate well-focused rewards and incentives for internal actors are necessary to motivate them for Europeanization reforms. The calculation of net benefits of course depends on the asymmetry of the EU's relations with partner countries. Rewards will be the more important the more a country depends on cooperation with the EU. To the contrary, cases like resource abundance may actually lead to resource-based reluctance to cooperate because potential benefits from cooperation with the EU are rather low.

Besides rational net benefit orientation, national strategies might be influenced by the normative will to cooperate and some EU enthusiasm as well. Otherwise, i.e. if path-dependency prevails a strong external leverage may be needed in order to create a momentum

for change. However, such an external influence also faces considerable resistance in the case of path-dependency.

Most importantly, the fact that national strategies are determined either by cost-benefit calculation or rather by norms and path-dependency has implications for a potential impact of ENP. In the case of cost-benefit calculation it should be rather a matter of rewards and support which convince partner-countries to cooperate. At the same time, partner-countries which base their strategy on norms might be easier to be socialized. In any case, a high level of path-dependency implies the need to increase efforts by external actors be it in terms of higher net benefits of cooperation or intensified socialization activities, e.g., by comprehensive linkage mechanisms. Hence, adaptation costs increase with path-dependency.

Crucial Cases – trade-based willingness (Ukraine) vs. resource-based reluctance (Azerbaijan)

The discussion so far has shown that the success of any EU strategy depends on willingness of an ENP partner to cooperate (Emerson et al., 2006), on adaptation costs of EU demands linked to path-dependency (Kitschelt and Wilkinson, 2007) and on the asymmetric interdependence between the EU and an ENP partner-country (Keohane and Nye, 1977; Vachudova, 2005). According to these conditions, it is possible to define crucial cases of Neighbourhood Europeanization (Hague et al., 1998). Among Eastern ENP partners these are clearly the cases of Ukraine and Azerbaijan. As can be seen in Table 1, the two countries provide contrasting cases in terms of willingness, asymmetrical dependence, and adaptation costs. Ukraine is regarded as a *most-likely case study* (George and Bennett, 2005) because it shows strong willingness of cooperation and it is highly interested in becoming an EU member (Shumylo, 2007; Wolczuk, 2008). Furthermore, Ukraine is a consolidating democracy (Flikke, 2008) and should have low adaptation costs while implementing EU

demands. Its dependence on the EU – e.g., in economic terms (Melnykovska and Schweickert, 2008) and in security-related terms (Bendiek, 2008) – also promotes the success of EU strategy. In contrast, Azerbaijan is a *least-likely case*. It demonstrates a “resources-based” reluctance to cooperate (see, e.g., Franke et al., 2009). Furthermore, this country is referred to as an autocracy (Svante, 2001; Levitsky and Way, 2003; Freedom House, 2009) and the fulfilment of EU demands, e.g., on democracy promotion, poses a direct threat to the incumbent regime. Natural resources also provide a higher level of independence from the EU and resistance to EU demands. Additionally Ukraine and Azerbaijan cooperate with the EU in a wide range of dimensions (Emerson et al., 2006). Thus, the case studies of Ukraine and Azerbaijan allow testing main inferences on Neighbourhood Europeanization in several cooperation dimensions and deriving not only country-specific but also basic conclusions about EU strategy towards its neighbours (Gerring, 2007).⁷

Table 3 – Most and Least Likely Cases of Neighbourhood Europeanisation

ENP partner	Willingness	Asymmetrical Dependence	
		X-high x-low	X-low x-high
Armenia	Xx	Xx	Xx
Azerbaijan	x	x	x
Belarus	x	Xx	x
Georgia	X	Xx	X
Moldova	X	X	x
Ukraine	X	X	X

Notes: “X” stands (i) for a high degree of willingness,(ii) for a high degree of asymmetrical dependence of a ENP country on the EU or for a low degree of asymmetrical dependence of the EU on an ENP country, (iii) for low adaptation costs of EU demands; “x” stands (i) for a low degree of willingness, (ii) for a low degree of asymmetrical dependence of a ENP country on the EU or for a high degree of asymmetrical dependence of the EU on an ENP country, (iii) for high adaptation costs of EU demands; “Xx” stands for a middle degree of the three conditions.

Source: own illustration.

⁷ Armenia, Belarus, Georgia and Moldova could not offer this potential to acquire basic understanding of ENP strategy mechanisms and do not fit in the most likely and least likely case studies design better than Ukraine and Azerbaijan. Either they participate in the ENP only nominally (like Belarus), or they are of minor importance for the EU (like Moldova), or they are rather asymmetrically dependent on the EU than vice-versa (like Georgia and Armenia).

Based on this, we deploy the following *research questions* which are to be answered on the basis of the country analysis in Chapter 4:

- (1) What differences in bilateral approach in the EU's strategy towards Ukraine and Azerbaijan as well as from both countries' sides can be distinguished and how can these be explained?
- (2) Are the new regional approaches Black Sea Synergy and Eastern Partnership able to compensate deficits of bilateral approach either for EU or for an ENP partner country?
- (3) Do multilateral approaches via OSCE and CoE help to decrease the asymmetry of preferences and to achieve convergence of strategies?
- (4) Finally, what conclusions can be drawn for consistent neighbourhood policies on the basis of the analysis of the crucial and divergent cases of Ukraine and Azerbaijan

4. Europeanisation in Ukraine and Azerbaijan

4.1. Background of domestic changes and national strategies within ENP

Ukraine – fading enthusiasm

Ukraine can be seen as the most active member of the ENP and is a sort of a 'role model' among the ENP states in terms of its willingness to cooperate and to fulfil EU demands. Furthermore, unlike in the pre-Orange Revolution times, the current Ukraine's willingness is supported by real activities. Contrary to President Kuchma, who used the declaration of Ukraine's wish to join the EU as a way to rationally legitimize his authority in Western Europe⁸, the ambitions of the current Ukrainian leadership seem to be *less declarative* and

⁸ The international recognition and farther cooperation with the EU should also help to legitimate Kuchma's presidency at the national level (Kuzio, 2006).

more action-oriented. The willingness of the Ukrainian leadership is based on positive attitudes of the population towards the EU, which has been grown up by Kuchma's intensive demagogic campaign even before the Orange Revolution.

Although the public opinion on the time horizons of Ukraine's membership in the EU and on the pace of domestic reforms to achieve its Europeanisation are not homogeneous, the population agree on "European Choice", i.e., an integration of the country into the EU (Razumkov Centre, 2009). In addition, the country's context is more favourable for fulfilment of EU demands than in other ENP partner-countries, because Ukraine is democratizing on its own. Domestic reforms lagged during the first decade of transition, but the Orange Revolution of 2004 brought the democratic breakthrough that has radically changed Ukraine's transformation path (Melnikovska and Schweickert, 2008). Ukraine begins to democratize and the Ukrainian governments launched further political and economic reforms. Thus, the costs for adaptation of EU demands have been decreasing.

Both pro-Orange and anti-Orange political elite strived for EU membership and repeatedly used the "EU card" in their programmes (Shymulo, 2007). This strategy was costs-benefits oriented. The aim of the Ukrainian elite was to make use of a positive attitude of Ukraine's population towards the EU, which was inherited from Kuchma's regime, and to get merits from positive EU reactions i.e., a membership perspective, that the Ukrainian elite expected to follow soon (interview of president Yushchenko for *The Times* 2005, January 31, Yushchenko, 2005).

However, EU reaction to the Orange Revolution of 2004 was lukewarm (Afanasyeva et al., 2009). The first three-year EU-Ukraine AP drafted in late 2004 before the Orange Revolution - and signed with only few changes in February 2005 - is still in force. The EU ignored aspiration of the Ukrainian leadership and did not grant an EU membership perspective for Ukraine, even not as a long-term perspective. The "reforms first, membership

talks afterwards” philosophy of the EU has been barely changed (Solana, 2005a). As before the Orange Revolution, the EU still sees “reforms as the key to its door”, i.e. reforms should be successfully implemented before any membership perspective could be talked about (Solana, 2005b).

The lukewarm EU’s welcome has dampened initial enthusiasm of the Ukrainian population. The positive public attitude based on the assumption that the ENP is a “temporary mechanism” for Ukraine on the road to EU membership (White et al., 2008), is vanishing rapidly. According to Razumkov Centre (2009) approximately 44 per cent of the population in December 2008 was in favor of EU integration. Yet, previously this was the majority of the population – 65 per cent in 2002 and 54 per cent in 2007. Respectively, the percentage of those who are against EU integration increased from 13 per cent in 2002 to about 35 per cent in December 2008. The support for Ukraine joining the EU is decreasing both in the West and the East.⁹ The population is also disappointed with the announcement that there will be no EU membership perspective in the new Association Agreement, which was made at EU-Ukraine summit in September 2008 (EU-Ukraine Joint Declaration, 2008).

As the membership perspective is absent and the public support for EU integration is decreasing, the politicians do not want to appear as “knocking on closed doors”. Thus, they strategically avoid the issue of European integration in their public rhetoric during parliamentary elections of 2006-2007 (Shumylo, 2007) and by far in the presidential campaign of 2009 (Kuzio, 2009a,b). The avoidance of EU issues in public rhetoric provides an additional proof that the strategy of the Ukrainian elite is rather *cost-benefit-oriented* than *norms-oriented*.

⁹ The opinion survey shows deep differences in foreign policy orientations between four parts of the country. The EU is largely supported in the western (75 percent of respondents) and central regions (57 percent) and less in the southern (37 percent) and eastern regions (34 percent) (Razumkov Centre, 2008, p.48).

In the course of recent negotiations on Association Agreement, the Ukrainian elite have changed its strategy again, by shifting the focus from the “rose” aspiration for EU membership to the wish of political association and economic integration (Eliseev, 2009a). In particular, the elite concentrate on two *tangible rewards* of an FTA and a free-visa regime, which they assume to be realizable even under conditions of the current EU enlargement fatigue (Eliseev, 2009b). The regional strategy of EaP is thereby officially highly appreciated for its value added and change from geographical neighbourhood to partnership in EU rhetoric. Partnership is considered to be better than neighbourhood (Yatsenyuk, 2009). However, it is seen as supplementary to a bilateral level of EU-Ukraine cooperation, because the *rewards* – both *tangible* and *non-tangible* – promised in EaP has been already promised for Ukraine in the Association Agreement (AA), which is still debated (Tuz, 2009). Furthermore, in addition to Ukraine that has strong aspirations for EU membership, EaP includes the countries that have never wanted to join the EU and are reluctant partners in their cooperation with the EU. Thus, EaP causes some concern about EU attempt to put Ukraine in the same initiative with these reluctant ENP countries. Hence, the Ukrainian elite focus more on EU-bilateral than on regional cooperation, unless Ukraine would be chosen by the EU to lead this regional group and would receive some additional *tangible* and *non-tangible rewards and support* (Yatsenyuk, 2009). Furthermore, EU membership as a final destination in the chain “partnership – association – membership” is still on the agenda (Eliseev, 2009a).

All in all, without substantial EU *rewards* and EU *support*, the Ukrainian political leadership was sometimes more involved in power distribution struggles than in carrying out reforms demanded by the EU. The issue of EU cooperation has become an arena where domestic crisis are fought out and where the Ukrainian position is expressed by many often contradictory voices (Lindner, 2007). The reforms to fulfil the demands of Neighbourhood Europeanization were thereby of marginal importance, as they did not bring merits in terms of

substantial EU rewards or electoral voices (Razumkov Centre, 2008). However, the elite are still ready to cooperate in some dimensions where the asymmetry of EU and Ukraine's preferences is small, where adaptation costs of EU demands are low and where EU rewards are clear-defined and well-targeted with respect to Ukraine's preferences.

Azerbaijan – on eye's level

Azerbaijan, in contrast, is rather reluctant concerning ENP's socialization strategy by reward (Altstadt, 1997). This is especially evident for tangible rewards, like the access to common market as well as any rewards in the field of democracy promotion. Although the government is pro-Western and committed to working with the EU to strengthen its economy and political structure, this statement could – in terms of democracy promotion - only be regarded as empty words.¹⁰ Cooperation with EU (or with the Western countries in general) is based on pragmatic, economic interests, especially in energy field. But this is only an ostensibly antagonism of interest for cooperation between the EU and Azerbaijan.

As the EU pointed clearly out in the ENPI Country Strategic Paper (CSP) 2007-2013 – “the EU has both direct trade and political interests in fostering regional cooperation in various sectors including energy and transport” (ENPI CSP, 2007-20013). Due to the Caspian oil reserves and the geo-strategic location, Azerbaijan and the whole region play an important role as a transit corridor between Europe and Asia. Compared to this, the access to internal market, the usually intended Lion's share of EU's power and the catalyst for any reform in ENP or the force of reforms in the JHA sector is less dominant, besides it is directly linked with energy-transport/ transits or border management issues. According to the critics, that allege the European Neighbourhood Policy of having no real sticks and carrots, in the action field of the Nagorno-Karabakh conflict the EU tied every democracy promotion tool and

¹⁰ The President stated at the beginning of his presidency in April 2004 that the Azerbaijan's current strategic choice is integration in Europe and its institutions. “President Ilham Aliyev spoke in the sitting of spring session of PACE”, 29th of April, http://president.az/articles.php?item_id=20070813045408862&sec_id=11, (accessed 22.04.2009).

economic cooperation to a peaceful conflict solution. As the status quo remains the minimum requirement for EU support, it therefore serves as the only potential “stick” the EU has to offer (Nasibli and Alieva, 2008; Cornell and Starr, 2006).

The clear pro-Western regime positioning, combined with a balanced regional policy already lasts since the beginning of Azerbaijanian’s sovereignty. The former head of the Communist Party of Azerbaijan, Heydar Aliyev became president in 1993 and established an authoritarian system. His son, Ilham Aliyev, attained the office of President 2003 and continued with a similar style of authoritarianism with strong presidentialism and a very weak opposition. The presidential power was consolidated by the constitutional referendum in March 2009 when Aliyev junior became president for life.¹¹ In this context of developing abundant hydrocarbon resources in the absence of mature democratic institutions, the economic focus figures prominently as the core strategy of external and internal policy. Cooperation and reform within ENP only take place under the strategic subordination of economic development. Besides this, the elite as well as the population have low awareness and interests towards a neat cooperation with EU, albeit the most preferred form of integration (in comparison with CIS or NATO) is clearly the EU.¹² This seemingly inconsistent finding could be explained by the – on the one hand – great disappointment of civil society regarding EU’s assessment of the unfree and fraudulent elections in 2003 and 2005 and – on the other hand – the hope that the EU helps to foster democratization as was the case in Ukraine.

¹¹ The referendum featured a Soviet-style result, as election officials claimed that more than nine out of every 10 voters expressed the approvals (Muradova, 2009).

¹² Within an opinion poll made by FES, Baku published in 2009, around 37% preferred cooperation with EU, only 12,9% with CIS. http://fes.ge/images/Fes_Files/ASPublications/puls_2009_eng.pdf.

4.2. Democracy Promotion

Ukraine – without a membership perspective, the national strategy matters

EU strategy towards Ukraine after the Orange Revolution has become more democracy promotion-oriented. The EU offered an ENP AP to Ukraine, which puts more emphasis on democracy promotion than the PCA document before (EU-Ukraine Action Plan, 2005). Different to PCA, which limited top-down instruments of democracy promotion to political dialog and consultations on the ‘observance of the principles of democracy’, the ENP AP upgrades the scope and intensity of political cooperation and identifies ‘strengthening the stability and effectiveness of institutions guaranteeing democracy and the rule of law’ among its priorities.¹³ In particular, in terms of top-down democracy promotion, the AP puts very clear *demands* on Ukraine’s compliance with democratic standards, i.e. ensuring the democratic conduct of presidential and parliamentary elections in Ukraine in accordance with OSCE standards, gradual approximation of Ukraine legislation, norms and standards with those of the EU, the independence of the judiciary and development of administrative capacities.

EU *rewards* in democracy promotion have been exclusively linked to “*election plus rights*” *demands*. E.g., in exchange for the *free elections* in 2006 and 2007 the EU offered the *highly valuable tangible reward* – the beginning of negotiations on an FTA (Euractiv, 2007). Furthermore, the EU’s participated in the 2006-2007 parliamentary elections, through *multilateralism* with OSCE/ODIHR election observation missions (directly, through participation of some EP-members and indirectly through official statements that referred to OSCE-elections reports (Solana, 2007).

However, there were no *rewards* for implementation of EU *demands* on the rule of law or on checks-and-balances. The only tool the EU also applies in the field of the rule of law, is

¹³ In comparison with the APs of other ENP countries, EU-Ukraine AP reveals a stronger weight of democracy promotion, as it treats more priorities and offers further reaching perspectives in this dimension of cooperation (Beichelt, 2007).

the *tool of multilateralism*, mainly by approving statements of Council of Europe's Venice Commission, which constantly demands efficient checks-and-balances between state powers (EU Progress Report, 2008). The EU also supports joint cooperation programmes with the Council of Europe for judges' and human rights experts' training (EU Progress Report 2008). Moreover, the *support* (both *tangible and non-tangible*) is not substantial. In the framework of the ENPI for 2007-2010, democracy promotion is addressed by the 1st Priority Area, which has a total budget of €148.2 million. This amounts to approximately €37.1 million per year and reveals no substantial increase in *tangible support* in comparison to pre-ENPI period. The linkages (*non-tangible support*) also are underdeveloped in this field.¹⁴ In addition to the absent *rewards and insufficient support*, there is no punishment and thus weak leverage in the field of the rule of law and checks-and-balances. Unwilling to destabilize the 'orange' coalitions (McFaul, 2005, Kuzio, 2006), the EU reacts rather softly to violations of the rule of law, e.g., concerning the corruption scandal of Tymoshenko-government in 2005, the political pressing on the Constitutional Court (Tupchienko, 2008), and the new law on public broadcasting violating democratic freedoms of media (BBC Monitoring Former Soviet Union, 2006). The EU has also not charged the Ukrainian leadership with any punishment for the misuse of the existing public broadcasting by the executive bodies (RFE/RL, 2005).¹⁵ The request of Ukrainian elite on the EU to take a mediating role in the constitutional conflict and in the normalisation of institutional relations between parliament, the executive, and the judiciary is still unresolved (Lindner, 2007).

The *New Enhanced Agreement* offering *EU-Association* as a *reward* is unlikely to provide stronger *rewards* for reforms in top-down democracy promotion. As long as a membership perspective is not on the agenda, the EU should at least strengthen the rather

¹⁴ None of 7 joint sub-committees in the institutional framework of the ENP deals with the issues of democracy.

¹⁵ E.g. Solana argued that Ukraine has had a series of political crises in the past years, largely stemming from a lack of clarity on the basic ground rules of political life and lack of checks-and-balances, but avoided to blame political elite for these crises (Solana's Interview with T. Salina), Zerkalo Nedeli, No. 34 (663), 15-21 September 2007).

weak tangible and non-tangible support, especially linkage mechanisms with the Ukrainian parliament and political parties, which is hardly involved in the joint institutional ENP framework. Unlike Council of Europe, the EU lacks specialized advisory institutions which could help to prepare for institutional reform in case that a window of reforms' opportunity should open up in the future.

Concerning bottom-up democracy promotion, the EU is generally less concrete in its *demands*. It stresses the general *demands* to develop civil society, to ensure respect for human rights and national minorities, to guarantee freedom of media and to improve systems of higher education. However, in bottom-up democracy promotion focusing on civil society and education, EU strategy is more influential. This is due to the democracy promoting strategy at the national level that is norms-oriented in this dimension. The Ukrainian elite and civil society promotes *EU demands* on bottom-up democracy as they go in line with its own preferences (Gromadzki et al., 2005). The *absence of political rewards* for bottom-up democracy promotion is also compensated through *tangible support* through TACIS, EDIHR, and Tempus facilities.¹⁶ Ukrainian governments do not reject EU *tangible and non-tangible support* for NGOs or the education system. The problem is that EU *support* is marginal.¹⁷

This implies that not much of *rewards*, but rather *support* would be needed for the EU to strengthen bottom-up democracy promotion in the medium term. While *rewards* would be

¹⁶ In 2004-2006, TACIS included the projects on bottom-up democracy promotion – through the close cooperation with the national government – with the budget of €10 million for civil society, media and democracy. EDIHR is more civil society and human rights oriented; its micro projects-programm ensures an additional – without direct involvement of the national government – financial support for civil society. Although Ukraine attracted the largest amount of funds within this Initiative, EDIHR finances are limited: from 1999 to 2006 it allocates only €5.95 million for Ukrainian NGOs. Within ENP, the EU also fosters people-to-people programmes, i.e. exchange between Ukrainian and EU state's societies. This is first and foremost focused on higher education. The budget line *Tempus* promoted since 1993 voluntary *EU-ization* in the field of higher education. The EU also has conducted the extra projects to promote democracy in a bottom-up way. In 2004, the EU launched three election projects combining NGOs, education and media promotion with the funding budget of €1 million (EU Delegation to Ukraine 2004).

¹⁷ To promote reforms in education system, a total budget of €53.03 million has been allocated through Tempus projects to Ukraine from 1993 to 2006. By December 2006 134 projects were funded and 100 research scholarships for Ukrainian students and high school lectures were granted. Tempus IV (2007-2013) shifts the focus on financing study programmes with the help of foreign researchers coming to Ukraine. However, Tempus IV financing assistance is limited to €24 million for Eastern Europe (including €10 million for Russia). In addition to TEMPUS, Ukraine profit from two other programmes directed to the education system. By March 2008 Erasmus Mundus Programm has had a budget of €230 million and provided the scholarship for 79 Ukrainians. As a result of the Jean Monnet Programm, by 2008, four European Studies courses were launched at two Ukrainian Universities (Eurobulletin, 2008a).

needed to reunify political elite and to motivate them for reforms in top-down democracy promotion, e.g., concerning the rule of law and checks-and-balances. Furthermore, the new Civil Society Forum in the framework of EaP that also aims at promoting democracy in a bottom-up way and stability can become an additional tool of Neighbourhood Europeanization at the *regional* level.

Azerbaijan – ineffective steps

Formally, the ENP AP for Azerbaijan upgrades the scope and intensity of political cooperation through further development of mechanisms for political dialogue and the strengthening of democracy, including fair and transparent elections, in line with international requirements. However, the actual commitment is rather low – on both sides. Although the AP envisages a number of concrete *demands*, and *mechanisms* to promote democracy and good governance as priority areas in Azerbaijan,¹⁸ the rather low impact and missing serious assistance reveal that this seems not to be the core EU strategy for cooperation.

Besides this and quite naturally, the potential impact for top down democracy promotion remains rather limited in autocratic regimes. The ENP AP puts clear *demands* on Azerbaijan's compliance with democratic standards, especially in the area of free and transparent elections, legislative and administrative reforms as well as strengthening the rule of law in line with international commitments of Azerbaijan (CoE, OSCE, UN) and therefore using *multilateral* mechanisms. However, regarding the elections in 2003 and 2005 (both classified by OSCE/ODIHR as not free and fair, see OSCE reports on elections in 2003/2005) the EU's impact remained weak. Although the field of election monitoring and technical assistance is settled in the priority area 1 in all National Indicative Programmes from 2002-2010 during the entire process, only a few, sporadic and short-time projects have been

¹⁸ The first priority area belongs to the conflict and solution management of the Nagorno-Karabakh conflict.

undertaken. An important example is the Joint Programme of CoE and EU for various questions of democracy promotion.¹⁹

This support shifted somewhat in 2008, when, for instance, in the scope of the *Joint Programme (JP)*, the election project *SC-MDL-Elections* envisaged concrete steps concerning the amendments of the election legislation and the enhancement of civil society involvement in the supervision of elections. Besides this, an increase of *linkage* concerning high-level meetings during the election period 2008 could be mentioned (between the EU Special Representative and representatives of the Azerbaijani government). Although slide democratic steps in the election process have been made, the *national strategy* is still not oriented towards democratization.²⁰ Furthermore, the removal of presidential term limits underlines this rather low awareness of EU standards.²¹ Thus, EU norm-orientation is not the core national strategy.

The EU *demands* to foster the development of civil society, the higher education system and to guarantee media freedom. For this, the EU implemented various cooperation tools, which foster people-to-people contacts with EU societies. Besides these demands there is no *reward* strategy nor do we find *linkage* mechanisms, i.e. an institutional framework, to promote their fulfilment. This lack is particularly apparent in the area of civil society.

¹⁹ Joint Programme (JP) of the Council of Europe and The European Commission which like to provide democratic stability and peace through programmes, e.g., for capacity building including training experts, workshops and also in order to force the implementation of the AP demands (www.jp.coe.int/). The JP of CoE and EC established between 2006-2008 a multilateral programme on fostering a culture of Human Rights in Ukraine and South Caucasus with a focus on enhancing the capacity of specific target groups (e.g. the police) and institutions (e.g. the ombudsman institution, judges and prosecutors in the capital and regions etc.) in using European human standards and norms in their every day work. But regarding the financial instrument, alike for other above mentioned examples, Azerbaijan is getting less money than the other three involved countries. The Programm budget is about €1 990 000; Azerbaijan gets €223 618, Georgia €348 256, Armenia €262 053 and Ukraine €403 870. (Besides this figures there are extra costs for Programm management listed etc. See the listing of Joint Programmes by CoE and EC concerning the South Caucasus Countries: <http://www.jp.coe.int/>, online access at 21st of October 2008.

²⁰ For instance, Gurbanly, the deputy executive secretary of the presidential party Yeni, stated to days before the presidential election in October 2008 that “the electoral situation in Azerbaijan is normal [...] what is the difference between our situation and the situation in any other country?” (Today.az 13th Oct 2008).

²¹ See European Union Special Envoy for the South Caucasus at an April 6 press conference in Baku (Muradova, 2009). In addition, the PACE noted a few days after the referendum that there was a lack of public debate in the short (only 28 days) run-up to referendum and the legislation amendments were not in the line with EU standards (Press release 14.04.2009)

Although it is rhetorically highly prioritized under ENP the two budget lines TACIS and EIDHR do not cover any noteworthy action in the field of civil society and democracy promotion. For instance, in pre-AP time, *no tangible support* through the Institution Building Partnership Programm-Civil Society (IBPP) could be observed.²² The same for EIDHR: in comparison to Georgia or Armenia no noteworthy action could be mentioned (see EIDHR-contracts signed 2003-06). The reason for this is the weak civil society. On the one hand, Azerbaijani officials refuse to support the civil society on the other hand it looks back to a weak tradition. There has been only a very small voice of civil society representatives in Action Plan preparations, despite the EC's urging (BTI 2008).

The education system received some tangible and non-tangible support through TEMPUS. Interestingly, the priority subjects covered have been engineering (in particular, oil and gas), economics and environmental science.²³ The dominant role of 'engineering in the field of oil and gas' in the Tempus projects (see Tempus IV 2008) fits into the country's rational interest to push its energy related expertise with the help of the EU. *Media support* has only been accepted according to cost-benefit-calculations as well: media is state-run or owned by members of the ruling elite. In order to become a member of CoE an independent Press Council²⁴ and a Law on the Public Broadcasting Service have been established in 2003 and 2004 respectively which allowed the new Public Television and Broadcasting Company (ITV) to start in 2005 (www.itv.az). But only recently, in within the calling for a constitutional referendum in December 2008, Azerbaijani authorities turned off BBC, radio Liberty and the Voice of America broadcasting services (Guliyev, 2009). This effective

²² In the scope of the TACIS budget from 2004-2006 only a marginal amount about €0.6 million for micro-projects like "towards healthy communities through local governance", or increasing the access to Justice through Consumer-Rights-Awareness campaigns (www.delaze.ec.europa.eu).

²³ For instance, the direct support about €280.000 for a master program for energy management in Azerbaijan (Tempus-JEP 2004).

²⁴ The main functions of the independent Press Council, which functions without any interference from the state and is directed by journalists, are regulation relationships between the press and individuals, as well as private companies, monitoring newspapers, and implementation of the Ethic Code regulations developed by the Council of Journalists.

dismissal of independent sources of information shows once again the rather low interest in EU demands and the lack of serious commitment to EU democratic lines by the Azerbaijani elite.

Besides this lately development the Human Rights Committee of the European Parliament called the press situation in Azerbaijan ‘unacceptable’ in August 2007 (ENP-Journalism Network, 2008), independent media remain under considerable economic, financial and legal pressure (ENP- Journalism Network, 2008; IMS, May 2008), and, in a submission to the EC ENP country report, the Human Right Watch stated that Azerbaijan clearly undermines the ENP demands (HRW 24st January 2008). Recently, a Media Support Fund (initiative of the Press Council) and a Media Development State Support Fund (initiative of the presidential administration) have been established in order to eliminate economic difficulties of the Azerbaijani media. In sum, this is clear evidence against bottom-up demand for improvement and pro state controlled information which contradicts EU democratic demands. Being well aware of the difficult legislative situation for external engagement, activities in this area are rare and there is de facto no financial support.²⁵

One specific feature of ENP-linkage and direct support for Azerbaijan is the focus on *youth and anti-radicalization in terms of the Nagorno-Karabakh conflict*. Because of the high unemployment rates and the large share of youth among the refugees and Internally Displaced Persons, youth programmes play a central role in the AP. Following this demands, of AP priority area 1 (solution of Nagorno-Karabakh conflict) in a medium to long-term perspective, the prevention of religious radicalism and ethnic conflicts through education of the refugees are the EU’s main focus; but neither *an EU strategy* by serious reward or support nor *linkage*

²⁵ Only one noteworthy project could be mentioned. ‘The Media Programm for Belarus, Ukraine and Azerbaijan’ by the Danish-based organization IMS. The total budget for 2008-2011 will be about €5.4 million (40 million DKK). The first result, an independent media centre which provided resources for Journalists and training press professionals and public employees, could already be mentioned: On 27th of October 2008 the Azerbaijani Media Centre opens its door (www.i-m-s.dk). See for more information: webpage of Ministry of Foreign Affairs of Denmark (www.um.dk).

mechanisms could be mentioned.²⁶ Only a few projects organized by EU-related national NGOs, like Azerbaijan-European Youth Cooperation Organisation, The Union ‘Century21’ or Young European Federalists of Azerbaijan has been provided with marginal financial support by the European Youth Foundation (as EU grant giver in this field).²⁷

Thus, the EU strategy concerning democracy promotion could be evaluated as half-assed. A slight potential for long-time impact could be expected in cooperation within the strategy of multilateralism. The Azerbaijani elite has a rather low interest in democratic norm adaptation. So we argue that there is no real cooperation asymmetry between EU and Azerbaijan in the area of democracy promotion because all eyes are focused on the common area of interest: economic (namely energy) cooperation.

4.2 Economic Cooperation

Ukraine – small, but significant carrots

The ENP builds on PCA’s *economic demands* and aims at bringing Ukraine’s legislation in compliance with requirements of the Single European Market and the WTO. Clearly, EU strategy is to low trade barriers for European producers who trade with Ukraine. The EU significantly helped WTO membership of Ukraine by *demanding* the promotion of GATT principles like most favoured nation clause, national treatment, freedom of transit, and basic prohibition of quantitative restrictions. Furthermore, in exchange for economic reforms, the EU offers *tangible rewards* such as enhanced preferential trade relations with an FTA perspective, and, in the long-run, a “stake” in the Internal Market dependent on progress in implementing EU’s *demands*. Most importantly, these *economic rewards* are also applied not

²⁶ “Why there are existing EU funded projects in Abkhazia and South Ossetia but none in Nagorno-Karabakh, see Parliamentary questions to the Commission raised by Charles Tannock (PPE-DE) on 4th of August 2008: <http://www.europarl.europa.eu/sides/getDoc.do?language=EN&reference=E-2008-4375&type=WQ&secondRef=0>.

²⁷ For example the training course “Religious Youth Promoting Dialogue: A way to Respecting Equality and Diversity” by The Union ‘Century 21’ or seminar for the Azerbaijani youth “All Equal – Not Indifferent” by the Azerbaijan-European Union Youth Cooperation Organisation in 2006 in Baku. See for more information on seminars with the main focus on anti-radicalization and youth unemployment: http://www.coe.int/t/dg4/youth/fej/Pilot_projects_EYF_2006.pdf. online access at 7th of October 2008.

exclusively to achieve Europeanization in the economic cooperation, but in other dimensions, e.g. in democracy promotion (EU-Ukraine Action Plan, 2005). This has been exemplified when, in exchange for the repeated runoff elections in 2004, the EU granted *ex post* the full-fledged market economy status to Ukraine (2005) or when the EU promised to assist Ukraine in WTO accession and to open negotiations on an FTA if the parliamentary elections of 2006 and 2007 would be free and fair.

The ENP AP also provides *support, tangible* through increased financial and technical assistance and *non-tangible* through extended *linkage mechanisms*. Within the ENPI, a substantial *tangible support* is directed to economic dimension. The economic dimension is financed by the 2nd Priority Area, Support for Regulatory Reform and Administrative Capacity Building, with approximately €37.1 million per year during the period of 2007-2010. In addition, such issues as energy and transport are financed by the 3rd Priority Area within ENPI and regional TACIS Programmes (i.e., INOGATE and TRANCECA) (Ukraine National Indicative Programme 2007-2010). In contrast to democracy promotion, the *linkage mechanisms* in economic cooperation between Ukraine and EU are well developed: five out of seven sub-committees (already established through PCA) work on economic issues (PCA, 1998; Solonenko, 2005).

As the EU already became the by far largest trade partner (app. 90 percent of exports and imports) and foreign investor (75 percent in 2007) in Ukraine, an FTA and a stake in the Internal Market would be *very attractive rewards* for Ukrainian governments that currently insist on economic integration of Ukraine in the EU (Melnykovska and Schweickert, 2008). Thus, these rewards meet high local support within cost-benefit-oriented national strategy of the Ukrainian governments (Razumkov Centre, 2008). Furthermore, an FTA gains in importance in the aftermath of financial crisis, as it promises to bring profits to Ukrainian producers, who are currently suffering from demand drop (Yatsenyuk, 2009).

Although EU and Ukraine preferences are very close in economic dimension, there is still some *asymmetry*. The Ukrainian cost-benefit-oriented strategy is to get these economic *rewards* in a short or medium-term as well as to gain market access for Ukraine's major trade items (steel and agricultural products), which are "sensitive" sectors in the EU (Mayhew and Copse, 2006). On the contrary, EU strategy is to keep these rewards for the long-run. This clearly reflects an *asymmetry of strategies* between the EU and Ukraine and *weakens* in fact effects of EU *rewards*.

The *asymmetry of strategies* is also evident in the cooperation on energy and transport. Although it is mutually beneficial and contributes to geopolitical security and economic independence of both, Ukraine and the EU, they nevertheless emphasize different preferences in this field. Ukraine is keen on eliminating its dependency on Russian energy and modernisation of its aging pipeline network, but got little assistance from the EU in its quest for energy diversification and networks modernisation. Furthermore, the strategy of Ukrainian leadership is influenced by Soviet path-dependency, as the reforms in energy sector will lead to increase of energy prices (also for population as the end consumer) and are therefore highly sensitive political issue (Gonchar et al., 2009). The EU's basic goal is to successively extend the principles of the 1994 Energy Charter Treaty (ECT) (like the rule of law and transparency) to the EU's periphery and to reduce reliance on Ukraine in transit by finding alternative to Ukraine transit routes.²⁸ Paradoxically, the EU seems to care more about its dependence on Ukrainian energy transit than on its dependence on Russian energy

²⁸ The Energy Charter focuses on the rule of law and the role of governments in providing robust frameworks for foreign investment in the energy sector. The EU has signed the Memorandum of Understanding on co-operation in the field of energy with Ukraine in December 2005. The Commission also starts Black Sea and Caspian Sea energy cooperation initiative with Ukraine that aims at the progressive integration of this region into the European energy market. In late 2006, the Commission announced plans to move towards 'sub-regional energy markets' (Commission's Strategic Energy Review, 2007).

supplies (Global Insight, 2009).²⁹ Thus, the projects of Ukrainian governments to initiate energy pipelines (alternative to Russia's ones and going from Central Asia and Caucasus through Ukraine to Europe) were not supported by the EU.³⁰ This, however, is a contrast to EU involvement in the pipeline projects south stream and north stream, which do not include Ukraine, but are a priority from EU side (Stent, 2008; Lukyanov, 2008). As for modernisation of Ukraine's transit network, the events of the January 2009 have changed EU strategy (Nilsson, 2008). The EU becomes more aware of its dependency on Russia and more concerned about urgent need to modernise Ukraine's transit network (Sherr, 2009). As reaction, the EU interfered as an independent observer in the gas dispute between Ukraine and Russia and sent its observation mission to the countries' borders (EU Delegation to Ukraine Press Release, 2009). The EU also became more active in the initiatives to use Ukrainian Odesa-Brody oil pipeline for oil transit in the north direction and to build the connecting pipelines to Plock (Poland) (Kypchinsky, 2007). Furthermore, the EU organised the International Investment Conference on the Modernisation of Ukraine's Gas Transit System (GTS). Despite a deal in principle between the EU and Ukraine to support the modernisation of the GTS, actual financing will face difficulties without the participation of Russia and Central Asian countries (as the main sources of gas supplies) and some concession by Ukraine on its steadfast determination to retain full ownership of this "strategic asset" (Global Insight, 2009).

²⁹ The EU helps Ukraine to modernise its pipelines system through INOGATE (Interstate Oil and Gas Transport to Europe). The program was launched in 1995, revised in 2004-2006 and involved 21 countries (most participants are the post-communist countries). However, the main aim of this program is not to directly finance, but to attract foreign investors to modernization of Ukraine's oil and gas transport system.

³⁰ E.g., Ukraine relies on the EU investment for the usage of oil pipeline Odesa-Brody as an alternative route for moving Caspian oil to the West, avoiding Russian pipelines. Although the EU encouraged this project, it rejected to financially assist in filling this pipeline with Caspian crude and in building the connecting pipelines to links Odesa-Brody to refineries in Eastern European countries. Without financing Ukraine allowed this pipeline be used by the Russian companies in a reverse direction (Kupchinsky, 2007). Similarly, the government of Tymoshenko asked EU to help with the implementation of the "White Stream" project delivering Caspian gas via Georgia and Ukraine to Europe, but EU labeled "White Stream" as "probably just talk" (Geropoulos, 2008).

All in all, the tools of economic cooperation, i.e., *rewards and support*, offered by the EU are the largest in comparison to the other dimensions of cooperation, but they are clearly unsatisfactory from Ukraine's view. In the context of Ukraine's trade direction and investment need, the EU's economic *rewards* are likely to be highly effective for promoting Europeanisation (Melnykovska and Schweickert, 2008). However, their real potential to motivate for Europeanization-related reforms will depend on the time frame and the scope of these *rewards*. In addition, *regional* and *multilateral* approaches in EU strategy of Neighbourhood Europeanization have a positive potential to decrease the *asymmetry of strategies* (Alexandrova-Arbatova, 2008). Ukraine has been already very active in the regional initiatives for economic and energy cooperation, such as the Organisation of the Black Sea Economic Cooperation and G8+5 Group (Bendiek, 2008). Ukraine also supports the idea of multilateralism of the EU and NATO in the issues of energy security (Gonchar et al., 2009).

Azerbaijan – it's all about strategic resource management

Like in Ukraine, the ENP AP offers economic rewards, e.g. increased financial and technical assistance through the ENPI and the long-term access to EU's Internal Market, in exchange for economic reforms. But the main EU strategy for cooperation is not a common market – although the EU is a significant trading partner for Azerbaijan³¹ – but convergence of the Azerbaijani energy policy with the principle of EU's internal electricity and gas market. Being aware of this focus on energy issues and because of the high amount of energy resources, Azerbaijan locates itself in a donor position and views the EU as being on the receiving end of the equation. So, the distinctive asymmetry of cooperation level is reversed.

³¹ More than half of its trade volume is derived from trade with EU member states. In 2004, 33 per cent of its exports and 66 per cent of its imports were with EU member states, whereas energy products (oil and gas) dominate EU imports from Azerbaijan (95.3 per cent of all imports in 2003). Other notable imports include agricultural products (cotton), textiles and various chemicals. EU exports to Azerbaijan are more diversified, but machinery and equipment take up the largest share (about 40 per cent). For more details see: Commission Country Report on Azerbaijan, {COM (2005) 72 final}, p.22, Brussels, 02.03.2005. www.europe.eu.int/comm/world/enp/pdf/country/Azerbaijan_er_0503.pdf.

This becomes especially visible, when evaluating the trade relations and the aspiration – or respectively the *lack* of aspiration – on Azerbaijani side to enter the EU's internal market.

Therefore Azerbaijan's position could be described by three strategic trump cards for cooperation and integration. First, oil resources are at the peak of their exploitation, second, Azerbaijan as a gas provider is orientated towards the Turkish and West European markets and third, Azerbaijan plays a big role as a transit country – not only concerning gas, but also as transport corridor for different goods between Central Asia and Europe.³²

The Azerbaijani government believes in the possibility of domestic economic modernisation without the need for international *support*, which would be always linked with demands for political reform (Nuriyev, 2007).³³ The diversification of economic sectors – although demanded by the World Bank, the EU and others – is not pursued by the government. This is a high-risk plan, pursued by the Azerbaijani government, because as the oil windfall runs dry within the next two decades, Azerbaijan will be – despite other regional markets – dependent on the EU market.

For the time being, however, Azerbaijan continues to exchange oil (almost all of EU exports which account for 33 percent of total exports) for machinery and equipment (with 40 percent largest share of EU imports which account for 66 percent of total imports) (Commission Country Report on Azerbaijan, COM (2005) 72 final, p.22, Brussels, 02.03.2005). The framework for the EU bilateral trade relations is still provided by the PCA. The Parties grant each other Most Favoured Nation (MFN) status and Azerbaijan is a standard beneficiary country of the Generalised System of Tariff Preferences (GSP). In terms

³² Besides this, it is less known, that Azerbaijan has large renewable energy potential in the areas of wind, hydro and biomass. With an economy based largely on resource rents by oil and gas, the state has little incentives to invest in the development of renewable or at least to increase energy efficiency. Within the ENP energy diversification strategy incentives for an re-orientation have already been mentioned (Kochladze, 2009).

³³ A growing self-confidence based on high expectations of oil wealth encourages parts of the political and economic elites to raise the question: since we have oil, why do we still need Europe? Statement based on Crisis Group interviews with local and informal officials in Baku, February 2006; see Crisis Group Europe Report No. 173, March 2006; see also Mammadyarov, 2007.

of a special multilateralism strategy, EU has some limited leverage as an important agent for supporting WTO accession. The EU is providing Azerbaijan with technical assistance to fulfil agreed points of PCA and ENP AP and to help prepare for WTO membership. For instance, about €1.5 million in the scope of TACIS budget year 2004-05.³⁴ However, any free trade agreement is not on the agenda and Azerbaijan, although considered for market economy status (MES), never requested the EU to grant it.

In the main field of cooperation, EU's *demand* to strengthen the EU-Azerbaijani energy bilateral cooperation and energy and transport regional cooperation, in order to achieve the objectives of the November 2004 Baku Ministerial Conference (AP 2006, priority area 8) is astonishingly detailed. It is linked with concrete *tangible support* and intensified *linkages*. Because of common interests, effective cooperation become obvious in

(1) the “Baku Energy Initiative”, a policy dialogue aimed at enhancing energy cooperation between the European Union and countries of the Black Sea, the Caspian Basin and their neighbours;³⁵

(2) the Memorandum of Understanding on Energy (MoUE) between EU and Azerbaijan in November 2006, which intended to strengthen EU energy security (Press Release 7th 2006)³⁶;

³⁴ Although this technical assistance is located in the sector of institutional strengthening, this support should explicitly “facilitate and assist the accession of Azerbaijan to WTO in accordance with Article 45 PCA”; project No. EuropeAid/122285/C7SV/AZ, www.delaze.ec.europa.eu, accessed: 7th October 2008.

³⁵ The agreed mechanism for implementing the ‘Baku Initiative’ is through the four working groups established at the Baku Conference. The challenging work programme for 2006 aims to prepare an “Energy Road Map” setting out the long-term vision for the new energy cooperation, expected to be presented at the Energy Ministerial Conference that is scheduled to take place on 30 November 2006 in Kazakhstan. http://ec.europa.eu/external_relations/energy/baku_initiative/index.htm accessed: 7th of October 2008.

³⁶ The main objective of this Memorandum is the gradual harmonisation of Azerbaijani legislation with the Community legislation in the energy; second, to enhance energy supplies safety and security from Azerbaijan and Caspian basin to EU and thirdly, to increase the development of the comprehensive energy demand management policy, technical cooperation and the exchange of expertise.

(3) the Energy Reform Support Programme (ERSP), which serves as the institutional basis for the amendment of the State Programme for Development of Fuel and Energy sector in Azerbaijan (2005-2015) (see for more Action Fiche on this project),³⁷ and, finally

(4), the Black Sea Basin Joint Operational Programme 2007-2013 (Black Sea JOP) under the ENPI of the EU to promote economic and social development in the border areas through promoting local and people-to people cooperation in the scope of TWINNING and TAIEX.

In the same vein, cooperation between Azerbaijan and the EU seems to be very active and effective in the transport sector. Because of the important role of the South Caucasian region as a transit Corridor the EU implemented the energy programme INOGATE³⁸ and the Programme for Modernization of the transport corridor Europe, Caucasus, Asia – known as the old silk road –TRACECA. In 2001, the TRACECA Permanent Secretariat was established in Baku as an executive body of the ICG.³⁹ In order to develop the Azerbaijan segment of the TRACECA (Europe-Caucasia-Asia) transport corridor, a number of technical and investment projects financed by the European commission have been implemented in recent years.⁴⁰ For Azerbaijan this field will be the main field of cooperation after the oil exports peak. Thus, the development of the transport and energy sector has a geostrategic bias and is already filled with long-run orientated policy and cooperation on both sides. So, we argue that the Azerbaijani cooperation strategy concerning the highly interlinked resource, transport and

³⁷ http://ec.europa.eu/europeaid/documents/aap/2007/ec_aap-2007_az_en.pdf, accessed 10th of Nov 2008.

³⁸ The INOGATE programme is an international energy cooperation programme between the EU, the littoral states of the Black and Caspian Seas and their neighboring countries. Key topics are: energy security, convergence of member state energy markets on the basis of EU internal energy market principles etc. (see for more, especially on ongoing projects: <http://www.inogate.org>).

³⁹ The Permanent Secretariat maintains in each of its member countries permanent representations: Armenia, Bulgaria, Georgia, Moldova, Kazakhstan, Kyrgyzstan, Romania, Tajikistan, Turkey, Ukraine and Uzbekistan. (see for more information: <http://www.traceca.org>).

⁴⁰ But not only transport on country way is stressed, also TRACECA Maritime Training, e.g. for Azerbaijan, Georgia, Kazakhstan and Ukraine is held and funded by the EU. Therefore, the demanded aspect of regional trade and economic integration complies with the Action Plan. Another sector of the EU's request for cooperation in the field of transport is staff training. For this purpose personal trainings in the areas of logistics and transport could be mentioned.<http://www.wagener-herbst.com/content/news/nl.html>, online access on the 17th of June 2008.

trade sector is clearly oriented towards financial and logistic support in order to improve their trump cards and economic position as the main actor within the old silk road. All in all, energy governance is the main field of effective cooperation and visible impact of Europeanization and could be regarded for both sides as mainly rational.

4.3 Justice and Home Affairs

Ukraine – voluntary action does not buy rewards

The EU strategy before ENP was to secure its new borders after enlargement. Thus, EU *demands* towards Ukraine were focused on cross border cooperation (CBC), i.e. migration and border management, money laundering, trafficking in human beings, with the objective to minimize risks related to different kinds of cross-border crime (Action Plan on JHA, 2001). Within the ENP, EU strategy was extended towards governance-related matters (Action Plan on JHA, 2007). The EU also applies *multilateral* approach, as its *demands* on good governance often refer to Council of Europe documents.

The main tool the EU uses for promoting good governance in JHA affairs is *non-tangible support* through *linkage mechanisms*: TWINNING and TAIEX. TWINNING aims at developing the capacity of the public administration. By January 2009, the EU started implementation of nine twinning projects, and 24 further projects are planned.⁴¹ Ukrainian request for TWINNING on JHA issues is rather moderate because of the long-term preparations' procedures and "domestic" sensitivity of the issues dealt with, e.g. conservative attitudes among bureaucracy unwilling to change to EU practices (Wichmann, 2007). On the contrary, TAIEX assistance with a short term *consultative character* is welcomed by domestic lower-level authorities. Furthermore, the AP on JHA relies on well-developed *linkages* within ENP at all levels of seniority. There is even a Ministerial Troika on EU-related JHA issues. The responsibility for implementing, monitoring, evaluating and

⁴¹ Twinning in Ukraine. Official Webpage; Available at: <http://twinning.com.ua/index.php?option=com_content&task=view&id=493&Itemid=153&lang=english>; last access 31 May 2009.

identifying priorities is devoted to a so called *Scoreboard*, a special joint body on legal harmonization that has widely been used either in EU internal integration or in the enlargement (Occhipinti, 2007). Ukraine is the only ENP country to resort to such an instrument, which highlights its distinctive profile among the neighbours. Furthermore the legal harmonization is supported by UEPLAC (Ukrainian-European Policy and Legal Advice Centre) that gives consultations on law drafting to Ukrainian authorities (Whitmore, 2006). The EU also directs *tangible support* to JHA dimension. The largest share of TACIS assistance in pre-ENP times was directed to the border management and since the ENP it has been re-directed to governance-related matters (€22 million for 1998-2002; €60 million for 2004-2006) (Country Strategy Paper 2002-2006 National Indicative Programme 2002-2003; European Neighbourhood and Partnership Instrument Country Strategy Paper 2007-2013).

So far, Ukraine's strategy to position itself as a "would-be" EU accession candidate and to provide a role model for JHA cooperation within the ENP (Wichmann 2007) seems to have been not very successful in terms of *rewards*. Ukraine granted free-visa travel rights to citizens of all EU member states in 2005 on a voluntary basis while the EU demands readmission in exchange for visa simplifications for a small group of Ukrainian citizens (Silina, 2008). Negotiations on this do not take into consideration the *status-quo-ante*, i.e. free-visa regime for Ukrainians in the new Eastern EU member states until EU eastern enlargement in 2004 and in 2007. Common regional culture is somehow cut through that and this has a negative impact on the local perception of Europeanization, especially for the EU oriented western regions (Kravchenko, 2007; Silina, 2008). In addition, it seems to be obvious that further cooperation in JHA issues within the EaP framework does not buy any additional short-term *rewards*, especially no immediate EU concessions with respect to a free-visa regime (Eliseev, 2009a). Thus, Ukrainian leadership concentrates at the *bilateral* level of cooperation and requests for well-defined criteria Ukraine need to fulfil for obtaining

a free-visa regime (Yushchenko, 2009). In such a way, it makes the EU commit on this *reward* and tries to find the window of influence on its time frame. If the defined criteria are fulfilled the EU can do nothing, but grant a free-visa regime.

Azerbaijan – mutual interests

The AP concentrates on prevention and control of illegal immigration as well as illegal activities like the supply and trafficking of drugs and narcotics. In this context, TWINNING seems to be *the main support strategy* for promoting JHA good governance issues. So, besides some marginal financial support, there are TWINNINGS on anti-corruption, business statistics and producer price index, especially between Austria and Azerbaijan (focus on e.g. corruption issues) or Sweden and Azerbaijan (focus on e.g. financing issues).⁴²

Like in other cooperation areas, EU's strategy is based on diverse pillars. In addition to various forms of support, the EU implemented the Southern Anti-Drug Programme (SCAD) in 2001 via *multilateralism*.⁴³ The overall object of SCAD is the gradual adoption by beneficiary authorities of EU good practices in the field of drug policies. The TACIS Regional Action Programme in 2004-2005 participates with a budget of about €1.9 million (of total €2.1 million) as the major donor of SCAD-V. More projects followed, which mainly focused on border management and the problem of human trafficking, but most of them with a *regional focus* for all the South Caucasus countries.⁴⁴ Especially in this area the direct support is effective and the interest in reforms and recommendations are mutual. We argue that because of the important role of Azerbaijan as a transit country, it is interested in effective standards in border management and combating trafficking in people. This *rational national strategy* stays in line with a higher amount of *local perception* (in comparison to

⁴² On further TWINNING projects see the homepage of the Austrian foreign ministry: www.bmeia.gv.at/aussenministerium/aussenpolitik/europa/europaeische-union/eu-twinning.../aserbajdschan.htm. online access on the 21st of October 2008. or: The Swedish International Development Agency (SIDA): http://www.sida.se/sida/jsp/sida.jsp?d=645&language=en_US, accessed: 7th of October 2008.

⁴³ This programme is based on the joint agreement of EU, UNDP and the Government of Azerbaijan.

⁴⁴ A list of current projects, funded by the EU and other international actors can be found on the IOM's homepage: www.iom.int.

democracy promotion), i.e. in the scope of the State Migration Management Programme, which seems to have been filled with life and content within the last three years. A definite concept (the State Migration Programm for 2006-2008 of the Republic Azerbaijan) was issued in July of 2006 via presidential decree and already resulted in various alterations in the laws on immigration, labour migration and the fights against the trafficking of human beings. The latter is embedded into the national Action Plan to Combat Trafficking in Human Beings (2004).⁴⁵ Even if seemingly marginal and by no means comparable to the cooperation results in Ukraine, one further positive impact of the Action Plan can still be stated for Azerbaijan. According to the Traffic in Persons (TIP) reports, published annually since 2001 by the US Department of State, the legislative efforts of the Azerbaijani government have resulted in an improvement of the international TIP Rating (TIP report on Azerbaijan 2007; Maier and Schimmelfennig, 2007, p. 52).

Besides this, various structural reforms still have to be accomplished. For instance, no progress is reported as regards the ratification of the Optional Protocol to the UN Convention against Torture and Other Cruel, Inhuman or Degrading Treatment and Punishment (EC PR-AZ 2008). The complex tax and customs system, bureaucratic delays and corruption continue to serve as major obstacles to private enterprises, particularly those in the non-oil sector. Although the anti-corruption law became effective in January 2005, the anti-corruption Commission has been slow with implementation.

4.4 Conflict Management

Ukraine – from external to internal focus

Until recently EU strategy in this dimension has been related to the external (for Ukraine) crisis management. Similarly, as in JHA the EU became geographically closer to Moldova

⁴⁵ A detailed List of state funded programmes can be found on the homepage of the Azerbaijani Foreign Ministry (migration issues): www.mfa.gov.az/eng. Another listing, focused on the topic of labor migration can be obtained at: UN Country Report on International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families, CMW/C/AZE/1, 11. September 2007. <http://www2.ohchr.org/english/bodies/CMW/docs/CMW.C.AZE.1.pdf>. online access on the 17th of June 2008.

and thus tried to ensure its border thereby pushing Ukraine to action in the management of Transnistria's conflict.⁴⁶ Hence, the AP *demand*s EU-Ukraine cooperation on crisis management in Transnistria, formerly belonging to Moldova. In 2006, under EU call Yushchenko introduced new custom rules along the Transnistria stretch of its border with Moldova.⁴⁷ The Ukrainian move has effectively imposed a ban on exports by Tiraspol to Russia, its main trade partner. Although the EU does not offer any *reward*, the EU currently benefits from the willingness of Ukraine's government to improve its international image by contributing to the conflict resolution. EU-Ukraine cooperation in this dimension also benefits from *tangible support* through the EU Border Assistance Mission on the Moldova-Ukraine borders (EUBAM) and therefore very much related to JHA.⁴⁸

After the war between Russia and Georgia in August 2008, the issue of internal conflict management appeared on Ukraine-EU agenda. The EU has rediscovered the "frozen conflict" in Crimea and has launched a Joint Cooperation Initiative in Crimea, a proposal for a coordinated approach to promote social and economic development by the European Commission and a group of interested EU Member States (EU Delegation Press Release 2009).⁴⁹ The EU also applies the tool of *multilateralism* by cooperating in Crimea with the UNDP in Community-Based Approach (CBA) project that will be implemented in close cooperation with to the local Crimean parliament (ARC Verkhovna Rada).⁵⁰ Promoting stability in Eastern Neighbourhood is one of EaP priorities, but is still unclear where the new *regional* approach will bring any additional *reward* and *support* to prevent internal conflict in Crimea.

⁴⁶ In 2005, the EU appointed a Special Representative of the EU in Moldova with the aim of contributing to conflict settlement and strengthening EU role in the conflict.

⁴⁷ The new rules make illegal the shipment of any goods from the Russian-speaking separatist Transdnier region that has not been cleared by Moldovan customs.

⁴⁸ The EUBAM budget accounts €24 million for 2005-2009 (during the first six months, the European Commission financed the Mission through the Rapid Reaction Mechanism (€4 million) (EUBAM Annual Report 2007). In addition, the EU launched €9.9 million project called BOMMOLUK (Improvement of Border Controls at the Moldova-Ukraine border) (Popescu 2005).

⁴⁹ http://www.delukr.ec.europa.eu/press_releases.html?id=50295

⁵⁰ http://undp.fx-studio.crimea.ua/news_detail.php?id=31&locale=en

Azerbaijan – double standards and empty words

The EU's focus on the Nagorno-Karabakh-conflict which started in 1992 gained relevance since 1999, with PCAs for the South Caucasus region and the CoE-membership of Azerbaijan in 2001. The TACIS National Indicative Programm (NIP) 2002-2003 demanded, that “the over-riding political priority for Azerbaijan is the settlement of the Nagorno-Karabakh conflict.” This clear *demand* was repeated as a overall condition and cooperation strategy within the ENPI 2007-2010. The *reward* that the EC will be ready to provide is assistance related to all aspects of conflict settlement and settlement consolidation as long as the conflict remains at least ‘frozen’ (ENPI 2007-2010). There is a clear reference to resolving the conflict by recalling that it is a number-one priority of the AP and the Stability Instrument (ENPI Azerbaijan CSP). Yet, the EU has so far only moved very gradually towards a proactive policy of conflict resolution and still “remains reluctant to pursue its own initiatives” (Wolff, 2007). EU's strategy was primarily cautious, in order to avoid partisanship for one side. By now, the EU has two principal policy tools for the conflict resolution of the Nagorno-Karabakh territory – both are *multilaterally based*. The EU Special Representative for the South Caucasus (currently Peter Semneby) was first appointed in July 2003. The conflict between Azerbaijan and Armenia is currently also mediated by the OSCE Minsk group. The EU as a partner of this initiative did not play a big role in this context (Pop, 2008, Freire and Simão, 2008). Similar to democracy promotion, the EU is committed to *multilateral strategies of conflict management*.

Given that the conflict resolution (at least a settlement of the conflict as “frozen”) takes some kind of general condition in the ENP AP and ENPI, no clear financial allocation in data or percentages is named in the documents. So, within the overall ENPI *budget* (2007-2010) of approx. €92 million the financial support for the conflict issue is anchored⁵¹. But until now no

⁵¹ Depending on developments regarding the peaceful settlement of the conflict over Nagorno-Karabakh, the EC will provide specific assistance related to all aspects of conflict settlement and settlement consolidation (ENPI 2007-2010).

serious engagement in terms of technical assistance or specific linkage mechanisms could be observed.⁵² The EU-Azerbaijan cooperation in the field is rather related to humanitarian issues, which stem from the conflict, like *direct financial support* through TACIS and ENPI concerning the refugee problem and food security.

Another kind of visible *support* is the appointment of a Special Representative to the South Caucasus, who can contribute to an EU role as a facilitator and honest broker (Ora, 2006). The question remains though, to which extent this promised *support* contributes to a peaceful conflict resolution. The fact that both parties exploit the conflict for nationalist issues, bolster the hostility towards Armenia and does not help to establish a conflict resolution process backed by the population. Especially opposition actors demand for an increasing political and military pressure on Armenia, instead of emphasizing a diplomatic conflict resolution.

However, finding a lasting solution to this conflict is of crucial importance, not only for the country's future, but also for the EU and the surrounding neighbourhood's stability. A rise in the number of cease-fire violations within the last two years underscores the conflict's potential in threatening regional balance. Besides, Azerbaijan's fast growing national budget allows for a rise in military expenditure.⁵³ Within the last two years the military budget increased continuously. In 2006 the budget amounted to USD \$700 million - in comparison, the 2007 military budget doubled.⁵⁴ As reconciliation attempts by international organisations

⁵² Till now, the EU – if at all – pushed up the conflict resolution in Abkhazia and South Ossetia. Furthermore a significant sign for the low impact of EU conflict resolution tools and double standard is the fact that in the Armenian AP the Nagorno-Karabakh conflict has only the placed as priority number 7.

⁵³ See Media Release of Crisis Group: Azerbaijan – Defense Sector, Management and Military Reform, 29th of October 2008, <http://www.crisisgroup.org/home/index.cfm?id=5751&l=1>, online access on 29th of October 2008.

⁵⁴ The defence cost budget in Azerbaijan account for 4,5% of GDP, which is more than the average which belongs up to 2% of GDP (see: Kazakhstan leads Arm Race of CIS Asia Member States. In: Kommersant 23.01.2007, http://www.kommersant.com/p-9918/r_527/Defense_costs_Asia/.) See also: Voennyj bjudžet Azerbajdžana uveličen na 100 millionov dollarov. „Day.Az.“, 01.08.2006, <http://www.day.az/print/news/politics/55366.html>. Further: Arms spendings of post-Soviet Central Asia states rose by 50% in 2007. In: International Humanitarian Law and Military Conflicts Overview in Central Asia, 26.01.2007, <http://profet.wordpress.com/>. Online access on 5th of February 2007.

(like the Minsk group) have failed, the probability of military clashes is growing.⁵⁵ Two evidences of national positions back up this estimation. First, the clear positioning of President Aliyev, who stated in early 2007 that he does not rule out military means to solve the dispute (Barbé and Johansson-Nogués, 2008; Lobjakas, 2008) and, second, the absolute trust in the army as an institution of the state by the Azerbaijani population.⁵⁶ So the conflict issue is clearly linked to patriotism, nationalism and sovereignty in both countries. As the conflict is very much linked with national values, we may conclude from this that, if Azerbaijan in mid-term perspective should follow EU's demands of conflict management, this would be more a result of cost-benefit-calculations than of comprehensive acceptance of the value of peaceful conflict settlement.

Especially because Azerbaijan's growing national consciousness and pride is based on resource wealth, economic growth and, as a result, its increased impact in international energy issues. We argue that the national strategy for cooperation within ENP is clearly cost-benefit oriented with a deep influence of patriotic behaviour. For more than a decade Azerbaijan has been waiting for a clear declaration from EU side recognizing the fact that Armenia is occupying Azerbaijani territory. However, the EU appears to have taken a balanced stand, favouring one ENP partner over another (Alieva, 2006). Consequently, the *local perception* of EU demands is rather low (Freire and Simão, 2008, p. 56, FES opinion poll, 2009).

5. Summary and Conclusions

In this paper, we have developed a concept for comparing bilateral, regional and multilateral approaches of Neighbourhood Europeanization from the EU's and an ENP

⁵⁵ OSCE Minsk Group was created in 1992 to encourage a peaceful, negotiated resolution to the conflict between Armenia and Azerbaijan over Nagorno-Karabakh. See for more details on the Minsk Process: <http://www.osce.org/item/21979.html>. online access on the 17th of June 2008.

⁵⁶ In 2007 around 57% of the population fully trust in the army, whereas institutions like president, parliament and church do not enjoy a quarter as much public confidence (see for detailed results: <http://crrc.caucasus.blogspot.com/2008/10/comparing-civic-participation-caucasus.html> or: Caucasus Analytical Digest 02/09).

partner-country's perspectives. From the EU's perspective, we differentiate between bilateral, regional and multilateral approaches, we consider EU's demands, rewards and support according to four areas of ENP-cooperation, democracy promotion, economic cooperation, Justice and Home Affairs and conflict management, and distinguish between tangible and non-tangible tools. From the national perspective of partner-countries, we differentiate between strategies based on cost-benefit calculation or democratic norms and we consider to impact of path dependency and asymmetry of relations with the EU in determining these strategies. We selected Ukraine and Azerbaijan as crucial cases because of the extreme differences between both countries in all aspects which influence national strategies towards Europeanization. While Ukraine's willingness to cooperate is based on dependence on cooperation as well as political change, Azerbaijan, leaning on its resource base and on its role as an energy supplier for the EU, is reluctant to cooperate except for eye's level contacts. The comparison of the two countries reveals several important insights into potentially winning strategies.

First, the different degree of willingness to cooperate can be explained by different national strategies. While the strategy of Ukraine elites determined by the Soviet path-dependency has been overcome during the Orange Revolution, the strategy of Ukrainian leadership after Orange Revolution is more cost-benefit-oriented. Although adaptation costs of EU demands are low, the expectations for EU rewards are high. Ukraine expects political association and economic integration in the short-run and EU membership in the long-run. However, ENP rewards in the form of improved access to international and EU markets have already been exchanged for the improvement of governance, especially for free and fair elections. Having cooperated in JHA and conflict resolution, Ukraine has still not achieved a deep free trade agreement. A stake in the Internal Market and EU membership are far away. In addition, other rewards like visa free regime or EU support in the energy diversification

have also been disappointed by the EU. Hence, further deepening of cooperation and success of EU strategy will depend on whether small ENP rewards are well-targeted and clear-defined with respect to expectations of Ukraine's elite and its population.

The regional (EaP, Black Sea Synergy) and multilateral approach (cooperation with OSCE, CoE) seem to change little, as they do not promise any new rewards and support for Ukraine that would not have been already promised at the bilateral level of cooperation. Only in cooperation on energy and transport, EU strategy of Neighbourhood Europeanization at the regional and multilateral level has the potential to be successful, as the asymmetry of preferences and strategies between Ukraine and the EU are very small there.

In Azerbaijan, besides the democratization postulate via ENP, the EU is mainly interested in the energy field, but far less in democracy-building or conflict-related areas. Democracy promotion and the management of the 'frozen conflicts' within the Nagorno-Karabakh region are subordinated to or conditionally linked with the energy issue. Azerbaijan's economic relevance within the region, as well as its role as energy supplier and transit area is the crucial factor for cooperation with the European Union. So, the bilateral cooperation with energy-rich Azerbaijan could be regarded as cooperation at eye's level. Both sides have their own strong interest in direct trade.

In Azerbaijan, the elite are strongly cost-benefit oriented and this is complemented by a high degree of post-soviet path-dependency. Hence, persuasion would be required but would, at the same time, face considerable obstacles. What Azerbaijani elites want is not what the EU is best positioned to offer (and, see Ukraine, reluctant to provide), i.e. market access. Neither does Azerbaijan trade sensitive items like steel and agricultural products nor does Azerbaijan see itself as benefiting from deeper trade integration. Hot topics for Azerbaijan are rather the development of services related to transit of energy and other products, border control, and conflict settlement. While the first issue may be achieved with the help of resource rents, all

these targets clearly have a regional dimension which implies a potential impact of regional initiatives.

Second, the EU seems to be increasingly aware of the fact that other than trade issues may be important for partner-countries. Both the conflict between Russia and Ukraine about gas transit and the war between Georgia and Russia have demonstrated that energy and security issues become increasingly important. Assuming the EU is able to improve its own capabilities, e.g., by the Black Sea Synergy Initiative or in the framework of EaP, it would be possible to impact on partner-countries' cost-benefit calculation by providing rewards other than trade. As already argued above, the provision of these rewards requires a regional strategy for what is labelled sectoral issues. On both issues the EU might be a kind of honest moderator because it is not in a strong donor position. It is at the receiving end of the gas pipelines and it basically lacks NATO capabilities in security issues. So far, we did not consider a complementary role of NATO in this paper but this may be a question for future research to which extent NATO cooperation might complement EU cooperation by providing regional security as a reward in exchange for better governance and peaceful regional cooperation.

Third, the democracy promotion issue is somewhat different. In this area of cooperation, direct rewards are not available. Of course, it is part of blaming and shaming if countries receive bad grades for not free election from OSCE and CoE and the EU actually used what we labelled cross-checking for its own ENP democracy promotion. However, as is exemplified by the case of Ukraine, the rewards for the Orange Revolution have been improvements in trade. As long as membership is not a perspective, this will not change in the nearer future. Hence, persuasion has to play a much stronger role. In Ukraine, there is still potential to improve persuasion by intensifying linkage mechanisms. As was the case in Azerbaijan as well, linkage initiatives increased under the framework of ENP. However, they

remained restricted to the elites and the government. Improved linkages on the parliamentary level or with the civil society or business organizations can help to create bottom-up demand for institutional reforms especially because path-dependency is not as strong as in countries like Azerbaijan. It is exactly because of the resource-based reluctance of Azerbaijani elites to cooperate in the area of democracy promotion that the country needs more intensive linkage initiatives. It is an open question whether this has to be beefed up in the ENP or EaP framework or whether it should be outsourced to multilateral organizations like OSCE or CoE.

All in all, the recent regional initiatives like Black Sea Synergy and EaP can be interpreted to reflect the fact that cooperation between the EU and partner-countries need a broader basis. The traditionally used big carrot, trade integration, is less relevant for a range of countries, especially to the extent that they provide oil or gas and are, therefore, less dependent on goodwill from the side of the EU. Most of the other issues which became more central recently – energy supply, border control, and conflict settlement – are not traditional strongholds of the EU. Like in democracy promotion where the EU already cooperates with OSCE and CoE, closer cooperation with UN or NATO may be required in order to push regional initiatives. It might be an advantage that the EU is not the big player here but can meet partner-countries as a broker. In the same vein, democracy promotion should profit from a change in the main strategy from demands supported by rewards to non-tangible tools like linkage mechanisms and advisory facilities. This is especially valid for countries like Azerbaijan which suffer from path-dependency because being awash with money from the exploitation of natural resources the need for reform and cooperation is less pressing. Nevertheless, it is also evident in countries like Ukraine where, after the Orange Revolution, demand for further reforms have to come from bottom-up drivers, i.e. the civil society and business groups.

In addition, the combination of non-tangible tools and regional / multilateral approaches may be promising. Persuasion through intensified linkage mechanisms may provide the ground for improving civil society and small business participation in Europeanization. In this respect, multilateral strategies via OSCE and CoE and regional initiatives may indeed provide not only complementary but alternative approaches where EU and partner-countries meet on eye's level. This might well increase ownership and compliance because it reduces any image of a top-down approach. Cost-benefit oriented reward and support tools which have been adopted from Accession Europeanization would, however, be better placed in bilateral ENP because here the top-down approach is hardly avoidable. For the time being, however, it is not evident that there is any strategy which integrates these three approaches in a consistent way.

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