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Influence of EU Conditionality on Armenia`s Integration
Capacity in 1999-2013

A Thesis submitted for the degree of

Master of Social Sciences

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Tbilisi, 2018

Abstract

Armenia is one of the interesting cases of Europeanization. Even though it has never expressed interest in EU membership, it was committed to EU partnership like other progressive EaP countries. According to theories of Europeanization, countries like Armenia, which have undemocratic governmental system, does not aspire membership, democratization and has deep geopolitical situation have limitations in their path of Europeanization; they are less willing to undertake the costly reforms, the receive EU norms and approximate their legislation. Armenian behavior is diversion from the theoretical thinking of Europeanization, as country has expressed willingness to undertake the reforms and progress bilateral EU-Armenia relations. Overall progress was illustrated with the conclusions of DCFTA/AA negotiations next to countries who much larger goals and wanted to become the members of Union. The research analyzed the transformation of Armenia from Partnership and Cooperation Agreement to completion of DCFTA/AA negotiations. The aim of the research is to illustrate how conditionality influenced on the reformation process and external integration capacity of Armenia in 1999-2013. The Conditionality is leverage mode of EU governance which was elaborated during the enlargement periods was adapted to EU Neighbourhood Policy and Eastern Partnership programs. Conditionality is based on the cost-benefit analysis and provides the Partner countries with external incentives to undertake costly and less costly reforms.

The research will analyze the modes of conditionality in EU-Armenia relations and evaluate their influence on Armenian integration capacity. The study has identified the four categories of changes: democracy, economy, governance and *acquis* (legislative approximation). The research aim is to measure their contribution to the changes in these fields and evaluate how progressive this transformation was.

List of Abbreviations

AA	Association Agreements
AAP	Action Fiche for Armenia
AP	Action Plans
CEEs	Central and Eastern European States
CIB	Comprehensive Institution Building
CoE	Council of Europe
CSDP	Common Security and Defense Policy
CSOs	Civil Society Organizations
CSTO	Collective Security Treaty Organization
CU	Customs Union
DCFTA	Deep and Comprehensive Free Trade Agreements
EaP	Eastern Partnership
EEU	Eurasian Economic Union
EIM	External Incentive Model
ENP	European Neighborhood Policy
ENPI	European Neighbourhood and Partnership Instrument
EU	European Union
GDP	Gross Domestic Product
GSP	Generalized Scheme of Preferences
IPRs	Intellectual Property Rights
MENA	Middle East and North African
MNPP	Medzamor Nuclear Power Plant
OPTAC	Optional Protocol to the Convention against Torture
OSCE	Organization of Security and Cooperation of Europe

PCA	Partnership and Cooperation Agreements
TACIS	Assistance for the Commonwealth of Independent States
TAIEX	Technical Assistance and Information Exchange
SCPEC	State Commission for the Protection of Economic Competition
SCIBM	Southern Caucasus Integrated Border Management
SIGMA	Support for Improvement in Governance and Management
UN	United Nations

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Introduction

Following the Cold War, European Union's (EU) policies and its neighbourhood have changed its forms, directions and content. EU domestic politics became more outward looking and its norms, rules started gradually to spill in its neighbourhood. It made Eastern countries as the main focus of its policies and introduced wide range of tools for the cooperation. Eastern countries were divided into several categories. First, due to the initially strong pro-democracy and pro-market economy policies and close proximity to Union, EU started to elaborate stronger policies and bigger incentives to Central and Eastern European countries (CEEs). Second, post-Soviet countries were given opportunities to start the cooperation from Partnership and Cooperation Agreements (PCA), which is the baseline agreement EU signs with third countries and is individually elaborated based on the level of third country development. PCA have no legally-binding principles and influential leverages to promote the changes on the ground, but its provisions are pillars for the future EU strategies and policies with regard to the regions and countries.

After the fully integration of CEEs, EU started to pay more attention to new neighbourhood. On the bases of PCA legislative framework, they elaborated new program – European Neighborhood Policy (ENP) with the intention to avoid the new dividing line in across these countries and create the “ring of friends, “area of peace, prosperity and stability”(Osipova:2010; ENP:2004:3). Even though it was high in rhetoric and had big ambitions, ENP policy has been criticized because of its limited influence, “one-size-fits-all” and “sharing everything... but institutions” approaches to neighborhood (Youngs& Pishchikova:2013:9; Borzel et al:2015:3). ENP covers southern and eastern neighbours of EU. These countries have different domestic dynamics and aspirations to develop close relations with union and incorporate their norms into the domestic systems. Scholars have pointed out that policy needed to differentiate them to make the EU policies more effective. The first step towards differentiation was the establishment of Eastern Partnership (EaP) in 2009 in accordance with Polish-Swedish initiatives. The program targeted six post-Soviet countries – Georgia, Ukraine, Moldova, Armenia, Azerbaijan and Belarus. EaP countries were given “bigger carrots” to become politically and economically more closely affiliated with EU and brought clarity in relations. The “big carrots” of EU was the possibility to

become the part of European Economic Area through the Deep and Comprehensive Free Trade Agreements (DCFTA) and Association Agreements (AA), and integrate in Schengen Zone with cooperation through EU mobility partnership, Readmission and Visa Facilitation agreements (Sepashvili:2017:443) .

One of the partner countries under these programs was Armenia, which signed PCA with EU in 1999. Consequently, it was integrated in ENP and EaP policies and was heading to conclude DCFTA and AA agreements to EU in 2013 (Osipova:2010:45; Poghosyan:2018:1). From the scholarly viewpoint, development of Armenia-EU bilateral cooperation is very interesting. It differs from other EaP countries and represents diversion from Europeanization studies; first of all, theoretically, Armenia should not undergo Europeanization. According to Europeanization literature, countries with undemocratic regimes are reluctant to except EU norms; one of the clearest examples of uncooperative authoritarian states under ENP/EaP are Belarus and Azerbaijan (Borzel et al:2015). Armenia is also categorized as partly-free nation, with undemocratic system and authoritarian tendencies (Freedom House: 2013). Accordingly, Armenian government should be interested to maintain the political status quo and not import EU norms in domestic legislation. The second difference of Armenia refers to Armenian interests and actions. Armenia has never expressed its interest in EU membership; it has territorial conflicts in Nagorno-Karabakh and depends on Russia politically and economically. Therefore, it was limited to express interest in EU membership. However, Sargsyan administration was committed partner to EU and Armenia concluded DCFTA/AA negotiations next to group of countries - Georgia, Ukraine and Moldova - which wanted to get the membership perspective (Grigoryan:2013). The Armenian willingness to negotiate the DCFTA/AA and make reforms in line with Commission's recommendation has been a big surprise of EU. Country had undergone "silent Europeanization" since 2009; it was susceptible to EU provisions and conditionality. Due to this sudden transformation, Delcour and Wolczuk have called Armenia "unexpected neighbour" of EU. Country have should receptivity to EU policy templates, recommendations ; at the same time, it was much determined to conclude the DCFTA/AA negotiations with EU and negotiations with Armenia was easier with other EaP countries which had membership aspirations (Delcour&Walczuk, 2015) . The combination of

undemocratic regime, the absence of membership aspiration from speeches and determination to deepen relations with EU is very uncommon for EU's eastern neighbouring states. I assume that convergence of above-mentioned factors make –EU-Armenia relations interesting case of study.

Research question and hypothesis

The research will study the Europeanization under PCA, ENP and EaP and externalization of EU norms in Armenian domestic system. The research will analyze the transformative events from 1999 to 2013. In 1999, first EU-Armenia legislative framework came into force; in 2013, Armenia was planning to upgrade its relations with EU, based on the previous development, and was determined to sign DCFTA/AAs. However, Armenia has changed its stance on the new treaties. President Serg Sargsyan has declared that Armenia would miss this opportunity and would join the Customs Union (CU), which was later transformed into Eurasian Economic Union (EEU). Armenian rapprochement was result of Russian influence, as Sargsyan made decision after the personal visit in Kremlin in 2013 (Abrahamyan: 2015). However, it was transformative event; it closed one chapter of bilateral relations and changed the mode of cooperation between EU and Armenia. Timeframe of 1999-2013 allow making summarizing evaluation of the EU-Armenia cooperation under PCA and make the concluding remarks about achievements and remained challenges. As the main aim is to evaluate the overall progress of EU-Armenia cooperation, the concept of *integration capacity* captures of the necessary components that is necessary to give a comprehensive assessment. The concept is elaborated by Schimmelfennig. It is not confined to dichotomy of member and non-member countries perspective. It creates the broad category of EU partners and provides flexible definition that is available to analyze EU partnership with third country at many different levels. Schimmelfennig have identified several components, but I have selected the four fields to measure the change: democracy, economy, governance and acquis (Schimmelfennig:2014)

EU already has experience of Europeanization CEEs and scholarly literature has elaborated the appropriate models to measure the influence of EU in third countries. The most

influential EU transformative mechanism is conditionality, which is based on the cost-benefit analysis of cooperation; ENP and EaP was modeled on the conditionality principle too. Theoretical framework of *conditionality* was formulated by Schimmelfennig and Sedelmeier after the big enlargement round in 2004. According to them, the external incentives stimulate the countries to adapt their system to EU (Schimmelfennig&Sedelmeier:2004). The research will utilize this model to evaluate the incentives and EU policy provisions how stimulated Armenian government to incorporate EU norms in domestic system. Consequently, the main research question, I am going to answer with following study is:

To what extent EU conditionality influenced Armenia `s integration capacity?

EU conditionality under EaP and ENP had clear limitations from EU and partner country sides. It was constrained with EU rewards and by the domestic system in Armenia. It had success in some policy areas and it was constrained to make the progress in other policy fields. The hypothesis reflects the dual character of consequences of EU-Armenia cooperation. In this study, I argue that:

EU conditionality contributed to reforms in Armenia, but it had limited influence on Armenian integration capacity.

The EU conditionality is independent variable, as it was leverage with which EU influencing on Armenia; while integration capacity is dependent variable, as I will study the changes in the categories of it.

The aim of the research is to study the how external incentives under PCA, which was enforced through ENP and EaP programs, influenced on the domestic change in Armenia. To give the comprehensive answer to research question, I have identified two objectives:

- (1) Evaluation of Armenian incentives in cooperation and rewards the EU provided under ENP and EaP. This objective will help me to find the overlap between Armenian motives and EU provisions, which later determined the practical political changes and
- (2) Evaluation of influence of conditionality under ENP/EaP on Armenian domestic system. Evaluation will be based on the four categories of integration capacity – democracy,

economy, acquis, and governance. This empirical part will illustrate how overlap was connected to real changes in Armenia.

Due to the topic, the research will be interesting for a wide range of readers and audiences. EU enlargement rounds and reinforcement of EU norm externalization through different policy programs brought forward Europeanization studies; there is natural interest in EU promoted transformation in academic circles, decision-makers, students, journalists and media. I hope this work will satisfy the scientific and non-scientific interest in society and make a genuine contribution to the studies.

Research Methodology

Based on the fact that I study the influence of conditionality and its impact on the systemic transformations in the country, research will be qualitative in nature. It will be based on the qualitative data gathering and data analysis methods. The literature consists of primary and secondary sources of EU-Armenia cooperation, including ENP progress reports, the EU-Armenia agreements, articles and books written about bilateral relations and theoretical literature of Europeanization. Due to the language barrier, the research is limited to use the Armenian sources; however, this is compensated with EU-Armenia joint progress reports that are agreed and elaborated by both sides and articles written by the foreign or Armenian experts about EU-Armenia cooperation. There are not many academic articles that focus on the Europeanization studies and literature of EU-Armenia cooperation mostly focus on the foreign policy perspective and externally induced changes of the system. Due to this circumstance, I applied desk-research technique, which unites the existing primary and secondary literature and enables researcher to give a complex and comprehensive analysis of changes in Armenia.

With regard to data analysis methods, I selected two qualitative data analysis methods: qualitative content analysis and critical discourse analysis. Content analysis is a classical procedure of analyzing textual materials. Qualitative content analysis is based on the categories, which are derived from the theoretical models. These categories are derived from

the theoretical materials. Based on the necessity and circumstances, the method allows researcher to assess and modify the categories (Uwe:2009:335). Accordingly, the categories applied in the research derive from the theoretical model of Schimmelfennig and they are adapted to the EU-Armenia partnership features. This method has many advantages. It provides the means which allow researcher to study the annual changes and trends that occur over the longer period of time; it is also cost effective, materials of content analysis are easily accessible (Berg:201:130).

The second research technique applied is critical discourse analysis; namely it will be used mostly in Chapter 2. The chapter studies the EU and Armenia attitudes, interests. Discourse analysis will be applied to study what kind of political narratives did Armenian president promote with public speeches and how it influenced on the political interaction. As the speeches will be analyzed from the pro-EU standpoint, it will not be the value-neutral and critical discourse is the most applicable technique to use.

The research will have some practical significance. First, it contributes to the Europeanization studies and enriches the literature of EU-Armenia studies, as it focuses on the process of Europeanization and not foreign policy perspective of bilateral relations. Second, most of Europeanization literature match with external incentive model of conditionality. Incentives under ENP and policy inconsistency do not completely fit into External Incentive model of governance. Many scholars have underlined on the weakness of conditionality under ENP and EaP. However, some countries with diverse interests progress to upgrade the cooperation. Analysis of Armenian Europeanization illustrates the existence of other governance models in ENP and EaP. EU policy was combination of external incentive and lesson-drawing models of EU governance.

The research has some limitation. As I have mentioned, it is limited in literature due to the language barrier and access-related problems. In addition, it does not analyze all the categories of integration capacity. I have narrowed down to four components; I excluded the public support and veto-powers components. As my intention is to study the policy changes and systemic transformation, I have focused on the reforms with regard to democracy, economy, acquis and administrative capacity. However, Armenia has diverse domestic

system, which combines the pro-Russian and pro-European political forces and pro-EU political decisions always get the positive feedback from the Armenian population. Therefore, exploration of these two fields would be interesting topic for the future researches about the EU-Armenia cooperation.

Overview of study

The research is divided into several chapters, which attempt to systemically connect with research aim, objectives and give comprehensive answer to main research question. The Chapter 1 will define the concepts used in the study. It also includes the theoretical framework and will review the existing literature about the conditionality model of governance.

Chapter 2 will deal with more practical issues and presents the EU and Armenian perspective on the cooperation. This chapter aim to meet the first objective of research.

Chapter 3 is the empirical part of research. It will analyze based on the primary and secondary literature the transformation of Armenia under the EU conditionality provisions. At the end, the study will make the concluding remarks and will summarize the main findings of the research.

Chapter 1

Conceptual and Theoretical Framework

1.1. Integration capacity

Integration capacity is relatively new concept for the Europeanization studies. The term comes from EU institutions as “absorption capacity” of Union for the CEEs. After the integration of CEEs, EU faced the concerns that general application of the term could undermine the integrity of the system. Hence, documents released after the big enlargement round have replaced the “absorption capacity” with “integration capacity”. It attempted to make the concept “more “functional” (as opposed to “political”) and more procedural (rather than establishing new criteria)” (Borzel et al:2017: 5).

Integration capacity is bilateral concept; on the one hand, it evaluates the preparation of union for the partnership; on the other hand, it observes the domestic transformation of third country to move closer to EU norms. The integration capacity is defined differently by different scholars and academic articles. The understanding of the concept changes in line with the definition of enlargement. Borzel, Dimitrova and Schimmelfennig (2017) define integration capacity in the framework of enlargement and absorption of new members; “in the context of enlargement, integration capacity refers to the ability of the EU to prepare non-members for membership (external integration capacity) and to preserve its functioning and cohesion one they join (internal integration capacity)” (Borzel et al:2017:3). The second definition of integration capacity, which I follow in the research, is more flexible. Europeanization has gone beyond the membership perspective; some countries harmonize their domestic political-economic system without aspiration to membership. The conceptual definition of Schimmelfennig (2014) is more resilient and makes available use term to analyze the Europeanization without membership perspective. As Schimmelfennig (2014) puts it, ““enlargement” it understood here as a gradual process of territorial extension of the EU and its integrated policy regimes, which goes beyond the dichotomy of members and non-members” (Schimmelfennig:2014:15). EU has various types of partner countries, which

have exported EU rules to different extent. Schimmelfennig provides useful categories of graded membership from non-associated to member states with its sub-categories. Based on the progress and convergence at EU and countries level, the state can upgrade its status under the same category or sub-category (Schimmelfennig et al: 2015:7).

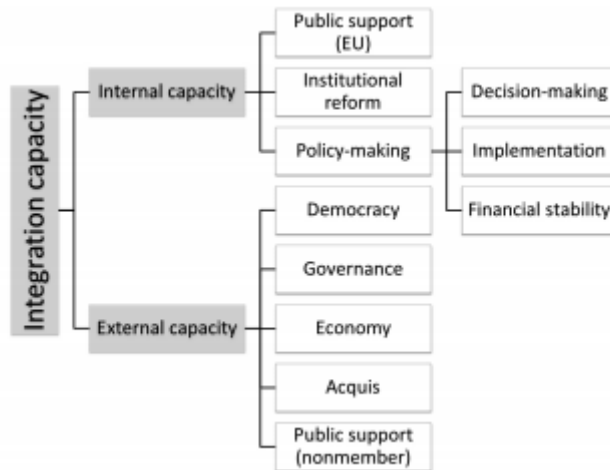
Figure 1. Overview of graded membership in EU (Schimmelfennig:2014)

Status	Detailed status	Definition	Countries (European non-member and new member states since 2004)
Member state	Fully integrated member		Estonia, Latvia, Malta, Slovakia, Slovenia
	Differentially integrated member	Non-participation in individual policies	Bulgaria, Croatia, Cyprus, Czech Republic, Hungary, Lithuania, Poland, Romania
Associated state	Candidate (negotiating)	Ongoing accession negotiations	Iceland (suspended), Montenegro, Serbia, Turkey
	Quasi-member	Selective integration without membership interest	Liechtenstein, Norway, Switzerland
	Candidate (official)	Accession negotiations not started	Macedonia
	Potential candidate	Membership perspective	Albania, Bosnia-Herzegovina, Kosovo
Non-associated state	Neighbor	Selective integration without membership perspective	Armenia, Azerbaijan, Georgia, Moldova, Ukraine plus Mediterranean ENP countries
		Non-participation in macro-institutional arrangements	Belarus, Russia

Beside the conceptual definition, Schimmelfennig formulates the several criteria on the side of EU and partner countries, which are essential to upgrade the relations. On the part of EU, Schimmelfennig identified three main components: support, institutional transformation or adaptation, and impact on the policy making of union; from partner country perspective, he looks to the changes in democracy, governance, economy, acquis, and consequently public support for the upgrade of cooperation and status. However, these provisions are optional and upgrade of relations can take place with or without increased convergence (Schimmelfennig: 2014). EU and Armenia started to cooperate with PCA, which laid down the political, economic, technical and acquis-related provisions for cooperation. EU stance was reinforced with ENP/EaP, which incorporated stronger rewards for partnership, which was missing from the PCA. The study will measure the effect of the EU conditional

provisions and their effect on Armenia through the categories of Schimmelfennig, which are listed in the following diagram.

Figure 2. Concept tree of “Integration capacity” (Schimmelfennig:2014)



As EU-Armenia cooperation did not include the preparation or the prospect of membership provisions, I have excluded the internal integration capacity from analysis; the research will illustrate the Armenian perspective of the cooperation, measure the transformation to make the conclusion if the upgrade of relations was going to take place under increased, limited capacity or with absence of external integration capacity.

1.2. Europeanization

Europeanization had miscellaneous meaning during the different period of EU. Originally, it analyzed the relations between EU and member states. Following 1990s, the concept undergone conceptual changes due to two conditions; first, EU transformed into global normative power, which started to externalized its norms and values through agreements with third countries (Schimmelfennig&Sedelmeier:2017:1); second, disappearance of diving line in Europe resulted in enlargement of union and large scale externalization of policies; it created the various categories of countries - members, quisi-member, candidates, associated neighbours, unassociated neighbours - which have incorporated EU norms at different levels (Schimmelfennig:2014). These changes have enlarged the scope of scholarly literature;

Europeanization from membership perspective transformed into “Europeanization beyond membership” paradigm too.

Based on the new understanding of Europeanization, it is described as a process which evaluates impact of EU policies on domestic politics partner; the basic element of EU Europeanization is the externalization of EU *acquis* in third countries (Schimmelfennig&Sedelmeier: 2005: 1). According to Claudio Radaelli the process analyses “(a) construction, (b) diffusion, (c) institutionalization of formal and informal rules, procedures, policy paradigms, styles, “ways of doing things” and shared beliefs and norms which are first defined and consolidated in the making EU decisions and then incorporated in the logic of domestic discourse, identities, political structures and public policies” (Schimmelfennig&Sedelmeier:2017:1). Schimmelfennig and Sedelmeier distinguish two dimension of Europeanization. First, Europeanization is driven by domestic forces or EU. Second, the process is driven institutionally according to “logic of appropriateness” or “logic of consequences”. These “logics” explain the behavioral explanation for actor`s actions. “Logic of Consequences” claims that actor choose actions that increase their benefits, while “logic of appropriateness” assumes that actor choose behavior that is more adequate for its situation and existing social norms (Schimmelfennig: 2012; Schimmelfennig&Sedelmeier: 2017).

Beside the dimensions, Europeanization relies on the several instruments of influence. Existing literature differentiates several modes of Europeanization: top-down, bottom-up and network constellation. Top down approach uses the rewards and sanctions to make third country comply with EU rules; bottom-up approach targets the pro-Europeanization groups in the community and empower them; while network governance relies on more constructive approach and attempts push Europeanization agenda with persuasion, learning and communication. Under these modes, authors allocates several mechanisms of Europeanization: External Incentive Model (EIM), conditionality, socialization, “lessons-drawing”, norm infusion, (Schimmelfennig: 2012; Schimmelfennig&Sedelmeier:2005; Tartes:2015). They are selectively used for the different policies and countries. However, as

the study applies the conditionality, the sub-chapter of theoretical framework defines in detail only this one mechanism of Europeanization.

1.3. EU Conditionality

Conditionality is one of strongest leverage of EU norm transfer in third countries. Last Eastern enlargement round made the concept particularly important for the Europeanization studies. Scholars have unequivocally underlined that EU conditionality and its strong external incentives have been the decisive factors in the transformation of CEE region. Hence, successful norm transfer is often explained by conditionality, while absence of externalization is the result of weak conditionality provisions. Analysis of conditionality has considered the dual character of principle as it is both the political strategy and leverage for the assessment of domestic transformation (Schimmelfennig:Sedelmeier:2005:1-2). It can reflect the strategy of EU with regard to country or region as well as the impact of its incentives on the domestic politics.

EU conditionality is a rational bargaining model. Partners of the process attempt to maximize their gains, welfare and power. During the negotiations, partners exchange the information, interests, threats; the consequence of the process is determined by the interdependency between the countries, asymmetry and relative bargaining power. Usually the conditionality is the result of increased economic-political interdependence. However, application of conditionality does not mean the automatic success of model. Conditionality is stronger if interdependence is asymmetric in favour of EU and the partnership overall is more important for the third country than for the union (Schimmelfennig:Sedelmeier:2004:672-673).

The logic of conditionality is the reinforcement by rewards. It is “generally described as “positive”. It uses “carrots” rather than “sticks” – rewards rather than punishment or assistance (Schimmelfennig:2012:12). Union provides the “carrots” if government will comply to EU norms; on the other way, it will reduce or withhold the rewards if country fails. The possibility of rule adoption usually increases if rules are set as conditions for the

rewards. Conditionality affects the target government directly or indirectly: direct negotiations and empowerments of pro-EU domestic political groups which will project influence on comply with EU demands. Therefore, it changes the domestic political equilibrium. Based on the balance between the domestic interest groups, EU and international pressure, the country government makes the cost-benefit analysis about the compliance. If the benefits from rules are higher than the costs of rule adoption and it will help to maximize its power internationally and domestically against its opponents, country will increase the convergence (Schimmelfennig:2012:8).

As Schimmelfennig and Sedelmeier pointed out in analysis of EIM, the cost-benefit analysis consists of three components:

- (1) Determinacy of conditions, which underlines that EU norms are transferred if they are set clearly as conditions for the rewards (Schimmelfennig:2012:8).
- (2) Size and speed of rewards takes into account the credibility of rewards from EU, if organization has the capabilities to pay the rewards after the convergence. EU provides the various types of rewards for different countries. In case of CEEs, the Europeanization literature emphasized that the membership perspective, the biggest carrot of EU, have been the major variable which explained the quick transition to democracy and market economy (Schimmelfennig&Sedelemeier:2005; Schimmelfennig:2012). Even though literature identifies that the membership perspective is the strongest conditionality clause for the partner-countries, “higher the costs of the rewards to EU are, the more doubtful their eventual payment to the target countries will be” (Schimmelfennig& Sedelmeier:2004:673). After the big bang enlargement round, EU have undergone “enlargement fatigue” and membership perspective is not in the political agenda (Delcour et al:2017:5); due to the EU internal domestic institutional decision-making difficulties the possibility of payment is highly doubtful. Hence, assistance, association and increased access to domestic market have become much stronger and credible rewards for current partner countries than the membership perspective (Schimmelfennig&Sedelmeier: 2004:673). Beside the EU credibility, success of norm transfer is determined by the presence of

alternative regional power. The influence of the alternative power should be non-existent or minimal and benefits provided by another dominant power should have less benefits and “carrots” than EU rewards (Schimmelfennig&Lavenex:2009:802-803)

(3) Size of adoption costs tools to the domestic politics as equilibrium. The aim of EU is to increase the effectiveness of conditionality through the influence on the domestic politics, as the consequences are dependent on the governmental commitment to undergo reforms which might reduce their power. EU can influence the government directly through inter-governmental channels and indirectly through empowering domestic interest groups which will reduce the veto-power and increase the EU bargaining power (Schimmelfennig&Sedelmeier: 2004: 672; Schimmelfennig: 2012). According to authors, the EU conditionality is costly for the undemocratic regimes and they refrain from democracy and human rights related reforms; therefore, the evaluation of EU conditionality impact should study not only offers of EU, but take into account the initial regime form in the target country.

Even though EU norm transfer has been attached to the conditionality, the principle has many critics too. Espen and Sedelmeier (2008) suppose that the last two enlargement rounds have weakened the effect of conditionality. The convergence of CEE has not been complete with integration and it is ongoing process. Espen and Sedelmeier point out decreased willingness in CEE countries to comply with EU norms after the gaining member country status. Therefore, they assume that, it will be difficult to transform with External Incentive Model current candidate and ENP/EaP countries. If EU wants to stabilize the neighbouring region it should utilize more constructivist approaches instead of rationalist model of conditionality (Esen&Sedelmeier:2008). Schimmelfennig (2012) criticized EU conditionality with neighbouring states underline that even if EU puts democracy and transformation related clauses in the treaties, its response to undemocratic and disruptive behavior have been “high in rhetoric and low on policy” (Schimmelfennig:2012:17).

Chapter 2

EU-Armenia relations and policy instruments

2.1. European perspective in Armenian politics

EU-Armenia formal cooperation takes place from 1999 agreements, which prioritized several aspects of cooperation. PCA repeatedly stressed on the importance of democracy promotion, institution building process, transition to market economy and economic modernization of system (Simao&Friere:2008:231). The bilateral cooperation have not been constant through this years, it was featured with more intensive and passive phases of relations which was triggered with international environment and the interests of incumbent administration in Armenia. I have distinguished two most important events that accelerated the EU-Armenia cooperation in 1999-2013; first, EU enlargement changed the direction of EU externalization and it paid more attention to the regions, which have not been the focus of earlier policies and frameworks; second, change of Armenian government in 2008 altered the balance of Armenian complementarity policy and it brought stronger European pivot foreign policy dynamic, which was later transformed into the domestic changes (Terzyan:2016).

Since 1991, Armenian foreign policy is defined as policy of complementary. Armenia determined to balance the interests of all international and regional actors that were involved in South Caucasian region in order to maximize its national interests and avoid pro-Russian, pro-Western, pro-Iranian bias (Mynasyan:2013:3) . As Richard Giragosian mentions policy of “complementarity” in Armenian context incorporated “strategic imperative of security through reliance on its strategic alliance with Russia and a positive relationship with Iran, while simultaneously conforming to the parameters of its Western orientation” (Minasyan:270). Even though Armenia strictly follows its traditional foreign policy course, the modalities and intensity of relations was changing during different presidencies; for instance, president Robert Kocharian has expressed less interest in pro-European, pro-Western foreign policy course and adhere to more pro-Russian pivot; in contrast, successor of Kocharian, Serg Sargsyan decided to have more progressive relations with European

Union and government expressed more willingness to receive the rewards provided by EU to have positive cooperative dynamics (Borshchevskaya:2013:104).

Although the major rationale behind the policy of complementarity was to counterbalance the visible Russian influence in Armenia, we can identify additional factors that brought Armenia closer to EU and made EU as one of the pivot of foreign policy; particularly after the launch of ENP and EaP. The research does not focus on the foreign policy thinking and elaborated the analysis based on the domestic incentives of Armenia for the cooperation. Therefore, it is significant to determine the conditions that created more pro-EU thinking in Armenian political elites and society. This aspiration is also shared by Sasse. He claims that conditionality does not stand separately in vacuum; it is closely connected to domestic conditions of the target country and policy environment in EU (Sasse:2008). This sub-chapter will analyze Armenian domestic incentives for the EU cooperation, following two chapters will focus on the EU policy incentives, provisions of conditionality and prospective rewards under these policies.

Armenia is not exception from the traditional foreign policy thinking where security comes first. The first line rationale of Armenian officials was to develop relations with EU to strengthen its territorial status quo and position in Nagorno-Karabakh conflict. It wanted to increase EU involvement without endangering its military political cooperation with Russia and undermining Armenian security interests. Nagorno-Karabakh conflict made Armenia increasingly dependent on Russia militarily and politically; country joined Russia-led organizations like Collective Security Treaty Organization (CSTO) and stationed Russian military base in Gyumri, which is guarantor of territorial status quo and prevents prospective Azerbaijani attacks (Minasyan:2014). Although Russia has been the most decisive power in conflict, Armenia attempts to balance Russia with seeking out another diplomatic means that would strengthen the peace process in its favour and prevents the future clashes. Inclusion in ENP was serving this goal as policy was promising to reinforce the existing policies, mechanisms, increased EU-Armenia cooperation under Common Security and Defense Policy (CSDP) and would limit Azerbaijan to use the military power for conflict resolution. The ENP strategy paper was based on the general statement ENP was created to strengthen

the stability, security and well-being in the new neighbourhood countries. In addition, it made specific remarks with regard to South Caucasian conflicts mentioned that

“Increased efforts to promote the settlement of the conflicts in the region and to develop good neighbourly relations are needed. Concrete steps forward need to be made by each of the three countries to make further progress in implementing their respective Partnership and Cooperation Agreements, in particular to strengthen the rule of law, and to promote conflict settlement. ENP should reinforce the EU’s contribution to promote these objectives” (ENP:2004:11).

As it is clear, EU aimed to stabilize the region with democracy promotion in neighbouring countries. This provision overlapped with Armenian interests; it wanted EU to project influence in Azerbaijan to liberalize, democratize the system to decrease the likelihood of escalation. Beside the increased support for the peace process, Armenia expected increased pressure on Azerbaijan. In the beginning of his presidency, Sargsyan portrayed EU as “normative power” and “status quo challenger” actors. However, the democratic backslide in Azerbaijan, coupled with increasing military spending, EU subtle and rhetorical responses, while increasing energy cooperation, have altered the public and elitist perceptions in Armenia; Armenian politicians swing to “pragmatic actor” notion, which preferred energy interests over its normative values (Terzyan:2016:169; Simao&Friere::2008:228).

The second line of rationales refers to the economic interests of Armenia. Armenia faces severe economic difficulties following the 1990s. Country suffers from the lack of economic development, poverty, unemployment, increased dependency on remittances, aggravated exodus and emigration of youth, lack of investments, etc; almost third of population lives below the poverty line (del Medico:2014:7). The domestic difficulties exacerbated with increasing dependency on Russia not only politically and militarily, but economically too. Armenia depends on Russian energy resources and Russian companies control almost all the sectors of Armenian economy, which dramatically decrease the Armenian economic-political independence (Tartes:2015). Hence, we could say, that Nagorno-Karabakh conflict left in double-locked condition. First, Armenia is small land-locked country and is naturally

isolated; it does not have a direct entry to sea ports. Second, it has two closed border with Turkey and Azerbaijan which resulted in exclusion of Armenia from significant economic projects, imposed limitations on the economic activities, export routes and number of economic partners (Petros:2003). The geopolitical context incentivized Armenia to search for ways and models to break the isolation. Even though Russia is the strategic ally, Armenian government considers Russia as protector and security guarantor, but does not perceive it as a model of its economic modernization. Instead, it looks to EU as tremendous economic power, which could become the model of domestic transformation and source to break the economic-political isolation through the increases access to European market and the investment that would revitalize Armenian economy(Simao&Friere: 2008:235). That kind of aspirations could be found in the speeches of Armenian president Serge Sargsyan during his first presidential term. According to him, Armenia “enter this process with the aspiration to make out markets more accessible for each other, to foster dialogue between our peoples and out societies, to jointly shape out future, and to mutually enrich out cultures (Terzyan:2016:167)

Beside the economic and political rationales, Armenia identifies itself as European state; cultural affiliation and return to European family rhetoric played significant role to evolve positive image of EU in Armenian foreign policy discourse.

At the initial stage of EU-Armenia relations, the relations with Russia and EU complemented perfectly each other and did not endangered Armenia’s strategic alliance to Russia (Delcour&Wolczuk:2015:502). Armenia’s main motive to cooperate in the framework of ENP and EaP was to gain EU support in Nagorno-Karabakh conflict, gain economic benefits and preferences with access to EU market and transform the domestic system in accordance with EU standards. Due to the rationales, Armenia was more willing to develop economic part of cooperation and was reluctant to political norm adaptation. The empirical findings of this notion will be provided in the empirical part of study.

2.2. European Neighbourhood Policy

European Neighbourhood Policy was launched in 2004 and represented the new comprehensive policy framework towards the Eastern and Southern neighbouring states.

The objective of the policy was to strengthen the stability, security and welfare of the enlarged EU and neighbouring states through externalization of EU norms, acquis and values. It determined to achieve these objectives through the cooperation under the key areas: political dialogue and reform, trade and measures preparing partners for gradual obtaining a stake in the EU's internal market, justice and home affairs, energy, transport, information society, environment and research and innovation, and social policy and people-to-people contacts (ENP:2004:3). The declared principle of cooperation was “partnership, joint ownership and differentiation” (EU-Armenia AP:2006:1).

ENP traces some similarities and has visible differences from EU enlargement policy; program was elaborated by the same team of EU commission, which coordinated the Eastern enlargement policy, thus, it shares some similarities with enlargement approach and also bring new elements of cooperation too; namely, they were divergent conceptually and used different forms of conditionality, but featured similarities procedurally. It evaluated the partner countries, jointly elaborated the Action Plans (AP), conducting monitoring and gave the recommendations for the future cooperation. Similarly, ENP policy made the decisions to upgrade the relations with partner countries based on the achievements in domestic reformation on case-by-cases (Pertakos et al:2013; Sasse:2008: 296).

Following the release of ENP document, EU commission started to evaluate the partner countries to prepare the APs. APs were introduced in 2005 and were adopted mostly in 2006. EU-Armenia AP which was adopted in 2006 for five consecutive years drew eight priority areas in accordance with original ENP strategy document. The issues of importance for the partner countries were:

- Strengthening of democratic structures, of the rule of law, including reform of the judiciary and combat of fraud and corruption;
- Strengthening of respect for human rights and fundamental freedoms, incompliance with international commitments of Armenia (PCA, Council of Europe (CoE), Organization of Security and Cooperation of Europe (OSCE), United Nations (UN));
- Encourage further economic development, enhance poverty reduction efforts and social cohesion, thereby contributing to the long term objectives of sustainable development, including the protection of the environment;

- Improvement of investment climate and strengthening of private sector-led growth;
- Increased convergence of economic legislation and administrative practices;
- Development of an energy strategy, including an early decommissioning of the Medzamor Nuclear Power Plant (MNPP);
- Contribute to a peaceful solution of the Nagorno-Karabakh conflict;
- Enhanced efforts in the field of regional cooperation (EU-Armenia AP, 2006)

After the launch of program, ENP has become the subject of criticism in academia. Scholars pointed out two major irregularities of the policy: geographic inconsistency and conditionality inconsistency. The mostly criticized aspect was the conditionality inconsistency. Del medico (2016) have underlined that EU conditionality is the most effective and has transformative results, when it applies to external incentive model of conditionality, when EU provides the membership perspective to achieve the transformation. Absence of membership perspective from policy has weakened its conditionality and generally had negative influence on policy. Gawrich, Melnykovska and Schweickert (2009) have studied EU conditionality under ENP and emphasized that the major problem of ENP was inconsistency in policy and approach to partner countries. In the analysis, they have identified three modes of Europeanization: membership Europeanization, enlargement Europeanization and neighbourhood Europeanization. Unlike others, Membership Europeanization is two-way process and has top-down and bottom-up dimensions. Membership Europeanization has deep impact on the countries and attempts to implement new policies in existing member states. The enlargement Europeanization is one way process which driven by membership perspective; hence it achieves fundamental transformation of country. Neighbourhood Europeanization is similarly asymmetric, one-way process but has limited impact due to the inconsistencies in EU strategy. EU provides rewards at the level of neighbourhood Europeanization, while it expects the transformation at the level of enlargement Europeanization. Whitman and Wolff (2010) have analyzed the ENP achievements in partner counties. They pointed out the problem of policy was ill-defined end-results of cooperation. Authors assumed that ENP did not have clearly defined end-state of cooperation. Policy made assumptions about the possible accession to EU

internal market and participation in EU programs and policies, however, based on their reforms in democracy, rule of law and market-oriented economy. The statement is very vague and blur; it does not indicate the finality of cooperation for the member states. Hence, it gives partner countries little stimulus to start deep transformation in light of decreased credibility.

Beside the policy inconsistency, some authors point out geographic inconsistencies too. It is widely discussed in the literature of Europeanization and externalization of EU norms, that combination of Southern and Eastern dimensions under the “one-size-fits-all” strategy have weakened the whole concept, as it united countries with different aspiration and divergent economic and political conditions (Borzel et al:2008). Namely, it put together the Middle East and North African (MENA) states and post-Soviet countries. MENA region is not considered geographically European, for instance, Morocco was denounced from membership in 1986, and other countries did not express much interest to progress relations or become the EU members. While eastern dimension states supported increased cooperation and Ukraine, Moldova, and Georgia were willing to become the member states too (Kwiecien:2016; Dannreuther:2006:187). With regard to Armenia, country was willing to participate in EU program and enlarge the scope of cooperation in accordance with its geostrategic limitations. Even though ENP applied differentiation with individual action plans and monitoring of implementation, it had no significant impact as the objectives were elaborated in line with conditionality provisions of ENP strategy paper.

Unlike other authors, Sasse and Dannreuther assess that ENP was acknowledgement of new reality and attempt to reconstruct the policy of conditionality. Dannreuther explains that the whole EU history is the promotion of “logic of generosity”; integration experience of Greece, Spain, Portugal and Eastern European states illustrated that fundamental domestic transformation required the EU altruistic incentives (Dannreuther: 2006:188). Since Eastern enlargement, EU became the victim of its own success and has undergone “enlargement fatigue”; constitutional referendum was failed in France and Netherlands in 2005, public opinion did not favour the enlarged union and deepening of relations anymore (Szolucha:2010:1). Therefore, EU needed to adapt its “external governance with new reality, through revising the conditions of EU membership. Therefore, they have introduced the

new type of conditionality which would fit to the neighbouring countries and their aspirations. EU commission introduced new mode of conditionality under ENP - “cumulative conditionality”- meaning “different conditions have to be complied with for different types of integration or association with EU” (Sasse:2008:302). Union modeled the ENP on “conditionality-lite” for neighbouring countries to avoid the “rhetorical entrapment” to enlarge eastward; instead, it paved the way for a “procedural entrapment” for the ENP countries. It allowed countries to choose the external reference point ENP provides and utilize them when it fits to their domestic agendas (Sasse:2008:296). Unlike the CEE states, where EU was the driver of change, the “conditionality-lite” put the domestic political regimes as drivers of changes and external-incentive model was complemented with lessons-drawing and large socialization strategies.

The next change ENP conditionality brought was increased diversity of rewards and carrots. Sasse(2008) and Dannreuther (2006)made the gradation between “golden”, “silver” and “bronze” carrots; “golden carrot” is well-known membership perspective and the most successful enlargement policy. “Silver” carrot resonates with the cooperation without the membership perspective; it provides increased market access and stake in the EU economic area through the harmonization of legislation and democratic modernization of system, inclusion in various policies and programs without sharing the EU institutions. In addition, “silver carrot” has its own sub-categories. Based on the progress reports, partner countries might have different type of access to EU domestic market – they can be associated or non-associated partners. “Bronze carrot” is the technical assistance and aid for the transformation, which is issued when country achieves the minimal progress and is not authorized to integrate in the economic area (Dannreuther:2006; Sasse:2008)

EU was not very successful to develop “silver and “bronze” carrots, particularly, under ENP, but it still provided the sufficient incentives for the economic and political reforms. It was still influential attempt to reform the earlier failed attempts under PCA, It greater support including technical and financial assistance to ensure that neighbouring states harmonize the EU regulations and standards so as they would have more access to EU market and would be less vulnerable to EU non-tariff barriers.

2.3. Eastern Partnership

Even though ENP became the significant policy tool, which put Europeanization agenda in the new neighbourhood, progress under the policy did not went far away. From the initial stages EU realized that it needed to reform the policy to make attractive alternative to membership. The first attempt of ENP reform – “ENP Plus” concept - was initiated during the German presidency in 2006. Germany supported differentiation between Southern and Eastern neighbours without significant changes of political-economic modalities of relations. After German attempt, similar proposal was prepared later by Polish and Lithuanian governments. It brought more contextual changes; the proposal distinguished between the *European countries*, which share the European values, ideas and aspire the membership, and *neighbours of Europe*, which include countries willing to cooperate to EU without much ideological convergence. The final attempt of reformation was the proposal of Sweden and Poland, which created Eastern Partnership program in 2009 based on the ENP provisions (Kempe:2008). According to Joint Declaration of the Prague Eastern Partnership Summit, “the main goal of the Eastern Partnership is to create the necessary conditions to accelerate political association and further economic integration between the European Union and interested partner countries. The significant strengthening of EU policy with regard to the partner countries will be brought about through the development of a specific *Eastern dimension of the European Neighbourhood Policy*” (EaP:2009:2). EaP separated the six post-Soviet states –Georgia, Ukraine, Moldova, Armenia, Azerbaijan, and Belarus – to deepen relations. In addition, document shared the aspiration of Lithuanian and Polish proposal and it clearly stated that six post-Soviet countries were European states. Therefore, it is no surprise that the program is considered as the “boldest outreach” since the big enlargement round and was interpreted as interim step towards the membership (Wodka:2010: 155). It continued the principle of differentiation stated by ENP; in addition, it was enforced horizontal network development between the neighbours (Kempe:2008).

The program created the four platforms of cooperation: democracy, good governance and stability, economic integration and convergence with EU policies, energy security, and people-to-people contacts. Unlike the ENP, it included not only the bilateral mode of

relations, but introduced some multilateral platforms, which created the opportunity for the countries with limited scope of shared values (for instance, Azerbaijan and Belarus) (Korosteleva:2012:8). The issues of cooperation were further integrated in the EaP Flagship initiative:

1. Integrated border management program
2. Small and Medium enterprise facility
3. Promotion of regional electricity markets, energy efficiency and renewable energy sources
4. Development of the Southern energy corridor
5. Coordination of prevention of preparedness for and response to natural and man-made disasters (Nash:2009:309)

Beside the introduction of multilateral platforms of cooperation, EaP strengthened the EU conditionality with bringing more clarity and enforcing ongoing cooperation mechanisms. It brought the finality in cooperation and established the three pillars of partnership. The first pillar of EU eastern policy was political affiliation (Delcour: 2012: 5); namely, it made the promise for the willing partners that they would be able to complete association agreements with EU. According to EU, “Eastern Partnership umbrella should provide the foundation for Association Agreements between the EU and those partner countries who are willing and able to comply with the resulting commitments” (EaP:2009:7). The second pillar of cooperation was deeper economic integration with DCFTA; and finally, third pillar of EaP became the mobility partnership and prospect of visa free travel for the EaP nationales (Delcour:2012:7). The last pillar was quickly put into motion. By 2009, EU had already signed Mobility Partnerships with Georgia, Moldova and Ukraine, Armenia joined this group in 2011 and they very quickly moved to Visa Facilitation and Readmission Agreements too (Sepashvili: 2017).

Beside the finality, it introduced the new principle “more for more” during the 2013, which was later translated into “less-for-less” (EaP:2013:5). It attempted to bring more differentiation and introduce the leverage mode in Eastern dimension to substitute the governance mode of Europeanization embedded in ENP since 2004. Even though EaP made geographic and institutional differentiation of neighbourhoods, it still did not overcome the

geopolitical limitations of EU policies. The program was progressing under the shadow of Russian interests, which caused the grouping of partner countries into the three groups and program was transform into 3+2+1 format. The first group includes countries with EU membership aspiration: Georgia, Ukraine, and Moldova. The second group includes Azerbaijan and Belarus; neither of these countries share the European values, express little interest in the reform-driven cooperation and prefer the pro-Russian foreign policy pivot. Armenia does not aspire to membership, but it is keen on reform-driven cooperation and had expressed willingness to sign AA/DCFTA; however, its geopolitical situation limits the choices country can make. Therefore, it definitely does not belong to first group of countries due to the fact that denounced DCFTA/AA in 2013, but it still is not in the categories of authoritarian states which aim to escape EU harmonization and norm diffusion.

Chapter 3

Influence of conditionality on Armenian integration capacity

EU is global normative power, which promotes its values worldwide. It signs agreements which incorporate the EU norms; based on the treaty type, the norm adoption can be legally binding or it might be just recommendation. Under ENP and EaP, EU used the persuasion strategy to promote the norms. It used external incentives and assistance to promote the democratization, economic modernization and reformation. It also provided funds which assist states to approximate their system to EU and increase the convergence. With regard to Armenia, like other post-Soviet space, EU major financial instruments were Technical Assistance for the Commonwealth of Independent States (TACIS), which was later substituted with European Neighbourhood and Partnership Instrument (ENPI), Support for Improvement in Governance and Management (SIGMA) and Technical Assistance and Information Exchange (TAIEX) (Commission of European Communities :2007). ENPI was the major financial instrument that assisted countries to meet the ENP objectives. ENPI national indicative program for Armenia have determined three priority areas for the country and overall committed EUR 98,4 million to the transformation. As program took into account the Armenian interests in cooperation and government's priority was the implementation of poverty reduction strategy 40% of funds were allocated for the economic development, which amounted EUR 39,36 million. Remained 60 % was equally distributed on the democratic transformation and public administration reforms to increase the governance capacity, amount of assistance reached EUR 29,52 million (ENPI:2007). According to principle of conditionality, EU increases rewards in case country complies with EU norms and expresses commitment to reformation. The next national indicative program of ENPI shows, that EU have almost doubled the assistance to Armenia. ENPI 2011-2013 allocated EUR 157 million for Armenia (Nasieniak&Depo: 2013:18). If we follow the Europeanization theories, Armenia should have improved its capacity, the quality of democracy and adopt the EU norms. This chapter aims to give empirical findings of research

to what extent Armenia progresses in approximation and modernization and which fields undergone tremendous changes.

3.1. Influence of conditionality on democratic transformation

As EU is normative power, the most prioritized area of norm externalization is democracy promotion. This feature of EU external governance was reflected on EU-Armenia common documents. It identified as the first priority area in PCA, ENP and EaP. EU-Armenia AP specified the objectives which referred to all components of democracy and was set as the major field of adaptation to upgrade the relations and receive the rewards.

One of the best illustrators of progress is the improvement of democratic quality in Armenia. EU progress reports about Armenia have pointed out several sectors which undergone positive changes. However, it also shows that the progress was incremental, marginal and it was not enough to bring about the systemic changes. Based on the primary literature of EU-Armenia relations, I have distinguished three areas, where Armenia made most of progress: elections, human rights and judiciary.

Elections

Since 1990s, Armenian elections have been the subject of criticism by OSCE and EU. They have pointed out legislative shortcomings, financial and administrative irregularities, and unequal treatment of candidates, restricted media access and freedom of expression before and after the elections (Nasieniak&Depo: 2013:15). Free and fair elections are the fundamental components for electoral or liberal democracies; therefore, EU-Armenia action plan made specific objective to improve the electoral processes in the country. With EU-Armenia AP, Armenia took responsibility to “ensure that the electoral framework is in full compliance with OSCE commitments and other international standards for democratic elections, by amending the Electoral Code and improving electoral administration in line with OSCE/ODIHR and CoE Venice Commission recommendations ” (EU-Armenia AP:2006:4). The improvement of system have started gradually and illustrated results in 2008, 2012 and 2013 elections. According to OSCE, 2008 presidential election in Armenia showed meaningful improvement and country overcome the significant amount of

irregularities from previous 2003 election. Turning point in overall progress was 2013 presidential elections, which mostly satisfied international standards and have been evaluated positively by OSCE and EU officials during their visits in Yerevan and allocated additional funds – “rewards” – for the achieved progress.

The adoption of new electoral law was the result of huge domestic and international pressure for the change. The process started in 2008, continued with discussions about the new electoral code and culminated with the 2013 presidential elections with systemic improvements. 2008 elections have produced the public discontent in Armenia. Opposition parties and civil society members had concern that government used its power to rig the elections and pointed out the irregularities monitored by OSCE missions, particularly, with regard to electoral lists and vote counting procedure(Tavernise:2008). Their dissatisfaction was expressed in the rallies and manifestation which ended with clashed between police forces and protesters in March 1-2. The confrontation left casualties, 10 people died, and were followed with large scale arrears, crackdown on media and declaration of state of emergency until March 20 (ENP progress report: 2009:3). Lack of public confidence created the crisis of legitimacy for Sargsyan domestically and internationally. Only solution was recovering the system and reviving the prestige among the domestic electorate and international society. Armenian government decided to make the strategic maneuver to cover the negative experience of 2008 electoral crisis. They started to consult with Civil Society Organizations (CSOs), opposition parties to prepare the draft law and make the legislative amendments. During the consultation, consensus was reached to release the opposition supporters detained after 2008 presidential elections based on the presidential amnesty released in 2011. However, they have expressed the less willingness to investigate cases of death, ill-treatment and large scale violation of human rights by the police officers during 2008 (ENP country report:2011).

As a result of domestic and international consultations, Armenia National Assembly approved new electoral code. The major change was increased independence of electoral commission and improved administration (ENP country report:2009). The conduct of 2012 parliamentary and 2013 presidential elections illustrated that Armenian government not only adopted, but applied the new law. Even though Armenian election code is satisfactory

for the international and EU standards, some risks still remain with electoral processes. The most dangerous is public distrust and consecutive civil unrest after the elections. As 2012 parliamentary and 2013 presidential elections illustrated, Armenian society and opposition have low confidence in the government and elections. Any legislative changes should be the result of domestic consensus among government, opposition party and civil society. The process showed that opposition parties and CSOs do not have a confidence in government. Opposition parties expressed their distrust with drafting alternative electoral amendments, which they presented to Venice Commission. After their failed attempts, they have been critical to new electoral legislation and expressed the concern that changes were not sufficient to avoid the electoral frauds by the government (ENP Progress report 2007: 3-4; ENP Progress report 2009).

Judiciary and separation of power

One of the significant aspects of viable democracy is existence of rule of law and free judiciary. It creates the system where all persons living in the country are bound by the law and no one has privileges. The rule of law is the fundamental principle of nation and civil society building; this is why the establishment of rule-based system represents integral component of EU conditionality in partner countries, including ENP and EaP states. Independent judiciary is crucial to the rule of law. “Independence” does envisage not only proper separation of power in the country, where judiciary will be not be dominated by executive and legislative bodies, but it should be free from pressure of influential informal groups and persons. ENP intended to improve the rule of law in partner countries. ENP document mentioned, which later was reflected on the EU-Armenia AP, Armenia should have reformed the judiciary and establishment of proper check-and-balance system. This aspiration was natural continuation of the Armenian 2005 constitutional amendments, which aimed three goals: improved separation of branches, independence of judiciary and appointment of the mayor of Yerevan. As Armenia have expressed willingness to conduct reforms, EU urged to ensure the effective implementation of this amendments, adoption of new laws which are required by the constitutional amendments and avoid the consolidation of power in executive branch (EU-Armenia AP:2006). The rule of law and judiciary reform

provision is not attractive for Armenian political elites. It endangers their political influence and poses risks to be ousted from the office. However, EU conditionality had still legitimacy in Armenian society and political circles, as it was perceived as necessary component to receive political support and territorial status quo in Nagorno-Karabakh conflict, and other financial assistance (Tartes: 2015:24). Beside the EU conditionality, Armenia's membership on CoE put pressure to carry out the constitutional reform and improve the coordination mechanisms among the branches of government (Abrahamyan:2014).

The constitutional amendments of 2005 slightly improved the separation of power slightly; however, relations between the president and National Assembly have been more important issue of discussion, than influence of president over the judiciary. Consequently, constitutional project gave more independence to National Assembly, than to judiciary (ENP progress report:2007:3). It changed the rules according to which president appointed prime minister; new amendments required the vote of confidence for Prime Minister Nominee and reduced the chances to appoint the candidate which did not have support of main legislative body. Second change refereed to presidential right to dissolve the National Assembly. Earlier constitution stated that President had right to dissolve it without indication of provisions of action. Amendment clearly stated the conditions under which president would be allowed to impeach government and dissolve the National Assembly (Abrahamyan: 2014: 27-29).

With regard to judiciary system, it made two significant changes. First, constitution have amended article which stated that guarantor of judicial independence was the President of Armenia. New constitution amended this article and stated that Armenian constitution and laws have been the guarantor of rule of law and judicial independence (Abrahamyan:2014:35). Second, amendments introduced new stakeholders in the process of selection of judges; however, it did not go too far and final decision was left to the president. Even though EU and CoE initially have the positive evaluation to constitutional amendments, ENP progress reports have stated that changes have not been enough to eradicate the core problems of judiciary: corruption, dominance of president, executive branch and prosecutors over judges (ENP progress report:2009). It still maintained super-presidential system in place with strong influence of president over the National Assembly and judiciary.

The second wave of judiciary reform started in 2008, which envisaged improving the administrative procedure of judiciary system and making system more transparent in accordance with EU provisions. The reform was developed in the framework of Strategic Action Plan for Judicial Reform 2009-2011. The reforms have created the specialized courts, changed the role of Court of Cassation (ENP Progress Report: 2009:3). With regard to transparency, Armenia improved electronic court statistics data and it became more available for Armenian citizens (ENP Progress Report: 2010: 4); in 2012, country introduced the Random Case Assignment Procedure in the course and also increased the number of public defenders from 32 to 53 (ENP progress report: 2012:5).

Even though Armenian government have expressed its willingness to reform judiciary and EU also committed lots of funds for the systemic modernization, the impact was limited and did not address the main problems of system. If we compare the two cases 2005 constitutional changes and overall ENP/EaP progress, we see that former was more successful. The impact of constitutional reforms was largely determined by the engagement of CoE, as it set the reform of judiciary and power separation as pre-condition for membership. Hence, I argue that technical and financial assistance facilitated the process, but it is not direct win of EU conditionality (Abrahamyan:2014). Compared to CoE provisions, ENP conditionality was weak to influence on the decision-makers and political elites. Hence, Armenian government decided to apply the norms selectively and adopt legislation which would still prove its commitment and also did not endanger their positions. The judicial system reformation is clear illustration of this strategy.

Human rights

As ENP was modeled on EU enlargement policy, human rights have been given much attention in bilateral partnership. Unlike the membership, ENP provided “a privileged relationship” which was still based on the common values such as human rights and democracy. Progress of bilateral relations and upgrade of partnership was largely determined the results to what extent EU norms was shared by the partner countries. Kelly concluded that “the more a country conforms to EU values, the closer it can cooperate with EU” (Kelly:2006:30).

Respect of human rights and fundamental freedoms are the core pillars of democratic society. If country is willing to be recognized as democratic and part of liberal society, it should ensure the adoption of legislation and proper implementation mechanisms. EU-Armenia AP plan determined the compliance of human rights standard as the second priority area of cooperation. Fundamental freedoms were broken down into several categories: freedom of assembly, media, and penitentiary system reformation to eradicate the ill-treatment and torture (AP:2006:5)

Existence of free media and objective information is crucial for electoral and/or liberal democracies. Media should be free to fulfill their role and voters have a right to be adequately informed about the political situation to make suitable decisions at the ballot boxes. Hence, media freedom was subject of discussion between EU and Armenia since the establishment of bilateral relations. Armenian media is a matter of concern, as it is under the governmental control. The opinion of Armenian society about the media freedom and objectivity is sharply divided. According to surveys 55% of Armenians trust their national broadcaster and almost 42% does not trust; 55% of Armenians perceive that national broadcaster is not independent from economic and political powers and 80% support the free media. They assume that media enterprises both national and private should be able to broadcast what they want and others should not interfere in the work of journalists (Pearce:2011:5). Even though Armenian society increasingly supports media independence and pluralism, reforms are lagging behind. The high costs of norm adoptions to international standards and fact that television is the major source of information for Armenians, government finds it difficult to give up established control on national broadcaster; however, they loosened the control on the media during recent times. 2005 constitutional amendments made a genuine attempt to decrease the influence of government through introduction of new rules of appointments; the members of national commission on Radio and TV was not appointed by president anymore; they were appointed for six years: ½ by the National Assembly, and ½ by the President (Venice Commission:2005:3). The change was purely declaratory, as it is clear that president has power over the National Assembly, he/she can project power indirectly and appoint desired nominees.

One of the major problems of Armenia is to ensure the protection of fundamental human rights particularly during the election periods. ENP reports have recorded that journalist have been targeted by government during before and after the 2008 presidential elections. Even though government made amendments in criminal code, which made the interference in the professional activities of journalists punishable in 2007, it could not reduce the amount of offences. At the same time, government often restricts the right of assembly due to the political interests. They do not give opportunity to opposition parties to organize rallies against them (ENP:2007:5). In 2011, Armenia adopted new law on assemblies, rallies and demonstrations, which improved system to improve situation connected to freedom of assembly (ENP progress report: 2011:3).

One of the biggest achievements of EU-Armenia cooperation is establishment of Office of Human Rights Defender (Ombudsperson) and its increased institutional independence. According to ENP progress reports, the institution played a significant role to monitor the human rights conditions and respect for fundamental freedoms in Armenia. Its engagement and functions have been increased from year-to-year. The Office of Human Rights Defender has been established in 2003, which was followed legislative and constitutional amendment to strengthen the institution. In 2005, the constitutional amendments have established the principle of irrevocability of Public Defender (Venice Commission;2005:3). In 2007, Armenia made efforts to give further stability to institution and increase the convergence with international standards. According to EU commission, “improvements were observed in terms of institutional immunity of the office, its capacity to investigate claims of human rights violations and involvement in the legislative process” (ENP progress report: 2007:3). In 2010, Armenian introduced new legislation, which enforced the office and ensured its financial independence (ENP progress report:2010:4).

Armenia has been often criticized due to the violation of human rights in penitentiary system. EU-Armenia AP made a reference to conditions in prisons (EU-Armenia AP:2006:5). EU gave recommendations to Armenia to reform system in order to avoid ill-treatment, torture, inhuman and degrading treatment in detention facilities. Armenia has expressed its willingness and commitment to reforms, as the costs of norm adoption have been more

economical and less political. Armenian National Assembly ratified Optional Protocol to the Convention against Torture (OPTAC), started to renovate existing detention facilities and construction of new buildings for 1000 inmates, as the detention facilities have been subject of EU severe criticism (ENP progress report:2007:5). The construction of first European detention facility has been positively evaluated by European officials; however, they still point out inadequate conditions existing in the old prisons.

3.2. Influence of conditionality on Armenian economic capacity

As Armenia did not have declared interest in EU membership, economic rationales have become the major motivator of cooperation economic rationales. The legislative framework of EU-Armenia cooperation -PCA – have made very general statements about cooperation; it was not legally binding principles, therefore, they sounded like recommendations and provisions to deepen the future cooperation among them (PCA:1999). ENP have brought new life to EU-Armenia relations. It determined the specific goals like stability, prosperity, building welfare system and so on. It envisaged achieving stability through economic development and bringing better living conditions to ordinary citizens. Political conditionality has been weak due to the absence of membership perspective; however, it provided much stronger economic conditionality with intention to integrate with European domestic market and improve the investment environment. In 2008, EU has conducted the feasibility study in Armenia to know if the finalization of EU-Armenia free trade agreement was possible (ENP country report:2009:8). According to EU commission`s evaluation agreement would be the mutually beneficial, but Armenia was not ready to conclude the agreement. European commission has concluded that Armenia was not ready for the cooperation and it needed to fulfill “key recommendations” which would determine the future of EU-Armenia economic cooperation. Armenia`s isolated geopolitical situation and land-locked location have always been the driver to develop alternatives and one of the viable option was EU (Ademmer: 2017:200). However, political and economic situation of 2009 was different from another period, which introduced different elements and aspirations

in bilateral relations. I have identified three factors which influenced on the Armenian decision to cooperate with EU and accept Commission`s recommendations:

- (1) Armenia has undergone double digit economic growth since 1999 (ENP country report:2007). 2008 financial crisis have plummeted Armenian economic growth; country needed to find ways to overcome the crisis; namely, it wanted to increase its export and make domestic system more attractive for foreign investments;
- (2) Armenia has been part of Generalized Scheme of Preferences (GSP) since 2001. In 2009, EU Commission made statement that Armenia would be able to have much greater access to EU market and would become join GSP+(ENP country report:2007:8). Even though EU is the first trade partner for Armenia, Armenian export to have been decreasing since 2005; the new agreement have vitalized the EU-Armenia relations and following year showed tremendous increase of Armenian export to EU. In 2010, EU export to Armenia have been increased with 4.2 %, while Armenia increased export by 59.9% (ENP country report:2010:7). Considering the timing, it was significant factor that determined strong willingness in Armenian elites to maintain pro-EU economic policy;
- (3) Creation of EaP has increased the support to Armenia. It differentiated with EU neighbors, which raised the credibility of rewards from EU. ENP made more general provisions for partnership, while specified the conditions for the regional countries (Delcour:2012:5)

These factors have altered the perception of EU conditionality, increased the reliability, and made government more confidence to commit reforms. Overall, it relatively reduced the costs and increased the benefits of cooperation. Based on PCA, ENP and EaP Armenia expressed willingness to conduct reforms that would increase it convergence with EU norms, rules and traditions. During 199-2013, Armenian economy faces various kinds of problems including lack of diversification in export, negative trade balance and budget deficit, which was decreasing during the double digit economic growth, lack of competition, unattractive business climate, shadow economy and problems of revenues. The EU-Armenia AP has taken into account the difficulties of Armenian economy and reforms recommended by EU

emphasize on fields that would enable Armenia to have sustainable economic growth; this includes the competition law, public procurement, taxation, corruption perception (EU-Armenia AP:2006). Most of these provisions have been written down in PCA, but they lacked the implementation mechanisms. ENP embedded these provisions in the conditionality which made promise that in case of genuine progress country would integrate in EU internal market. During these years, Armenia made steps to adopt the relevant laws and implement with much or lesser success.

The most important topics for the integration capacity are the macroeconomic stability and interdependence in trade. In 1999-2013, Armenia generally maintained macroeconomic stability. From 1999 till 2008, country was increasing its export with double digit number which ensured the stability, decreased the unemployment and make achievements in poverty reduction strategy. The turning point was 2008 crisis, which almost challenged the poverty reduction achievements of the past years, decreased the economic growth, increased unemployment and deteriorated the social environment for most vulnerable population groups. After two years of crisis, Armenia started to recover and started the dedollarization policy to reduce its financial vulnerability for the future crisis (ENP country report:2009; ENP country report:2010). Compared to relative positive developments in macroeconomic stability, Armenia-EU trade balance and interdependence does not have a positive direction. Armenia lacks the diversification of export products and it mostly exports the raw materials to EU; instead, in imports industrial products, technologies, machineries. Even though, GSP+ make possible to increase the Armenian export to EU, overall trade balance is negative and Armenia imports more than it exports to EU (ENP country report:2011:8; ENP country report:2005:19). Hence, the trade balance and economic asymmetry is in favour of EU, which means that Armenia does not have any leverage on EU, while it needs EU as the trade partner to maintain economic development. The economic asymmetry is identified by Schimmelfennig (2012) one of the significant factor that makes country vulnerable to EU conditionality and drives the transformation.

Due to the domestic difficulties, high dependency on economic relations with EU and newly started discussions about DCFTA has altered the motivation of political elites. 2009 crisis was

followed with various reforms that intended to revive the economy, attract the foreign investors and increase the production of country. These reforms were indicated in the ENP AP and intended to liberalize the Armenian economy. Amendments have significantly reduced administrative procedure, costs of doing business, simplified the registration procedure, and reinforced the capacity through increased regulatory awareness (ENP country report:2009:10). This reform waves have been supported in the following years. Consequently, World Bank`s Doing Business Reports showed significant improvement of Armenian rankings. In 2012, Armenia positioned 32nd out of 185 countries in “Doing Business” and 35th in the Economic Freedoms reports of 2012 (ENP country report:2012:11). 2013 estimates indicated qualitative and quantitative improvements; it was 4th easy economy to start business; in addition, it illustrated visible improvement in administration procedure, costs and freedoms (World Bank:2013).

Unlike improved business environment, Armenia has failed to undertake the most crucial reforms – taxation and competition policy. Compared to procedural and technical amendments, these two fields required the systemic modernization, incremental policy was not enough to achieve sensible results. At the same time, the costs of norm adoption and convergence was very high, it would destroy the domestic equilibrium, which was based on the balance between the politics and economy (Delcour:2012). Taxation and shadow economy is widespread problem in post-Soviet space. Due to the high rate of corruption, poverty and economic difficulties, this problem is particularly severe in Armenia. One of the goals of ENP was reinforcement of taxation and decreases the volume of shadow economy. According to 2010 ENP report, tax-to-Gross Domestic Product (GDP) ratio have been 16.6% and it was always changing around this estimate (ENP country report:2010:8). As improvement of revenue system is crucial for Armenia`s financial stability, Armenia made incremental changes to the law of taxation and it was always refraining from adopting unified reformation of taxation code; many CSOs and experts have also been critical to taxation reforms and supported governments prudent approach; they assumed that deep reform of taxation could have a negative influence on small and medium size business (ENP country report:2009: 11). Hence, government avoided to take the radical decisions and make

the general revision of the law. Beside the systemic revision of taxation legislation, Armenian government had significant challenges with regard to implementation of existing law.

PCA made specific reference to EU norms which needed to be harmonized in the future including competition policies (PCA:1999:12). One of the features of Armenian system is deep interconnectedness between the business and politics. According to Bertelsmann Foundation and Transparency International reports, informal networks between politicians and business created the closed group of people – oligarchs. They control the economy and enjoy the support from the political elites; their economic resources enable them to project power in order to achieve their desirable outcomes in politics and economy (Wickberg:2013:3). Even though Armenia made steps towards harmonization, its efforts have been inefficient as it could not establish free and competitive market. It had two attempts to reform the system. In 2001, Armenia introduced competition law, which was modified in 2008. 2001 law created independent agency -State Commission for the Protection of Economic Competition (SCPEC) - which was discussing the competition related issues. SCPEC was under direct control of presidents, it was underfunded, understaffed, lacked the financial independence, and capacity to enforce the law (ENP:2005:17; ENP:2009:11; ENP:2010:10). In light of corruption, nepotism and patronage in economic sector and vague distinction between economy and politics, the institutional and financial standing of this SCPEC, like many other entities, is not effective to transform Armenian economy.

3.3. Influence of EU conditionality on Armenian governance capacity

Second priority area of ENP has been the reformation of public administration and civil service in partner countries. ENP have allocated 30% of the budget for this sector (ENPI:2007). The ENP made all the necessary provisions to increase the capacity of Armenian administration to reinforce the effect of implementing reforms. ENP have using the previous enlargement experience to draw the institution and capacity building processes in the partner countries; the major instruments of capacity building was Twinning, TAIEX, SIGMA and ENPI (Tulmets:2011). The next EU program - EaP -increased emphasize on the administrative reforms; it provided multi-lateral and bilateral platforms with the aim to

increase the EU role in institution-building process and fighting against the endemic corruption. EaP introduced the Comprehensive Institution Building (CIB) program which was aimed to increase the administrative capacity of countries in the preparation of DCFTA/AA agreements. CIB have dedicated EUR 173 million in 2011-2013. CIB was composed of two components; like action plans it specified the institutions and its challenges; then, it drew the exact actions which would response to the problems of institutions (Commission of European Communities:2012 :6-7). As the research study the over impact of EU conditionality enforced with the above-mentioned programs, I will not go into detail description of Armenian reforms under each program. I will give the general evaluation of the sectors which was targeted by these programs.

ENP AP made the special reference to customs and taxation systems in Armenia; it emphasized the Armenian needed to change the norms, implementation mechanisms to curb the corruption in these sectors. Armenia have adopted reformed the taxation and customs law in 2002, it also created State Tax Revenue system which was merged with State Customs Committee in State Revenue Committee in 2008, which became the body responsible for the revenue collection and customs administration (ENP country report:2005; ENP country report:2009:9). Reform of Customs administration has been reinforced with Southern Caucasus Integrated Border Management (SCIBM) program between Georgia, Armenia and Azerbaijan. Program was lasted from 2009 to 2012 and committed EUR 6 million for the regional cooperation. SCIBM intended to increase the regional cooperation, facilitate cross-border crossing and modernize the check-points on the borders (ENP country report: 2009:10). In the domestic system of Armenia, the reforms were undertaken in accordance with recommendations of EU commission and EU Customs Blueprints. In 2008, Armenian government approved Comprehensive Customs Administration Strategy for 2008-2012 (ENP country report: 2009). Armenia introduced the new Customs code in 2008 in accordance with EU and intentional norms which simplified the customs clearance, introduce the self-declaration and on-line declaration which had positive effect to reduce the corruption, increase the transparency on system and launched the online website for customs authority, set up hot-line to improve the service and receive the complaints. It also incorporated code of ethics for a worker which was missing point in 2002 legislation. Beside the legislative

changes, Armenia started to train the workers in IT service, foreign languages and specific issues of customs duties after the merger of two systems (ENP country report:2005; ENP country report:2009). In 2010, Armenia made further steps to reinforce the institutional capacity of new system. Government introduced the “Mulberry” electronic document circulation system to simplify the coordination between customs and other authorities. It created the unified database of all customs houses and customs checkpoints. In accordance with ENP 2009 recommendation, it improved the risk management system through increasing interagency cooperation (ENP country report:2010:9). Even though EU recommendations highlight that Armenian customs and taxation system need more efforts to improve the implemented reforms resulted in systemic transformation of State revenue Committee; system have undergone qualitative improvement, it reduced the corruption in the sector, improved the procedural part, decreased the paper-work and increased the transparency of system.

The most difficult reforms for Armenian government were local self-government reform, public service and police reforms. Local self-government in Armenia has financial, administrative and institutional difficulties. Research under the EaP Flagship Initiative about the local self-government reports illustrated that Armenia failed in the reforms. The function of local self-government is to be independent and able to address the local community issues. Instead of independence, transparency, decreased nepotism and corruption, Armenia undergone significant setback in self-government reforms during the research years. Armenian local self-government are not independent from state institutions, they have limited competences, administrative capacities. Theoretically, they should be the subject of interference from central authority; however, Armenian path of development showed the local self-governments have transformed into implementers of incumbent authorities (Tumanyan:2017:21-22). Even though, ENP have made special recommendations to enforce the local authorities, increase their financial and institutional independence, the high costs of reforms, in the form of territorial conflict in Nagorno-Karabakh, losing control over the region and civil unrest, Armenian government was not willing to lose control on self-governments and conduct the genuine reforms. In addition, ENP allowed it to be more

salient and it could compensate the failure in self-government reforms with achievements in other directions, which would illustrate that Armenia was still committed partner of EU.

The scenario was pretty similar in public administration reforms, which was one of the key areas of cooperation under ENP and EaP. Armenian government made subtle changes in public administration system until 2010. Since Serg Sargsyan expressed more commitments to European partnership, it authorized new law in 2011, which systematically transformed public administration (ENP country report:2011:8). This latter was followed with reforms of police system, which is the perceived by society as the most corrupted governmental unit. The Transparency International called this act “regulatory guillotine”, as it aimed reviewing thousand legislative acts, which should have brought better clearer administration system more efficient bureaucracy (ENP country report:2011:8). Armenia has elaborated unified civil service system – Information Electronic System for Human Resource Management - in 2010. It also made efforts to improve the recruitment procedure and make it more professional merit based to reduce the patronage and corruption. The system introduced the unified system of certification, point-based evaluation during the interview. In addition, it changes assessment rules too; not only institutions, but individual workers` performance is evaluated (Tumanyan:2017:21-21).

Public sector was followed with reformation of highway police system. According to Shahnazarian, the reforms of Armenia in police sector were similar to Georgia undertaken after the Rose Revolution in 2003 (Shahnazaryan:2014). Earlier reports about the Armenia showed that the police and prosecutors office was the most corrupt institutions in the country; paying bribery became the social norm and it turned into “moral economy” when individual voluntarily pays the bribe to police and law enforcement agencies(Shahnazarian:2012). Due to the centrality of system, undemocratic character of political establishment and lack of accountability to public, the costs of reformation of law-enforcement agencies were high. In this case, Armenia found the compromise to necessity to reform and the actions: highway police reform became the “scapegoat” like other cases. Similar to Georgia, Armenian reform package had two directions. First, it aimed to reducing corruption with raising salaries, carrying out professional trainings and improving the

technical equipment; second, it restructured the police, created new departments and specialized units. Compared to Georgia, Armenia did not fire the corrupted police workers; if dismissal was necessary than it would occur at the lower level; high-ranking officials maintained the “informal immunity” which paralyzed the reform process and obstacle to develop adequate accountability to Armenian citizens (Shahnazarian:2014).

3.4. Influence of EU conditionality on the convergence of EU-Armenia laws

Harmonization of national legislation to EU norms is clearest indication of Europeanization. Norm adoption and externalization pretty often determine the character of cooperation, pattern of conditionality and the impact on systemic transformation. In case of Armenia, we can record some improvement towards harmonization of norms since 2009, when EU declared that countries should start preparation for DCFTA and AA, which required the harmonization and application of specific norms. EU commission elaborated Action Fiche for Armenia (AAP) in 2011, which specified the sectors which was the greater importance for Armenia to achieve more political and economic integration to EU (AAP:2011). As the previous chapters have analyzed the economic and political issues of cooperation, adopted policies, laws and actions under the PCA, ENP and EaP, including taxation, customs, judiciary, elections, highway police reform, public administration, this sub-chapter will focus on the latest development in EU-Armenia relations which was mostly accompanied to DCFTA/AA negotiations. In 2009, EU have introduced new ex-ante conditionality on Armenia, which identified the harmonization of legislation in three areas – Intellectual Property Rights, Technical Barriers to Trade and Sanitary Phyto-sanitary standards- as precondition to start the DCFTA negotiations. Even though Armenia was harmonizing legislation in these fields, introduction of new conditionality has accelerated the process. In 2009-2011, Armenia has adopted over 30 law and legislative acts, which became the determinant to start DCFTA/AA talks in 2012 (Petrov& Van Elsuwege: 2014:201).

Sanitary and Phyto-sanitary standards

ENP and PCA made the special focus on the Sanitary and Phyto-sanitary conditions in Armenia. The approximation of law and convergence is the precondition for the economic cooperation in the specific fields of economy. PCA made general recommendation to approximate the law and stated that “the parties shall also aim at the gradual approximation of Armenian standards to Community technical regulations concerning industrial and agricultural food products including sanitary and phytosanitary standards” (PCA:1999:15). EU-Armenia AP mentioned approximation of sanitary and phytosanitary standards among the cooperation objectives, which brought more clarity and specified more concrete measures Armenia should undertake; namely, adopting “policy, legislation, strengthening of institutions, including laboratories, implementing practices” (EU-Armenia AP: 2006:20). As sector was underfunded in Armenia and lacked nationwide coverage and resources, ENP proposed horizontal mode of cooperation and the tools of socialization between the partners as it was based on the exchange of information and exploring the possible areas of approximation. Under PCA, Armenia made the minimal efforts to approximate the standards, it adopted laws about the licensing and establishment of laboratories (ENP:2005:22). In 2007, it moved to sectorial adaptation and adopted the law on food safety and established the safety and veterinary state inspectorate in the Ministry of Agriculture (ENP:2007:9). Introduction of credible DCFTA and AA and increased need to reach EU markets have transformed Armenian incentives to put more efforts in legislative approximation. EU has increased conditionality; it made the harmonization of legislation under sanitary and phytosanitary standards as precondition to complete the DCFTA/AA agreements. Beside the EU stricter conditionality, Armenian government was willing to export fish and fishery products to EU market, hence, it need to make progress in legislation and increase the capacity of laboratories in order to increase the export to EU market. Based on the issue area and benefits, the cost of adaptation was lesser than prospective benefits, which influenced on the speed of approximation and efforts of government. In 2010, Armenia made the amendments to food safety law, veterinary law and law on registration of food establishments. It created unified food safety agency and properly equipped laboratories. For fish and fishery products, it established the surveillance system for

aquaculture diseases (ENP:2009:10; ENP:2010:10). The following year, Armenia presented the more long-term perspective on the sanitary and phytosanitary issues. In 2011 it adopted food safety strategy and action plan, which would approximate further Armenian legislation with EU standards. At that year, Armenia has created the intergovernmental working group which consisted of experts of food safety, veterinary and phytosanitary issues. The aim of the group was to approximate and gradually fill in the gaps between EU and Armenian laws (Delcour&Wolczuk:2015:496). With the assistance of inter-governmental committee Armenia made more efforts to increase the convergence in the following laws: “food hygiene, fishery products, technical rules on food additives, hazard analyses of foodstuffs, veterinary drugs and phytosanitary registration” (ENP:2010:10).

Technical barriers to trade

PCA was general framework of cooperation, which enlisted all the laws which should be approximated to have a deep economic inter-dependence and trade relations. Beside the sanitary and phytosanitary standards, it mentioned the necessity to approximation laws of technical rules and standards and Intellectual Property Rights (IPRs) (PCA:1999:12). Like sanitary and phytosanitary standards, cooperation on approximation on technical barriers and IPRs was based on the socialization and network governance modes of conditionality, while DCFTA provisions transformed cooperation into External Incentive Model of governance and introduced the conditionality mechanism to increase the speed and quality of approximation. In 2007, Armenia adopted two new laws in compliance with EU technical regulation norms: a law on standardisation and a law on certification (ENP country report :2007). Increased incentives were translated into more approximation in 2010. Armenia adopted the laws on accreditation, sectorial technical regulations and uniformity assessment in 2012 and they also introduced the long-term governmental program for the approximation of EU regulatory framework with the focus on the most significant economic sectors of Armenia (ENP country report:2012:10).

Intellectual Property Rights

In accordance with PCA provisions, Armenia joined international conventions and treaties regulating IPRs (ENP:2005:22). After the launch of ENP, Armenia adopted the EU standards in the field of trademarks, trade names, design, inventions and copyright; these laws came in force in 2010. The most problematic area of EU-Armenia cooperation under IPR field was the ratification of International Convention for the Protection of New Varieties of Plants (UPOV convention) and amendments to criminal code to increase the punishment for violation of IPR (ENP country report:2010; ENP country report:2009:10). In 2010, EU and Armenia found the compromising solution to the issue. Armenia drafted the law on the protection of the new plant species, which was compatible to UPOV convention. In 2010, Armenia elaborated long-term strategy to comply with EU norm in IPR and relevant action plan with clear objectives and steps (ENP country report:2010:11). Beside the legislative harmonization, application of norm in domestic system is still persistent problem, as Armenian citizens have low trust in court and law-enforcement agency, the state agencies lack competences and awareness of IPRs and the lawyers have no adequate qualification to work on these issues. In addition, it had a limited impact on number of cases of IPR violations in Armenia. According to EU Commission, these efforts could reduce the number of violations only 3-4% (ENP country report:2010:11).

Clarification of end-results of cooperation and bringing of credible conditionality had positive impact on the Armenia. It resulted in the convergence, adaptation; in addition, it increased the faith in Europeanization and EU-Armenia cooperation.

Theoretical Evaluation of research findings

As the findings illustrated EU-Armenia relations had different speed, intensity and it achieved mixed results in different policy fields. The differences of results are determined by the preferences of the Armenia, the relative cost of approximation vis-à-vis benefits, determinacy of conditions, and credibility of EU to provide the rewards. EU conditionality has been weak under the PCA, ENP. Compared to DCFTA/AA, which has more legally-binding provisions, legal approximation and convergence under these programs mostly was voluntary and degree of approximation reflected the domestic preferences of Armenian

government. Even though ENP determined the precise objectives in AP, it had no significant leverage and incentives to influence on the countries; its provisions were inconsistent, vague and blur. Unlike the EU-relations with CEEs, convergence process under the ENP was driven by the Armenia and not EU. As Union could not provide the membership perspective, it could change the modification of incentives. The EaP brought more clarity, which have referred the several aspects of conditionality.

Size of rewards

Usually EU utilized the conditionality to promote the democracy. In case of ENP and later EaP, EU used the conditionality to provide the deeper economic integration with Eastern partners including Armenia. The size of the reward under the EaP might did not entirely resonate with Georgia, Ukraine and Moldova, as they are eager to receive the membership perspective, but it completely overlapped Armenian interests. Armenia had security and economic problems; it has security guarantee from Russia, while integration to EU market would create the better conditions for the economic modernization, which would ease its economic problems. At the same time, as undemocratic regime with centralized, super presidential system and authoritarian tendencies, it was reluctant to induce the transformative democratic changes. Domestic elites are satisfied with political status quo; neither political nor economic groups eager to disrupt established equilibrium.

Speed of approximation

The speed of approximation been dramatically increased since 2008, when EU commission started the discussions about the possibility to negotiate the DCFTA /AA with Armenia. The empirical findings show that Armenia have approximated more legislative norms during that time and made progress in the fields of economy, politics, governance capacity. All the major reforms including reform of electoral law, highway police and administrative reform, amendments of customs law and change of practices have taken place since the Sargsyan presidency.

Credibility of EU

Conditionality can provide the economic and political incentives for the cooperation. ENP and EaP have been modeled on enlargement policy which put more attention on the political than on economic reforms. The Copenhagen criteria have made the democracy as the first priority area, economy second and EU absorption capacity the third factor. The inconsistency of ENP created expectation that it expected the same outcomes from Armenia to upgrade its relations and progress towards the DCFTA/AA. Its provisions allowed various ways of interpretation and created confusion in partner countries. Introduction of medium-sized and precise goal of cooperation under the EaP increased the credibility of conditionality, which was later positively reflected on the domestic reforms in Armenia. Application of membership provisions in the absence of membership perspective and incentive has discouraged Armenia to undertake the costly reforms. EaP conditionality was more adequate for the Europeanization without membership and was successful step to adapt the policy to new modalities of conditionality. Provisions, size and rewards of conditionality were consistent and created the expectation that EU was able to provide this reward to Armenia and other member countries.

Size of adoption costs

Size of adoption costs in economy and technical regulations are comparably low than in political fields. However, economy and politics is intertwined in Armenia; political and economic elites are not separate, which creates increases the costs for the convergence in economic policies. However, economic reforms leave more space for maneuvers than politics; therefore, it was still most desired conditionality provision for Armenian government.

Results of cooperation

Cooperation results are mixture of progress, regress and stagnation. It progressed with regard to electoral system reform, Armenian government slightly loosened control on the Media, but it still maintained enough leverages, modernized the police and public administration system, customs code, and convergence the legislation in accordance with ex-ante conditionality provisions. Considering the character of Armenian government and its geopolitical situation the progress of relations is unexpected and surprising. However, I assume that this reforms were marginal and had limited impact; most of them were

incremental in nature and not cardinal, which is existential to receive the systemic improvement. At the same time, the reforms were conducted for the sake of reformation and not for democratization and improvement of democratic system or establish properly functioning free market economy. Armenian government compensates systemic stagnation in the highly costly sectors to with incremental, moderate changes and less costly fields to progress the bilateral relations with EU upgrade relations with DCFTA/AA and get larger access to EU market. The rational cost-benefit thinking of Armenian government is very typical for the conditionality mode of governance; external stimulus purpose is to change the thinking of partner countries and become more committed partner. In case of Armenia, the aim was partly achieved. It definitely promoted the reformation, but had limited outcomes due to the incremental character and shortcomings of implementation. The limited nature of nature is partly determined by specific characteristics of EU governance in EaP countries. As the driver of change is the domestic regime and not EU, the conditionality is supplemented with social-learning and lesson-drawing models of governance. The political and economic crisis of 2008 illustrates that Armenia undertaken reform due to the domestic difficulties and legitimacy crisis. It was rational decisions decision and was based on the purely cost-benefit analysis, but it also shows that not only conditionality, but other models of EU governance contributed to the process.

Conclusion

The results of EU-Armenia cooperation and EU decisions to sign DCFTA /AA with Armenia showed that Armenia made enough progress to sign the new legislative framework agreement with EU. In 1999-2013, cooperation under PCA has marginally increased the integration capacity of Armenia through the reformation and legislative approximation. It has achieved the one of the main goals to assist country in transition to market economy. Its impact to build democratic institutions has been marginal, country has not undergone the systemic improvement and freedom house still categorized Armenia as partly-free nation. Government still maintained the control on judiciary, media; even though it improved the legislative framework of human rights, the implementations had many shortcomings.

Armenian government expressed less willingness to investigate the cases of violation and punish the perpetrators. It also made very marginal improvement of governance capacity; changes referred to the low lever of administration, highway policy and could not eradicate the main problem – systemic corruption and nepotism in administration. The most progressive part of EU-Armenia cooperation was the legislative approximation under the ex-ante conditionality. It increased the convergence and approximated the standards of IPRs, Technical Barriers to Trade and Sanitary and Phytosanitary sectors. Due to the weak conditionality provisions, Armenia selected low costs area of approximation and convergence in order to boost its integration capacity and complete the DCFTA/AA negotiations with EU. The reforms undertaken and end-results of DCFTA/AA negotiations show that Armenia progressed to increase its external integration capacity enough to upgrade the relations. However, the progress was not systemic and it had clear limitations; namely, it could structurally not improve the democratic quality of Armenia, separation of power, the economic environment, which is monopolized by oligarchs. Sargsyan administration have also undertaken reforms in administration, highway police and customs system. Legislative framework has undergone visible changes, but the implementation had many shortcomings, which significantly limited the impact of overall progress.

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