Agreements EC/South Caucasus: partnership and cooperation agreements

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OBJECTIVE: proposal for a new approach to the European Union's relations with the South Caucasus under the Partnership and Cooperation Agreements. CONTENT: With the ratification of the EU's Partnership and Cooperation Agreements with Georgia, Armenia and Azerbajan and their entry into force on 01.07.1999, it is considered an appropriate time to reassess the EU's strategy towards the South Caucasus region, and of the most effective use of its instruments under the PCAs. As the economies of the three republics develop, humanitarian aid is playing a less significant role in the Community's overall support. However, new instruments have been introduced in the form of exceptional financial assistance and rehabilitation; at the same time, technical assistance through Tacis has become more focused on agreed policy objectives, with projects aiming at preparation for the entry into force of the PCAs and for WTO accession negotiations being systematically programmed. Interstate programmes, in particular TRACECA and INOGATE, have become important tools for promoting regional cooperation. An analysis is made of what the EU can expect from its actions in the region under the PCAs. Despite the efforts of the three governments, progress on the introduction of the rule of law and the market economy has been slow and the management of central government finances requires further improvement. The business climate is not yet sufficiently attractive. At the same time, the threat to European security posed by instability in the Caucasus has if anything tended to increase. The root of many of the problems facing the three republics is the failure to resolve the ethnic conflicts; the present stalemate has aggravated humanitarian problems and has tended to impede the development of democratic institutions and of the market economy. This has reinforces the three republics' reliance on international assistance, while at the same time rendering that assistance less effective. The Communication therefore suggests that the EU needs to fashion its policy under the PCAs in such a way as to ensure its actions and its assistance become an incentive to positive change. In the medium to long term, relationships in whioch aid and assistance play a primary role need to develop into 'two way' ones with reciprocal benefits for the European partners. The Commission comes to the conclusion that actions aimed at enhancing regional cooperation and post-conflict reconstruction offer the best option for progress on both confidence-building and economic recovery. These need political support through CFSP, and in particular through the institutions set up under the PCAs. Over time, for the EC's assistance to be effective, progress must be made on the resolution of conflicts and the normalisation of political and economic life in the region. Bilateral technical assistance programming under the new Tacis Regulation should become increasingly targeted on strengthening the rule of law, reinforcing the use of EC and international norms, improving fiscal management and the administration of finances and improving the business climate. The EU needs to reinforce the importance it attaches toconflict resolution by sending a clear political signal on the form the Community's assistance can be expected to take in the medium term. It could concentrate on support programmes for the return of refugees to their places of origin through rehabilitation projects, and on the preparation of investment plans, as appropriate, together with other international donors, to attract investors to former conflict zones.