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Pathologies of Europeanization Fighting Corruption in the Southern Caucasus

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Abstract

Studies on “Neighbourhood Europeanization” have shown that the EU’s capacity to hit across its borders has been limited. Our paper argues that the EU has induced some formal institutional change, which, however, has helped to stabilize rather than change existing regimes. Thus, we do observe the Europeanization of domestic structures of formerly Soviet republics, which, however, appears to have opposite effects of what the EU intends to achieve with its ENP. In order to explore these pathologies of Europeanization, we focus on the EU’s attempts to promote good governance, and in particular the fight against corruption. The Post-Soviet area features some of the most corrupt countries in the world, including the Southern Caucasus region. High adaptation costs and limited incentives render Armenia, Azerbaijan, and Georgia least likely cases for Europeanization and domestic change. Our comparative study will show that despite high misfit and low pressure for adaptation from above and below, all three have responded to the EU’s demands for good governance introducing similar formal institutional changes. Yet, rather than systematically fighting corruption, incumbent regimes have instrumentalized the EU selectively implementing anti-corruption policies to cut the power resources of their political opponents.

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1. Introduction

With the borders of the EU having moved eastwards, students of Europeanization have been awarded yet another real-world experiment. As in case of the accession countries, the EU seeks to transform the domestic structures of the Newly Independent States (NIS) that used to be part of the Soviet Union and now form the immediate backyard of the EU. In order to foster peace, stability and prosperity in its near abroad, the EU seeks to build a 'ring of friends' (European Commission 2003) that share the same norms and principles of good governance as the EU and its member states and adapt their domestic institutions and policies accordingly. Unlike the CEE countries, the Western Balkans and Turkey, however, the European neighbourhood countries (ENC) appear to be stuck in transition and suffer from serious problems of both weak state capacity and defect democracy. Moreover, they do not have a membership perspective, at least not in the foreseeable future.

Studies on "Neighbourhood Europeanization" (Gawrich et al. 2009) have shown that the EU's capacity to hit across its borders has been limited (Smith 2005; Weber et al. 2007; Sasse 2008; Kelley 2005; Lavenex 2004). Our paper argues that the EU has induced some formal institutional change, which, however, has helped to stabilize rather than change existing regimes. Thus, we do observe the Europeanization of domestic structures of formerly Soviet republics, which, however, appears to have opposite effects of what the EU intends to achieve with its ENP. In order to explore these pathologies of Europeanization, we focus on the EU's attempts to promote good governance, and in particular the fight against corruption. The Post-Soviet area features some of the most corrupt countries in the world, including the Southern Caucasus region. High adaptation costs and limited incentives render Armenia, Azerbaijan, and Georgia least likely cases for Europeanization and domestic change. Our comparative study will show that despite high misfit and low pressure for adaptation from above and below, all three have responded to the EU's demands for good governance introducing similar formal institutional changes. Yet, rather than systematically fighting corruption, incumbent regimes have instrumentalized the EU selectively implementing anti-corruption policies to cut the power resources of their political opponents.

The first part of the paper develops a 'bottom-up' perspective on Europeanization and (unintended) domestic change focusing on how domestic actors have used the EU to advance their interests consolidating rather than changing existing power structures. The second part compares how Armenia, Azerbaijan, and Georgia have responded to EU demands for

domestic change looking at the fight against corruption, which forms the core of the EU's good governance agenda. We will show how all three regimes introduced similar formal institutions and also engaged in some anti-corruption activities. Yet, the domestic changes we observe are less driven by EU pressure for adaptation. Rather, the incumbent regimes have managed to instrumentalize the fight against corruption to consolidate their power. As a result, Europeanization tends to stabilize rather than transform governance structures in the Southern Caucasus.

2. The Dark Side of Europeanization

Approaches to Europeanization and domestic change have been increasingly criticized for their rather narrow top-down perspective which conceptualizes the process largely as a one-way street, and treating target countries as passive recipients of EU demands for change (Olsen 2002; Kohler-Koch 2003; Jacquot and Woll 2003). Domestic actors have other choices in responding to Europeanization than endorsing or resisting EU induced reforms; they can instrumentalize EU policies and institutions to advance their own interests decoupling them from their normative contents. Europeanization approaches have identified the differential empowerment of domestic actors as a key mechanism of domestic change (see introduction). Yet, they assume that those empowered are reform-minded or liberal coalitions that pressure or argue in favour of compliance with EU requirements. While veto players can still impede domestic change if they are powerful enough, students of Europeanization have turned a blind eye to the possibility that opponents of EU reforms can also use the EU to advance their power and interest, inducing some domestic change, which, however, goes in the opposite direction of the EU's intentions (but see Elbasani 2009; Noutcheva 2009).

In short, Europeanization can have unintended and negative effects on the domestic structures of states. EU policies and institutions do not only empower liberal reform coalitions, to the extent that they exist in the first place, but can also bolster the power of incumbent authoritarian and corrupt elites. In order to capture this 'dark side of Europeanization' (Schimmelfennig 2007), we will conceptualize the European Neighbourhood Policy as a political opportunity structure that provides opportunities and constraints to both supporters and opponents of the EU's reform agenda. Which of the two gets ultimately empowered depends not only on the EU's push for reforms but also on the pull of domestic actors. The degree of political liberalization and statehood of the countries targeted by the EU have a

crucial influence on both the EU push and the domestic pull and therefore provide important scope conditions for the ways in which EU incentives empower domestic actors.

The power to transform (EU push)

Adopting the EU's agenda for good governance entails significant costs for target countries. In general, the costs of adaptation for incumbent governments of democratic states with market economies are lower than for authoritarian regimes, which have a firm grip on economy and society. Since the EU cannot legally coerce or militarily force third countries into good governance, the EU's power to transform the domestic structure of third countries is limited to changing the behaviour of governments through incentives and socialization.

The European Neighbourhood Partnership Instrument (ENPI) features three types of instruments in this regard which directly relate to two direct mechanisms of diffusion identified in the introduction, incentives and socialization. Firstly, capacity-building programmes provide technical and financial assistance geared towards building institutions and capacities that are necessary to facilitate reform. The unconditional transfer of resources and know-how strengthens the capacity of governments to cope with the reform agenda (assistance) and act upon the incentives provided by the EU. They may also give governmental actors the necessary funds and/or legitimacy to address undesirable social or economic consequences (Jacoby 2006). Secondly, the EU can use political dialogue to win over the minds of governmental actors through persuasion and social learning. Political dialogue aims at *socialization* of the target government into the norms and rules the EU seeks to promote. Finally, external *incentives* allow manipulating the cost/benefit calculations of governments. Whereas institutional or financial benefits reward improved (future) behaviour (positive conditionality), ex-post sanctions are imposed on undesirable behaviour and withhold or suspend benefits for target countries (negative conditionality).

The EU's tool box is mostly geared towards pushing governments to introduce domestic reforms. It also seeks to enlist the help of domestic non-state actors providing them with financial and technical resources, giving them access to transnational networks, and pressuring government to involve them into the reform process (Börzel et al. 2008).

While the ENP is a one-size-fits all framework, EU push has varied across countries. The economic and political power of the EU renders its external relations with neighbouring countries rather asymmetric. In principle, the ENC have much more to gain with closer relations with the EU giving the EU more power. However, some states possess resources

(gas, oil) the EU is interested in, are of strategic importance, have the potential to create substantial negative externalities for the EU (illegal immigration, cross-border crime) or have alternative allies or loyalties at their disposal (Way and Levitsky 2007). Strategic or economic goals can seriously undermine the consistency of the EU in pushing for domestic change, particularly if the target countries do not possess a membership perspective (Maier and Schimmelfennig 2007; Schimmelfennig and Scholtz 2009). As we have shown elsewhere, the mix of instruments on which the EU relies is heavily influenced by the degree of liberalization and statehood of the target country. The more democratic a regime and the more consolidated its statehood, the more likely the EU is to use incentives, as it has done in the case of Georgia, while Armenia and Azerbaijan, which are more authoritarian and whose statehood is more limited have been mostly exposed to socialization and capacity-building (Börzel and Pamuk and Stahn 2008).

The domestic context of the target countries is not only an important factor in mitigating the EU's push; it also decisive in shaping the response of domestic actors to EU demands for change.

The disposition to perform (domestic pull)

The EU's external push is not sufficient to induce domestic change (Jacoby 2006). Several studies have demonstrated that it requires a significant pull by domestic actors, particularly if governments are reluctant to face the costs of adaptation (Kelley 2004; Zielonka and Pravda 2001; Vachudova 2005).

Target governments are not passive recipients of the EU's demands for change. The higher the costs of adaptation (misfit), the more likely they are to resist compliance, particularly if domestic veto players oppose domestic change. If, by contrast, norm entrepreneurs and reform coalitions are pulling EU policies and institutions down to the domestic level, the resistance of governments and veto players may be overcome. High push and pull makes Europeanization more likely and vice versa. In the rare cases, where low push combines with high pull, chances of Europeanization are still good. High push and low pull, by contrast, will not result in much domestic impact of the EU since governments have no reason to face the externally induced adaptation costs and the resistance of domestic veto players.

If these theoretical expectations of the Europeanization literature hold, the prospects of the EU's attempt to promote good governance in the Southern Caucasus look rather bleak. Human rights, democracy, the rule of law, and the fight against corruption require

institutional reforms that challenge the political survival of semi-authoritarian regimes that often rely on clientelistic networks rather than outright repression to stay in power. Their resistance against domestic change should therefore be high. Given the lack of a membership perspective, the economic and political interests of the EU in the stability of the region and the access to its energy resources and the competition with Russia over its backyard, the EU has hardly any leverage to push for domestic reforms. Domestic pull, finally is likely to be equally weak. While the lack of pluralistic institutions gives potential veto players not much of a voice, civil society organizations are too weak to act as norm entrepreneurs. High costs, combined with low external push and domestic pull make the Southern Caucasus a least likely case for Europeanization. Indeed, the transformative power of the EU has been very limited – despite or rather *because of* the domestic changes the three neighbourhood countries have introduced in response to the EU’s demand to fight corruption.

Our case studies will show that we do find instances of Europeanization, which has, however, stabilized rather than transformed domestic structures. The pathologies of Europeanization are explained by the successful strategy of incumbent government to selectively adopt anti-corruption measures pushed by the EU’s good governance agenda to advance their own interests and consolidate their power.

3. External Push and Domestic Pull in the Southern Caucasus

High misfit, prohibitive costs and limited EU push

Since the demise of the Soviet Union in 1991, the relationships between the EU and the Eastern Neighbourhood Countries (ENC) have evolved in several steps each envisaging a further intensification of the bilateral cooperation. Likewise, the EU’s demand for improving governance by engaging in substantial domestic reforms has increased significantly over the past years. When Eastern enlargement placed Armenia, Azerbaijan, and Georgia into the EU’s immediate vicinity, the fear of political instability, organized crime and illegal migration induced the EU to once again deploy its transformative power this time trying to hit beyond its borders. The European Neighbourhood Policy launched in 2004 aims at fostering peace, stability, and prosperity in the EU’s new near abroad (ENP, European Commission 2004).

The ENP serves the purpose to build a “ring of friends” (European Commission 2003: 4) that share European norms and principles and are willing to adapt their domestic institutions and

policies respectively. Generally speaking, the ENP reform agenda includes three major dimensions: democracy promotion, market integration and (energy) security cooperation (Weber and Smith and Baun 2007). Good governance constitutes a key cross cutting issue that is mainstreamed into the Action Plans (AP) concluded with all three countries in 2006 after they had been included in the ENP. It covers issues such as improving electoral legislation, conducting free and fair elections, ensuring the separation of power (particularly with regard to the judiciary), encouraging the development of political parties and civil society organizations, granting the independence of media, protecting human rights and civil liberties (particularly minority rights) and fighting corruption (Börzel et al. 2010).

In order to promote this ambitious reform agenda, the European Commission has heavily relied on the top-down methods and instruments of its former accession policy with regard to the CEE countries (Kelley 2006). When it comes to the practical application of the Action Plans in Georgia, Armenia and Azerbaijan, the EU has clearly focused on enhancing the effectiveness of state institutions in providing public goods and services rather than promoting democracy and human rights (Börzel and Stahn and Pamuk 2010). Its emphasis on output-related reforms reflects a preference for political stability over democratic change (Börzel et al. 2009). Still, making state institutions more effective implies a strong emphasis on the fight against corruption, which implies huge costs of adaptation.

The Southern Caucasus countries have ranged among the most corrupt countries in the world, although scope and form of corruption differ. While Georgia has significantly improved its record since the Rose Revolution, the situation has remained more or less stable in Azerbaijan and has deteriorated in Armenia (see figure 1). Despite the differences, corruption is pervasive in all three countries, including Georgia. Tightly organized patronage networks permeate the public sphere and help sustain a stable equilibrium of informal institutions through “vertical organization and horizontal coordination of corruption” (Johnston 1999: 15). The extensive misuse of social networks for particularistic purposes favours certain political interests and excludes others from the distribution of public goods (Drury et al. 2006; Stokes 2007). Finally, uncontested control of the incumbent regime, the lack of economic alternatives, and a comparatively weak civil society further add to the institutionalization of oligarchic monopolies (Shleifer and Vishny 1993). Corruption does not only yield huge private rents but also allows incumbent elites to control the access to power and resources securing the loyalty of key domestic actors (International Crisis Group 2004).

Figure 1: Corruption in the Southern Caucasus

TI Corruption Perception Index	Armenia	Georgia	Azerbaijan
2004 (rank out of 146 countries)	3.1 (82.)	2.0 (133.)	1.9 (140.)
2006 (rank out of 163 countries)	2.9 (93.)	2.8 (99.)	2.4 (130.)
2008 (rank out of 180 countries)	2.9 (109.)	3.9 (67.)	1.9 (158.)
2010 (rank out of 178 countries)	2.6 (123.)	3.8 (68.)	2.4 (134.)
Source: Transparency International 2004, 2008, 2010, http://www.transparency.org (last access 3 October 2010). The scale ranges from 0 (high corruption) to 10 (low corruption)			

The EU Action Plans ask the three Caucasian neighbourhood countries (CNC) to accede, ratify and implement international conventions that are related to the fight against corruption, including the UN convention on Corruption, the Council of Europe Criminal and Civil Law Conventions or the OECD Convention on combating bribery of Foreign Public Officials in International Business Transactions. Georgia, Armenia and Azerbaijan have agreed to join international anti-corruption networks such as GRECO and implement their recommendations in order to advance legislative or institutional reforms in this regard. Finally, each country has some additional provisions that largely concentrate on promoting anti-corruption measures within the administration and/or the law enforcement agencies or improving the legal framework for the prosecution of corruption-related crimes. The required actions are quite similar for the three Southern Caucasus states, and slightly vary with regard to the specificity of certain measures (cf. Börzel and Pamuk and Stahn 2008).

All three CNC have negotiated with the EU a rather ambitious reform agenda, which constitutes a comprehensive misfit with domestic institutions, policies and political processes. The legal and administrative changes required by the EU challenge the political survival of incumbent elites who often rely on clientelistic networks rather than outright repression to stay in power.

Yet, the EU has not exerted sufficient external push to generate pressure for adaptation that could trigger domestic change. The European Neighbourhood Policy and the Eastern Partnership were explicitly designed to provide an alternative to membership. Basically, they offer deeper cooperation and economic integration in exchange for political and economic reforms. While the EU cannot invoke accession conditionality to push for domestic change, it may (threaten to) suspend bilateral agreements, withhold assistance, and impose political

sanctions (e.g. visa bans). Likewise, the EU can reward progress by upgrading bilateral relations (e.g. association agreements), lifting trade restrictions (e.g. deep and comprehensive trade agreement), simplifying visa regimes or extending the scope of assistance. These possibilities notwithstanding, the EU has been very reluctant to use conditionality. The CNC have felt little pressure to engage in domestic reforms to meet ENP goals and requirements. It has almost exclusively relied on capacity-building and political dialogue. Only once has the EU invoked negative conditionality, when it restricted the provision of technical and financial assistance to Georgia in 2003 due to a lack of progress in fighting corruption (cf. Börzel and Stahn and Pamuk 2010).

The strategy of promoting reforms through positive incentives, in turn, has not only been hampered by only vaguely defined reform goals and the absence of any benchmarks for measuring progress. Closer relations with the EU have little attraction for countries that face extremely high adaptation costs in approximating the EU (all CNC), aspire nothing less than membership (Georgia), command control over substantial resources (Azerbaijan), or maintain close relations with Russia (Armenia).

The denial of a membership perspective also mitigates the prospects of socialization and social learning. Human rights, democracy, the rule of law and good governance form the basic values on which the partnership between the EU and the CNC shall be based. Rather than imposing “a pre-determined set of priorities” (European Commission 2004: 8), the EU has sought to use political dialogue based on partnership, joint commitment and ownership. The fight against corruption has been an issue of political dialogue in all three countries. Yet, the joint translation of reform priorities into specific measures has been hampered by vaguely defined goals, the lack of timeframes and the absence of responsible agencies (cf. Börzel and Stahn and Pamuk 2010). Thus, it is hard to say to what extent political dialogue has fostered socialization and social learning processes. The resonance of EU norms and values with the domestic institutions of the CNC is far lower than in case of the CEE countries. Moreover,.

Unlike in the CEE accession process, the EU has done little to empower non-state actors in the CNC. Since 2004, the EU requires ENP partner governments to consult and cooperate with non-state actors and civil organizations in the formulation and implementation of the national reform agendas. Yet, the EU has hardly enforced this requirement. Unlike in other foreign policy frameworks, it has also refrained from upgrading the status of non-state actors within the political dialogue (Börzel and Stahn and Pamuk 2010). The new Eastern Partnership Civil Society Forum, which shall facilitate a dialogue between the CNC

governments and local civil society organizations (CSO), has done little so far to change this (Boonstra and Shapovalova 2010).

Weak pull and strategic elites

While EU push has been limited, there is not much domestic pull either. The importance of civil society organisations in fighting corruption in transition countries is widely recognized. Civil society organizations play a vital role in monitoring government actions and making sure that the reforms respect both national and international laws. In lack of state capacity, civil society organisations may also provide an alternative source of knowledge and expertise that enhances to the quality of the anti-corruption programs (cf. Demidov and Panfilova 2001).

Despite signs that civil organisations in the Southern Caucasus have been benefitting from external capacity-building and transnational linkages with Western NGOs, trade unions and party foundations, their role in public life and policy is rather low. The idea of an autonomous civil society is still a largely foreign concept in the post-Soviet Southern Caucasus. Moreover, most local organizations tend to function as all-purpose advocacy agencies focusing on a variety of issues that are perceived as important, ranging from democracy building through poverty alleviation to childcare. In many cases this has resulted in a dilution of expertise and dissipation of resources. Finally, many of the local civil society groups are small-scale organizations with limited personnel that often are hardly equipped to deal with essential technical details. As a consequence, most domestic non-state actors do not have sufficient organizational and ideational resources to mobilize larger parts of the society. This lack of capacity has often served as a pretext for government actors to deny civil society organizations access to the policy process. Additionally, the channelling of resources for civil society building has frequently given rise to a short-lived mushrooming of NGOs that – in the worst case – use external funding as a mere opportunity for income generation (Matveeva 2008).

Next to limited capacities, the low degree of political liberalization of the CNC circumscribes the political autonomy of civil society. A notable exception was the democratic surge of the Rose Revolution in Georgia that was mainly championed by various grassroots organizations in 2004. The promising event, however, did not bring about democratic consolidation, as the recent events of the 2008 war illustrate (Lavery 2008; Tudoroiu 2007). In Armenia and Azerbaijan, the situation is even worse. Rule of law and democracy are weakly

institutionalized as a result of which political rights and civil liberties are severely limited. Domestic activists, who engage in politically and economically sensitive areas, such as the fight against corruption, live in constant danger to be assaulted or prosecuted on the basis of false accusations and fictitious evidence. Finally, governing elites have victimized potential change agents, denying business actors and civil society organizations self-sustainable income opportunities if they refuse to being co-opted into the clientele system (Lavery 2008; Karatnycky 2001).

Business is to a significant extent controlled by clientelistic interests in all three CNC. Gradual economic reforms and in-transparent privatization processes cemented a close affiliation of the economic and the political sphere. Domestic companies lack the incentives to press for introducing a sound economic framework and the rule of law, precisely because they benefit from market distortions. Although multinational companies have sought access to the CNC, particularly to the energy sector in Azerbaijan, they have little interest in spoiling their relationship with the incumbent regime by pushing for domestic reforms (Hoff and Stiglitz 2004).

4. Fighting Corruption in the Southern Caucasus

The EU has formulated similar demands for the fight against corruption in Georgia, Armenia and Azerbaijan, causing similar misfit. Limited statehood and democracy have largely prevented this misfit from translating into systematic pressure for adaptation from above and from below. Yet, despite high costs and low pressure, Armenia, Azerbaijan, and Georgia have adopted and implemented anti-corruption measures.

Introducing institutional change

All three CNC have ratified and given effect to the major international conventions on the fight against corruption (cf. Börzel and Stahn and Pamuk 2010). In order to abide with their international obligations, the governments of Georgia, Armenia and Azerbaijan have introduced a number of institutional changes. They have developed anti-corruption strategies and anti-corruption action plans, which are drafted by Anti-Corruption Councils and whose implementation is supervised by special Commissions. Moreover, the Prosecutor-Offices are charged with the investigation and prosecution of crimes related to corruption. Finally,

Georgia, Armenia and Azerbaijan have introduced several legislative changes by introducing new legislation and amending existing laws.

Overall, the three Southern Caucasus Countries have introduced similar institutions to meet the demand of the EU and other international actors to fight corruption. Given the high misfit and low pressure for adaption, the extent of the domestic changes we observe is not trivial. We should at least see some decoupling, which would also explain why corruption has remained stable in Azerbaijan and even increased in Armenia (figure 1). Yet, as the next section will show, all three governments have implemented anti-corruption measures. These changes have not been induced by EU incentives and socialization efforts. They are driven by the differential empowerment of incumbent elites that have instrumentalized the fight against corruption to undermine the power of their political opponents. As a result, Europeanization has had little effect on the informal institutions of clientelism and patronage. EU demands for fighting corruption have helped to stabilize rather than transform bad governance in the Southern Caucasus.

Figure 2: Domestic Institutional Change in the Southern Caucasus

	Azerbaijan	Armenia	Georgia
Anti-corruption agencies			
Drafting policies	Inter-Agency Commission for Combating Corruption (2004), located at the Cabinet of Ministers Inter-Agency Commission for Combating Corruption (2004)	Anti-Corruption Council (2004) Expert group (2008)	Anti-Corruption Policy Coordination Council (2001) National Security Council (2005) Inter-Agency Coordination Council of Combating Corruption (2008)
Implementing policies	Inter-Agency Commission for Combating Corruption (2004) Anti-Corruption Legislative Working Group	Anti-Corruption Strategy Monitoring Commission (2004)	Department for Coordinating Anti-Corruption Policies (2001) State Minister of Reform (2005) Inter-Agency Coordination Council of Combating Corruption (2008)
Investigating and prosecution	Anti-corruption Department in Prosecutor-general's Office (2005)	Anti-corruption Department in Prosecutor-general's Office (2004)	Prosecutor's Office (2005)
Anti-corruption policies	State Programme on Combating Corruption (2004-2006) National Strategy on Increasing Transparency and Combating Corruption (2007-2011)	Anti-corruption Strategy (2003-2007, 2009-2012) Implementation Action Plan (2003-2007, 2009-2012)	National Anti-corruption Strategy (2005; 2010) Action Plan for the Anti-corruption Strategy (2005-2006)
Anti-corruption legal changes (examples)	Law on Access to Information (2005) Law on Combating Corruption (2005) Amendments to Penal Code (2006) Law "On changes and addenda to a number of laws of Azerbaijan on the fight against corruption" (2007)	Law on the Office of the Public Prosecutor (2007) Law on Operational Investigative Activities (2007) Law on the Organization and Implementation of Inspections (2007) Law on the Declaration of Property and Income of Physical Person (2007)	Amendment of the Criminal Code (2006) Law on Chamber of Control (2008) Amendments to Law on Conflicts of Interest and Corruption in Public Services (2009)

Sources^{1 2 3}

¹ "Azerbaijan": Greco 2010: Third Evaluation Round – Evaluation Report on Azerbaijan, adopted on 1st October 2010, Greco Eval III Rep (2010) 2E, Strasbourg, http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoEval3%282010%292_Azerbaijan_One_EN.pdf; Freedomhouse 2008: Nations in Transit – Country Report Azerbaijan, <http://www.freedomhouse.org/template.cfm?page=47&nit=445&year=2008>; European Commission 2008: Implementation of the European Neighborhood Policy - Progress Report Azerbaijan, SEC(2008)391,

Azerbaijan: Settling Internal Power Struggles

Azerbaijan has undertaken quite some changes to fight corruption and the European Commission as well as the OECD have acknowledged the progress the country has made (European Commission 2006: 4; OECD/ ACN 2010). Yet, its efforts do not seem to have much effect on levels of corruption (see figure 1). Somewhat paradoxically, this is not only due to a decoupling of formal institutions and behavioural practices as suggested by the literature (Grono 2010; Bertelsmann Stiftung 2010). Rather the Azeri government has been quite selective in implementing and enforcing anti-corruption measures in such a way as to consolidate their power by disciplining political rivals and centralizing the control over the corruption system.

Azerbaijan's formal political system is characterized by a strong concentration of power in the hands of the executive branch controlled by the president and his apparatus (Franke et al. 2009). In the shadow of these formal institutions, the president relies on an informal division of power in which various networks headed by powerful individuals compete with each other (International Crisis Group 2010). The leaders of these aligned networks hold the so-called 'power ministries' of interior, defence, and national security. The inner circle of the ruling clique is embedded in a wider network of allies that do not share power as such but participate in the control and distribution of financial and economic resources. It mostly consists of businessmen or so-called oligarchs that have been promoted to 'secondary' positions in government (International Crisis Group 2010). The president and his extended family network control the ruling clique of ministers and their respective networks. The president acts as a gatekeeper to power and resources. Furthermore, he controls all exchanges within the various aligned networks and mediates in cases of conflict among its leaders. The presidential administration in turn, is headed by one of his most powerful allies and functions as a hub that brokers and coordinates power in the political system (Collins 2004; Wedel 2003).

Brussels, http://ec.europa.eu/world/enp/pdf/progress2008/sec08_391_en.pdf (last access 3 December 2010).

² "Armenia": Freedomhouse 2006: Nations in Transit- Country Report Armenia, available at: <http://www.freedomhouse.org/template.cfm?page=47&nit=388&year=2006>; Greco 2006: Joint first and second Evaluation Round – Evaluation Report on Armenia, adopted on 10th March, 2006, GRECO Eval I-II Rep (2005)2E, http://www.coe.int/t/dghl/monitoring/greco/evaluations/round2/GrecoEval1-2%282005%292_Armenia_EN.pdf (last access 3 December 2010); Transparency International 2009: Global Corruption Report, Cambridge University Press, Cambridge.

³ "Georgia": Freedomhouse 2005: Nations in Transit – Country Report Georgia, <http://www.freedomhouse.org/template.cfm?page=47&nit=363&year=2005>; Greco 2009: Second Evaluation Round – Compliance record of Georgia, adopted on 15th May, 2009, Greco RC-II (2008) 9E, Strasbourg, http://www.justice.gov.ge/files/Documents/analitikuri/GrecoRC2%282008%299_Georgia_EN_-_compliance_report_-_2nd_evaluation_round.pdf6.pdf (last access 3 December 2010).

The fight against corruption has become to play a role in calibrating this informal system of clan politics. The incumbent regime has instrumentalized anti-corruption policies to settle internal power struggles and tighten his grip on the exchange of resources. Like all other major policies, the president initiates and regulates anti-corruption measures by presidential decree, the executive's "frequently used mechanism of governance" (Shaffer 2004: 29), which is exempt from any substantial judicial or legislative oversight. Furthermore, the head of the presidential administration concomitantly also chairs the State Civil Service Committee as well as the Commission for Combating Corruption, which puts him in a key power position (International Crisis Group 2010). In addition, crucial areas that affect the formulation and implementation of anti-corruption policies, such as the budget approval process, the institutional setup, investigation and internal auditing mechanisms, and the office of the ombudsman are ultimately subject to presidential competences. The legislative and judiciary branches mainly carry out the function of confirming presidential policies.⁴

The overpowering presidential administration thus monopolizes the anti-corruption agenda and dominates all other agencies charged with the fight against corruption (Badalov and Mehdy 2005). The executive's excessive control of the country's anti-corruption agenda allows for a selective implementation of EU demands to direct the flow of spoils and to eliminate income opportunities that could empower self-sustainable competitors beyond the president's and his closest ally's control. Likewise, the Anti-corruption Commission and the Department for Combating Corruption have been unwilling to take on close allies of the president (International Crisis Group 2010)

A prominent example is the case of Ali Insanov, who was one of the original founders of the ruling Yəni Azərbaycan party and once considered one of Azerbaijan's most influential cabinet members. Heading the so-called Yeraz network, a small but influential group of ethnic Azerbaijanis from Armenia, Insanov had played an active part in the 1993 return of the Aliyev family to power. As remuneration the Yeraz network became junior partner in ruling power arrangement and its leader was appointed health minister. In 2005, Insanov fell from grace for a 'squaring of accounts' with rivalling factions within the ruling clique. Since 2003, the influence of the Yeraz network had gradually declined as the leadership changed from Aliyev Senior to Aliyev Junior (Sidikov 2004; Avioutskaa 2007). Accused of corruption and abuse of power, Insanov was stripped off all his offices and put on trial in 2007. A similar

⁴ Freedom House: Nations in Transit, 2008; Country Report on Azerbaijan, <http://www.freedomhouse.org/template.cfm?page=47&nit=445&year=2008> (last access 27 November 2010).

case exhibits the more complex side of the power arrangement. At first sight, ex-minister of economic development Farhad Aliyev (no relation with the president) also fell victim to a rivalry among the so-called oligarch group of business interests close to the ruling circle.⁵ Aliyev was said to belong to a ‘new guard’ of politicians that were reckoned (mostly by the West) as reform-minded, Western-educated allies of the young president. Some observers claim that Aliyev clashed and lost over spoils with a fellow minister and protégée of the ‘old guard’ headed by the chairman of the presidential apparatus.⁶ Other sources, however, claim that Aliyev was punished for trying to deceive his patron in financial matters. In any case, Aliyev was charged with a coup attempt, corruption and abuse of office, embezzlement of state property, smuggling and tax evasion and, together with Insanov, convicted to several years of imprisonment.⁷

In sum, the efforts of Azerbaijan’s authorities to fight corruption have focused on strengthening the state apparatus, expanding its control over society and fostering the power of the incumbents. The government has requested EU technical assistance and twinning projects for central state agencies. Genuine public participation and civil oversight, by contrast, is not part of the scheme. On the contrary, the regime has used corruption allegations to control its own camp and to undermine civil society actors and representatives of the media who have become too critical of the authorities.⁸ Although the level of corruption has not decreased, its forms and scope have changed. Next to administrative corruption including outright bottom-up bribing and decentralized instances of extortion, political corruption has gained prominence and together with anti-corruption has become part of a sophisticated governance system controlled by the incumbent elites (International Crisis Group 2010).

Armenia: Pleasing External Donors

Armenia has been under strong pressure of international donors and its Diaspora to reduce the ever growing corruption. Its government has adopted and implemented anti-corruption measures. However, corruption has increased rather than decreased (figure 1), which is at least partly due to a similar instrumentalization of the fight against corruption as we observe it

⁵ Cf. Azerbaijan: Ex-Minister’s Trial Creates Political Sensation, March 5, 2007; www.Eurasianet.org (last access 30 September 2010).

⁶ Cf. Rovshan Ismayilov “Azerbaijan’s Emergency Ministry becomes Power Base” March 8, 2006 available at <http://www.eurasianet.org/departments/insight/articles/eav030906.shtml> (last access 30 September 2010).

⁷ BBC Worldwide Monitoring Service, Trans Caucasus Unit September 10, 2008. The property of both ex-ministers was confiscated and auction in favour of the treasury in 2009.

⁸ Freedomhouse: Nations in Transit, 2008; Country Report on Azerbaijan, <http://www.freedomhouse.org/template.cfm?page=47&nit=445&year=2008> (last access 27 November 2010).

in Azerbaijan, albeit with a different purpose. Rather than undermining the power of political opposition, the Armenian government has used the fight against corruption to deflect international criticism ensuring external aid and attracting foreign direct investment

The incumbent regime in Armenia is more united than that of Azerbaijan. Its locus of power mainly rests with the security apparatus, including the armed forces and related veteran organizations such as the Yerkrpah (Bedevian and Stepanian 2006). In addition, Armenia's historical irredentism as well as the Karabakh conflict have created a strong sense of national identity that has bound together the country's various rivalling elite factions and makes them more reluctant to engage in internal power struggles. At the same time, power conflicts coagulate along nationalistic issues (Karabakh and Turkey) rather than personal feuds (Hovannisian 2008), which renders the use of anti-corruption measures more difficult. Most importantly, the power balance within government is organized differently than in Azerbaijan. A 'hyper'-executive with wide-reaching competences dominates the state apparatus, too (Shahnazaryan 2003). However, the parliament plays a comparatively stronger role in the informal power arrangement than in Azerbaijan. In order to protect their businesses from the grasp of the incumbent elite within the state apparatus, the so-called oligarchs have increasingly assumed membership in parliament.⁹ Furthermore, genuine political parties that enjoy support from the influential Diaspora organizations have succeeded in building a stronghold in parliament (Dudwick 1993). As a consequence, Armenia's president relies on a much broader range of influential network leaders as well as organizations. He seeks to strike a balance between different elite groupings within the security apparatus, the executive and to a lesser extent the parliament.

Similar to Azerbaijan, corruption clean-ups serve as an instrument of internal power struggle. However, this occurs on a much lower regime level, including purges in the judiciary and medium-level state bureaucracy. As the case of the 1999 parliamentary shooting demonstrates, serious high-level infighting is 'solved' by other means.¹⁰

Even more important than settling internal power struggles, the fight against corruption serves the incumbent regime to attract external resources. Armenia is much more dependent on external financial aid than Azerbaijan (Libaridian 2004). In 1994, Armenia suffered a considerable economic setback due to the closure of its borders with Turkey and Azerbaijan.

⁹ Freedom House: Nations in Transit, 2008; Country Report on Armenia, <http://www.freedomhouse.org/template.cfm?page=47&nit=444&year=2008> (last access 27 November 2010).

¹⁰ David Hoffman "Parliament attacked in Armenia," The Washington Post, 28 October 1999.

As a consequence of this regional isolation, business opportunities are limited and Armenia's economy is heavily dominated by oligarchic monopolies. At the same time, the nationalistic Armenian Diaspora is quite influential in domestic politics. Consisting of very disparate groupings including various organizations and parties in the United States, France, and the Lebanon, the Diaspora provides considerable financial aid and other resources to the country (Gillespie and Okruhlik 1991; International Organization for Migration 2008). Yet, corruption and take-overs of shares by the state have been a major impediment for Diaspora investors. "If patriotism helps to buy a ticket to visit Armenia, it is not enough of an argument to part with one's life savings, without any guarantee of profit, and without any state protection."¹¹ This holds also true, of course, for foreign investors.

With the country's ever more rampant corruption (see figure 1), Diaspora organizations have supported the implementation of domestic reforms of the public administration and judiciary, customs, tax, education, public health and other sectors.¹² Under increasing international pressure, the Armenian government launched some publicly visible attempts to crack down corruption, including the sacking of corrupt officials in the tax department, customs service and police. Given their lack of systemic effect, such changes in personnel have been criticized for being merely symbolic.¹³

In sum, anti-corruption policies have mostly served to please the international donor community and attract foreign direct investments in order to overcome the economic isolation of the country. With no need to control the flow of rents and to eliminate political rivals, the Armenian government has addressed political and administrative corruption only symbolically as to avoid the discontent of international donor organizations.

Georgia: Consolidating New Power Structures

In the first decade after its transition, Georgia had done little to fight the pervasive corruption that crippled its state institutions and its economy (Darchiashvili and Nodia 2003; Kikabidze

¹¹ Tatoul Manaseryan (MP) 2004: Diaspora – The Comparative Advantage for Armenia, in: Armenian International Policy research Working paper Series, No. 14: 19, <http://www.aiprg.net/UserFiles/File/wp/jan2004/14.pdf> (last access 27 November 2010).

¹² Transparency International Armenia 2006: Anti-Corruption Policy in Armenia, <http://www.transparency.am/publication.php?id=24> (last access 27 November 2010), cf. also Liana Aghajanyan "Diaspora Conference Examines issues of Corruption and Income Inequalities in Yerevan," Eurasianet 6 December 2010, <http://www.eurasianet.org/node/62513> (last access 13 December 2010).

¹³ Grigoryan, Marianna 2008: Armenia: Getting Serious about Corruption?, <http://www.eurasianet.org/departments/insight/articles/eav071108.shtml> (last access 22 November 2010).

and Losaberidze 2000). Only when external donors started to voice their discontent threatening to withdraw their support, President Shevardnadze introduced some formal changes. Much earlier than his counterparts in the region, he declared 1997 the year of the “crusade against corruption” (McGiffert Ekedahl and Goodman 2001: 12) and the government launched its first anti-corruption campaign. At the same time, however, Shevardnadze made sure that he remained the ‘gatekeeper’ to international financial aid. In order to build and maintain power, the president used these resources to ensure the support of various power brokers and warlords that were willing to support him. In exchange for their subordination, these power brokers were given the right to control and exploit certain sectors, in particular import and export, and take their share of revenues. As a result, vested interests and organized crime increasingly undermined the state apparatus (Wheatley and Zürcher 2008). In September 2001, the minister of justice, Mikheil Saakashvili, left the government and founded an opposition party, the United National Movement, pledging to take issue with the Shevardnadze government over corruption.

After Shevardnadze had tried to steal the vote in the 2003 elections, mass popular protests and international pressure forced him to resign from office. With presidential and parliamentary elections, Mikheil Saakashvili and his party could secure large parts of the electoral support. He declared the fight against corruption to be the core of his government policies (Wheatley 2005). The new government immediately took action against corruption within the law enforcement agencies, which resulted in the complete dismantling of the traffic police, which had been considered as one of the most corrupt institutions of the country. 15.000 officers lost their jobs practically overnight. In addition, a special force of 30.000 men and women attached to the Ministry of Interior was dissolved and all members fired. Reforms of the police forces continued with investments in modern equipment, the creation of a new Police Academy, mandatory exams and training for police officers, and considerable increases in the salaries. At the same time, draconian fines for minor offences were adopted. Petty corruption was upgraded as a serious crime, warranting several years of imprisonment (Boda and Kakachia 2005; Hiscock 2005).

Like his predecessor, Saakashvili placed the fight against corruption under the direct control of his government. Since 2006 and 2008, respectively, the Minister of State Reform and the Minister of Justice, who heads the Inter-Agency Coordination Council of Combating Corruption, have been charged with the drafting and implementation of anti-corruption policies. While state authorities resolutely targeted petty corruption at lower levels of

bureaucracy, Sakaashvili has been accused of turning a blind eye to major corruption and abuse of power among his closest allies he had allegedly placed in many prominent positions. Similar to Azerbaijan, corruption has not been eradicated but rather transmogrified into elite corruption (Chiabrishvili 2009). Next to rewarding his closest associates, Saakashvili has also used the fight against corruption to oust political opponents. When the former minister of defence and close associate of Saakashvili, Irakli Okrushvili, left the government in 2006, formed an opposition party, and accused the President of numerous crimes, he was arrested on corruption charges. A court found him guilty of large-scale extortion and sentenced him to 11 years in prison. What was widely perceived as political persecution sparked mass protests and contributed to the rise of antigovernment rallies in 2008.¹⁴ Finally, the eradication of entrenched corruption has helped to boost foreign direct investments and economic stabilization. The EU, the IMF and other international actors, which had suspended assistance before the Rose Revolution, stepped up their financial support for Georgia's new government. The EU almost doubled its support;¹⁵ the net official development assistance and official aid increased by more than 10 times between 2002 and 2007; so did the foreign direct investments.¹⁶ In 2006, the World Bank and the International Finance Corporation declared Georgia the "best reformer in the world" regarding its business environment.¹⁷ The fight against corruption is an integral part of the liberal economic reforms the Saakashvili government has been pushing. While the minister of state reforms, Kakha Bendukidze, has pushed privatization as a major solution to corruption, he claims that anti-corruption measures promote economic growth by scrapping ineffective public institutions (European Stability Initiative 2010).

In sum, the Saakashvili regime has successfully used anti-corruption measures to break up and replace the power structures established by the Shevardnadze regime, to consolidate his new power structures, to step up international support and attract foreign direct investment, and to promote his libertarian reform agenda. The better fit of the international anti-corruption agenda and the political preferences of the incumbents in Georgia as well as the country's dependency on foreign aid largely explain why it has a much better record in fighting corruption than Azerbaijan and Armenia.

¹⁴ Freedom House 2008: Nations in Transit; Country Report on Georgia, <http://www.freedomhouse.org/template.cfm?page=47&nit=452&year=2008> (last access 27 November 2010).

¹⁵ European Commission 2005: European Neighbourhood Policy - Country Report Georgia, COM(2005) 72 final.

¹⁶ WorlddataBank; <http://databank.worldbank.org/ddp/home.do>; last access 3 December 2010.

¹⁷ Freedom House 2007: Nations in Transit; Country Report on Georgia, <http://www.freedomhouse.org/template.cfm?page=47&nit=423&year=2007> (last access 27 November 2010).

5. Conclusion

The Southern Caucasus is a least likely case for External Europeanization. With the ENP, the EU has developed a sophisticated framework to transform the domestic structures of former Soviet republics ridden by bad governance. But misfit is high, and in the absence of a membership perspective the EU has little to offer to pay-off at least some of the adaptation costs. Nor has the EU exerted much pressure for adaptation, relying on assistance and political dialogue rather than (negative) conditionality. Finally, there are hardly any reform coalitions the EU could empower. While according to our expectations we should not see much domestic change, Georgia, Armenia, and Azerbaijan have responded to the EU's demand for good governance. Georgia has been most active in fighting corruption. The EU's anti-corruption policies resonated with the political agenda of the Shaakashvili government lowering the costs of adaptation. At the same time, the EU and other Western donors promised to support the fight against corruption by additional financial means and closer cooperation. Armenia is as dependent on international assistance as Georgia. Its ruling elite has been less enthusiastic in fighting corruption but started to enact policies when external pressure rose. Even Azerbaijan, which has been most reluctant to endorse the EU's good governance agenda and is least dependent on external resources, established similar institutions and policies as its two neighbours. Finally, all three regimes have implemented anti-corruption measures that have taken some effects. Thus, the EU does have an impact on countries that lack a membership perspective even if costs of adaption are high, external pressure is low and there are no liberal reform coalitions to pull EU policies down to the domestic level. Europeanization is driven by the differential empowerment of incumbent elites that align their preference for power consolidation with the EU's demand for domestic change. Corruption is fought where it helps to oust political opponents, deflect international criticism, and attract foreign assistance and investments. Due to differences in statehood and democracy, Europeanization has taken different effects in the three countries (see figure 3). While it has given rise to similar institutional changes, behavioural practices and the overall impact on corruption differ. Georgia, which is the most democratic but suffers from most serious problems of limited statehood, has used anti-corruption measures to strengthen its statehood by improving the capacity of state institutions to enforce public policies and fostering economic growth. In Azerbaijan, the least democratic regime, the incumbent elites has instrumentalized the fight against corruption to oust political opponents. In Armenia, which has been stuck in transition and shows the highest degree of statehood, the

implementation of anti-corruption measures has been mostly symbolic to deflect international criticism and ensure the flow of foreign aid and investments, particularly of its Diaspora. Given the better fit between the EU’s demand for good governance and the preferences of the Saakashvili government, Georgia has made greater progress in reducing corruption levels than Azerbaijan, and particularly Armenia, where corruption even increased. Yet, in all three countries, the incumbent elites have ultimately captured the EU’s anti-corruption agenda to tighten their control over the allocation of resources within the political system and to attract additional resources from the outside. Europeanization can trigger domestic institutional change in third countries that suffer from low levels of statehood and democracy and (therefore) lack an accession perspective, if it empowers incumbent elites. Rather than transforming structures, however, Europeanization helps to stabilize the political and economic structures of neighbourhood countries. While they improved their statehood, the level of democracy has remained quite stable on a rather low level (see figure 3).

Figure 3: Democracy and Statehood in the Southern Caucasus

	Armenia	Georgia	Azerbaijan
Statehood	8,8 (2010) 4,0 (2003)	6,3 (2010) 2,0 (2003)	7,0 (2010) 3,0 (2003)
Democracy	5 (2010) 6 (2003)	4 (2010) 4 (2003)	5.5 (2010) 5.5 (2003)
Source: Bertelsmann Transformation Index (BTI) 2003 and 2010, available at http://www.bertelsmann-transformation-index.de/bti/ranking/ (last access 27 November 2010). The values combine data from two indicators of BTI, namely the degree to which a state enjoys a monopoly over the means of violence and the extent to which it has basic administrative capacities. The scale ranges from 1 (failed state) to 10 (consolidated state), cf. Börzel and Risse forthcoming. Freedom House 2003 and 2010, available at http://www.freedomhouse.org/template.cfm?page=15 (last access 27 November 2010). The scale ranges from 1 (free) to 7 (not free).			

(7.713 words without footnotes and bibliography)

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