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**Using EU's External Governance to promote Good Governance in Eastern
Partnership: Evidence from Georgia**

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Abstract

The European Union (EU) set bringing neighbouring countries closer to the European Union as a priority. The EU does so by exporting internal rules, values and modes of governance to the non-member states, thus exercising external governance. Georgia is one of the target countries of the EU's external governance, withal often being praised for being a frontrunner in democracy and good governance development in the region. Despite significant developments in the EU-Georgia relations, such as signing Association Agreement, DCFTA and visa-free travel, Georgia is not promised membership by the EU. Scholarly literature widely argues that none of the other smaller rewards offered by the EU to the non-member countries can substitute the membership conditionality, which is crucial for successful external governance. This research aims to explain why, despite no membership conditionality, Georgia continues to adopt EU standards and meet taken obligation under the Association Agreement.

This research is based on three analytical approaches—namely, neo-institutionalist, power-based and domestic structure. Combining them will allow us to analyze the EU based, domestic and external variables that affect Georgia's performance. The paper assesses the degree of the EU incentives, Georgian commitment, domestic adoption costs and external, namely Russian influence on the Europeanization process in Georgia. The study takes a sector-specific approach and looks specifically at three policy areas – trade, energy, and environment. Moreover, the thesis takes governance over linkage and leverage as the primary EU's external governance model.

According to the research results, Georgia demonstrates an adequate level of commitment compared to the incentives it is getting from the EU in all three sectors. Similarly, Georgia faces medium domestic adoption costs with a slight difference between the trade and energy and less politicized environmental policy area. Lastly, Russian leverage in analyzed sectors is low in trade and energy and none in the environment. In sum, out of those variables outlined in the paper, medium domestic adoption costs combined with the low negative external influence could explain why despite no membership conditionality Georgia continues sectoral approximation with the EU standards and demonstrates medium commitment in all three sectors.

Keywords: European Union, Georgia, External Governance, Trade, Energy, Environment

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List of Abbreviations

AA – Association Agreement

ACAA - Agreement on Conformity Assessment and Acceptance of Industrial Products

ADC - Anaklia Development Consortium

AEE – Associations of Energy Engineers

AEO – Authorised Economic Operators

AFET - European Parliament Committee on Foreign Affairs

BTI - The Bertelsmann Transformation Index

CEE - Central and Eastern Europe

COM - Covenant of Mayors initiative

CPI - Corruption Perceptions Index

CTC - Common Transit Convention

DCFTA – The Deep and Comprehensive Free Trade Areas

DG - Directorate General

DG DEVGO - Directorate-General for International Cooperation and Development

DV – Dependent Variable

EaP – Eastern Partnership

EBRD - European Bank for Reconstruction and Development

EC - European Commission

EEA - European Economic Area

EEAS - European External Action Service

EIA – Environmental Impact Assessment

EIDHR – European Initiative for Democracy and Human Rights

EIM – External Incentives Model

ENP - European Neighbourhood Policy

EP - European Parliament

EPPO - European and Mediterranean Plant Protection Organisation
ESCO – International Energy Agency and Electricity Market Operator
EU – European Union
EUMM - European Union Monitoring Mission
FDI – Foreign Direct Investments
GAC - Georgian Accreditation Centre
GAEE – Georgian Associations of Energy Engineers
GEA – Georgian Energy Academy
GRS - Georgian Revenue Services
HHP – Hydro Power Plant
IEA - International Energy Agency
IFIs - International Financial Institutions
IV – Independent Variable
KfW - Kreditanstalt Für Wiederaufbau (German Development Bank)
LEDS - Low Greenhouse Gas Emission Development Strategy
MEP - Members of the European Parliament
MFA – Macro-Financial Assistance
MFA – Ministry of Foreign Affairs
NATO – North Atlantic Treaty Organisation
NDC – Nationally Determined Contribution
NECP – National Energy and Climate Plan
NFA – National Food Agency
NGO - Non-Governmental Organisation
NIP – Neighbourhood Investment Platform
PCA – Partnership and Cooperation Agreement
PPP – Public-private Partnership

RCI – Rational Choice Institutionalism

SCP - South Caucasus Pipeline

SEAP – Sustainable Energy Action Plan

SEE - Southeast Europe

SI – Sociological Institutionalism

SME - Small and medium-sized enterprise

SPA - State Procurement Agency

SSP – Single Support Framework

TAIEX - Twinning and Technical Assistance and Information Exchange

TBT – Technical Barriers to Trade

TI – Transparency International

UNDP - United Nations Development Programme

USD - United States Dollar

WB – Western Balkans

WEG – World Experience for Georgia

WTO - World Trade Organization

1. Introduction

As the role of the EU grew in global politics, so did its governance. Today the EU's "external governance" assumes exporting its internal rules and models of governance to non-member countries and other international organisations. By doing so, the EU contributes to the overall process of Europeanization within and outside of the EU borders.

The Eastern enlargement of the European Union has changed the map of Europe forever. Not only the EU acquired new member states, but it got geographically closer to the Eastern frontier. The Eastern Partnership (EaP) is a joint initiative of the EU and its member states and six Eastern neighbours. It is also one of the tools of the European Union to carry out its external governance (European Commission n.d.). Unlike the examples of the EU's external governance in Central and Southeastern European countries, in the case of EaP countries, democracy and good governance developments are taking place without the highest award the EU can promise – membership (Schimmelfennig and Sedelmeier 2020).

Being among six EaP countries, Georgia is often referred to by the EU as the front-runner when it comes to democracy development while not having a membership perspective (Civil Society Forum 2018). Since the beginning of Georgia-EU relations in 1991-92, there have been several significant events that shaped the cooperation between the two sides: Georgia joining the European Neighbourhood Policy in 2004 and adaptation of EU-Georgia ENP Action Plan in 2006, Georgia joining the Eastern Partnership Initiative in 2009, signing the EU-Georgia AA, including the Deep and Comprehensive Free Trade Area in 2014 which entered into force in July 2016, Visa-free travel with the EU that came into force in March 2017, Georgia officially becoming a full-fledged contracting party to the Energy Community Treaty in 2017, to name the few (Ministry of Foreign Affairs of Georgia n.d.). However, Börzel and Schimmelfennig (2017) argue that partnerships and AAs cannot substitute the membership conditionality and its effect on Europeanization. Conditionality is not part of the plan at the moment between

Georgia and the EU. Therefore, different degrees of influencing domestic and external variables have to exist to explain the puzzle described above.

This study aims to explain why, despite not being an EU membership candidate, Georgia approximates domestic legislation with that of the EU in individual sectors and advances in democracy and good governance development. Furthermore, to test whether a more recent good governance promotion model can be successful without a membership perspective, unlike the enlargement model. If proved so, it could explain why we see a democracy development in Georgia worth praise from the EU, without membership conditionality.

With the abovementioned puzzle and aim in mind, the main question this research will attempt to answer is:

Q: Why is Georgia a successful example of good governance promotion among EaP without having an EU membership perspective?

As sector-specific details can be overlooked when researching overall democracy development and every sector is merely impossible to cover in one research, this paper takes a sectoral approach and analyses three sectors in which the EU and Georgia have active cooperation. Namely, the trade, environment and energy policy areas.

This paper will first start by setting the external governance as the main framework as it has proven to be a valuable way to capture ways in which the EU supports democratic reforms and projects EU rules beyond its borders (Knill and Tosun 2009; Barbé et al. 2009; Schimmelfennig and Wagner 2004). Next, the research will go through existing external governance modes and primary theoretical explanations such as neo-institutionalist, power-based and domestic structure. These analytical approaches are critical because this research will be associated with all three of them. By doing so, domestic, EU-based and external factors will be taken into account when analysing each sector. Lastly, in the theoretical chapter, it will be argued why the governance is a superior analytical mode compared to the linkage and leverage when looking at the EU external governance in Georgia, specifically on a sectoral level.

After setting a theoretical background for the research, the next chapter will go over the existing literature on EU's external governance in countries that achieved the membership and current candidate countries. Next, the paper will move to the Eastern Partnership countries as none of them have what's referred to as a "golden carrot", i.e. candidacy/membership status (Börzel and Lebanidze 2017, 22). Literature Overview chapter will close by overviewing EU-Georgia relations and argue why analysing the Georgian case on a sectoral level and considering variables from different analytical approaches is a viable solution to address existing gaps in the Europeanization literature.

Next, the methodology chapter will explain the research design and methodology applied in the research. Firstly, the set of variables and their connection with the analytical modes will be discussed, followed by the case and timeframe selection overview. The following section will discuss the conceptualisation and operationalisation of the variables and their indicators. Lastly, the primary sources and data collection methods will be overviewed in general and for each variable.

Lastly, the Analysis and Research Results chapter will discuss the main findings of the research, which will be conducted mainly on a sectoral level. It will address the research question: Why is Georgia a successful example of good governance promotion among EaP without having the EU membership perspective? The study will assess EU incentives offered to Georgia and the degree of Georgian commitment to approximate domestic legislation with the EU *acquis*. Furthermore, domestic adoption costs and external Russian influence will be analysed as intervening factors. As a result, it will be argued that due to medium size incentives offered by the EU, domestic adoption costs being also medium and Russian leverage significantly low, especially when compared to the EU, Georgia manages to maintain the medium commitment level in the trade, energy and environment sectors.

2. Theoretical Framework

2.1 Introduction

This chapter aims to discuss the major concepts of Europeanization, general theoretical and analytical concepts in the field, and their limitations. The theoretical framework chapter will attempt to justify the framework selection and introduce the main variables of this study. To achieve this, the external governance framework, together with three ideal types - hierarchy, market and network mode will be analyzed. They are used to trigger policy changes in target countries. Besides, the research introduces three major theoretical approaches used by scholars to explain which mode the EU is following and the major factors influencing the success of the external governance or its lack in third countries.

Lastly, three widely used analytical models that the EU is basing its external democracy promotion on will be overviewed. Furthermore, the paper will argue why the governance model is superior in Georgia over linkage and leverage. Lastly, the decision to combine variables from different analytical approaches will be explained and linked with the limitations of the theoretical approach of choice and explain how this paper plans to overcome those limitations.

2.2 External Governance Framework

Previously, scholars focused on the EU's external relations regarding international trade, aid, cooperation as a civilian power or relations with the Common Foreign and Security Policy (CFSP) (Lavenex 2004, 682; Duchêne 1973; A. Dimitrova and Dragneva 2009; Hill 1993). Studying the role of the EU beyond its member states is a relatively new perspective on the role of the EU in international politics. Lavenex and Schimmelfennig (2009) argue that there are two dominant - foreign policy and governance lens when analysing the EU's actions beyond its borders. Due to the external relations of the EU often being characterised as transformative, scholars explain that external governance is a more appropriate concept than foreign policy as

the latter takes countries and regions as the base units of analysis (Schimmelfennig and Wagner 2004, 658). On the other hand, when viewing EU's external policies through the lens of external governance, the focus is on transferring, adopting and implementing rules by using different modes of external governance, which will be explained in greater detail below (Lavenex and Schimmelfennig 2009, 805).

More recently, the external governance framework has been widely used by scholars of Europeanization (Freyburg et al. 2009, 917; Korosteleva 2012, 40). It has proven to be helpful to capture ways in which the EU supports democratic reforms and projects EU rules beyond its borders. (Youngs 2009, 895). Essentially, it is as Lavenex (2011b, 694) characterises an "inside-out" approach because the EU is utilising internal solutions to the external problems. It does not contribute towards the creation of new rules but rather a rule transfer. This is "a strategic attempt to gain control over policy developments" in the neighbourhood as well as "benevolently project" its "acquired civilian virtues" to the non-member countries (ibid).

Contrary to previous frameworks, the main focus of the external governance framework is to capture the extension of EU rules and legislations beyond membership or in more recent literature beyond candidate countries (Lavenex and Schimmelfennig 2009, 796). Therefore, the country of choice for this research, Georgia and its relations with the EU, fits well in the external governance framework for several reasons. Firstly, Georgia is among those countries which the EU is transforming through projecting its rules and values (European Commission 2020b). Secondly, especially with the deepening relations after signing the Association Agreement (AA), the EU's transformative power relies on transferring, adopting, and implementing rules. Lastly, examining a non-EU member country as my case study makes the external governance framework additionally viable.

2.3 Hierarchy, market, network

After a general overview of the external governance framework, this section goes through external governance modes that the EU relies on to utilise its transformative power and trigger

policy change in third countries. These three modes ideal types are - hierarchy, network and market (Kohler-Koch and Rittberger 2006, 28). These mechanisms have proven to be a helpful tool for analysing 'macro-level of EU-third-country relations, especially in the cases of EEA, ENP or the external governance of individual policy fields (Lavenex and Schimmelfennig 2009, 796).

Firstly, governance through the hierarchy is often applied to the countries with "*acquis* conditionality" and is frequently referred to as a "relationship of domination and subordination" (Lavenex and Schimmelfennig 2009, 797). The asymmetric manner characterises the hierarchy mode, i.e. third countries agree to adopt the EU laws because they are obliged to do so by supranational law or bilateral agreements with the European Union. Therefore, in EU-third-country relations, the hierarchy mode can be attributed to the "community method" of policymaking (ibid, 798). Under this mechanism, national governments sacrifice a certain degree of independence to meet the legal obligations (Drezner 2001, 74). It is the most common approach towards the member states and quasi-members, which have agreed to adopt the majority of *acquis Communautaire* (Knill and Tosun 2009, 678).

The next mechanism, widely referred to as market governance, is based on economic integration and competition between the nation-states. Due to the increased importance of market integration in terms of mobility of goods, workers and capital, states are incentivised to align their domestic market regulations with the international ones (ibid). Therefore, for countries where the EU is the main trading partner, this mechanism is a critical driving force to align their domestic regulations with the EU standards (Knill, Tosun And, and Heichel 2008, 1021).

The third mechanism of network governance suggests that the domestic changes in the third countries are not only driven by the 'hard route' of law and money (Knill and Tosun 2009, 677). It has been demonstrated that network governance significantly impacts transferring international policies in individual sectors (Youngs 2009, 898). Also that the European Union

favours a hierarchical mode of governance in the third countries to promote democratic change (ibid). Candidate countries being the exception for the reasons described above. The main reasons behind this are the size of leverage the EU has over third countries, the domestic political structures in the target countries and the geopolitical factors (ibid, 900). It has also been argued in the example of Balkans, Ukraine and southern Mediterranean countries that the EU relies more on the network than a hierarchical mode of governance in general and on a sectoral level (Knill and Tosun 2009, 890).

Lavenex and Schimmelfennig's (2009, 807) contribution supports the argument of the EU's reliance on the network mode of governance rather than hierarchy when analysing policy exports with little difference in the case of EaP. Some scholars argue that network governance is under the "shadow of hierarchy" (Börzel and Risse 2012, 3). Therefore, despite being fundamentally different from the hierarchical model, the network governance does not exclude the absence of hegemony or hierarchy to a certain degree (Lavenex and Schimmelfennig 2009, 807). The EaP regions are the exception due to the additional incentive packages that the EU is using in relations with certain EaP countries, such as Georgia, Ukraine and Moldova, i.e. the EU is offering positive rewards to the third countries exchange for the alignment with the EU rules. For example, in its 11 May 2020 conclusions, the Council of the European Union (2020) once again outlined its dedication to the assistance in implementation efforts in EaP countries, including financial and expert assistance. More specifically, Georgia benefits from several assistant packages. Namely, a reprogramming exercise of part of the 2019 envelope and the 2020 envelope resulted in an enhanced package of EUR 183 million of grants to support Georgia during the COVID-19 crisis (ibid). EU support is also aimed at ensuring the continuation of the implementation of EU related commitments under the AA/DCFTA. Additionally, Georgia benefits from the regional response package under the Team Europe initiative, which supports the economy in the Eastern Partnership region. (European Commission 2016a; 2017a; 2019; 2020a). More incentives offered to Georgia by the EU will be discussed in the empirical chapter.

2.4 Theoretical Explanations

After outlining modes of external governance, the paper moves to three primary theoretical explanations in Europeanization: neo-institutionalist explanation, power-based explanation, and domestic structure explanation. The main variables tested in this research will be drawn from those schools of thought.

Firstly, the neo-institutionalist framework was primarily developed by March and Olsen (1996; 2004) and later utilized by Europeanization scholars to analyze European integration impact on EU member states and candidate countries (Kakachia, Lebanidze, and Dubovyk 2019). Lavenex and Schimmelfennig (2009, 792) argue that the institutionalist framework is "the most germane to an external governance approach". Institutional explanations assume that the EU external governance follows the "internal structures of policy-making within a given domain" (ibid, 802).

There are two main concepts through which the neo-institutionalist approach views the process of European integration: Rational Choice Institutionalism (RCI) and Sociological Institutionalism (SI), also known as the logic of consequentialism and the logic of appropriateness (ibid). Rational Choice Institutionalism assumes that actors make rational decisions that maximize their power and welfare. External Incentives Model has been developed to explain Europeanisation as an EU driven process based on cost-benefit analysis (Kakachia, Lebanidze, and Dubovyk 2019, 452; Schimmelfennig 2007, 7). On the other hand, Sociological institutionalism assumes that power and welfare are not the key motivators and internalized identities, values, and norms are superior (Schimmelfennig and Sedelmeier 2005a, 14). "Logic of appropriateness" argues that ideational factors, views of political elites and population and their values affect a country's political choices and, therefore, Europeanization (Börzel and Risse 2005, 7; Kakachia, Lebanidze, and Dubovyk 2019, 452).

The institutionalist explanation points out the importance of EU incentives, which will be the independent variable of this research. Namely, the reward. Higher the size and speed of reward,

legalization and/or legitimacy, higher the effectiveness of the EU external governance (Lavenex and Schimmelfennig 2009, 802). This explanation makes the hierarchical mode of governance favourable because legalization and legitimacy are higher under hierarchy than network or market. Additionally, international legitimacy, i.e. if alignment with it will automatically align the target country's domestic legislation with international rules, increases the effectiveness of external governance. (Schimmelfennig and Sedelmeier 2005b, 19; Lavenex and Schimmelfennig 2009, 794).

Under power-based explanation, the governance mode choice depends on the power of the EU, third countries interdependence with the EU and external actors who "provide governance" in the region or on the international level. In this case, external structures of power and interdependence outweigh EU internal institutions when choosing the preferred external governance mode. Therefore, to include the impact of an external actor, this research will use the external actor as one of the two intervening variables. Under power-based explanation, for the EU to favour a hierarchical mode of governance, the target country or region needs to depend on the EU more than on any other international actor. Lavenex and Schimmelfennig (2009, 804) argue that market mode will be prioritized in case of high and symmetric interdependence. However, symmetric power relations and a medium degree of interdependence are suitable conditions for the network governance mode.

Effectiveness of the External Governance under power-based explanation largely depends on the EU bargaining power and interdependence. The highest bargaining power the EU can hold is during the accession process when the incentives provided by the EU are the strongest. Therefore, the following similarity between the institutionalist and power-based explanations can be observed: in both cases, the hierarchical mode of governance is the most effective (Lavenex and Schimmelfennig 2009, 793; Schimmelfennig and Sedelmeier 2020).

Under domestic structure explanation, the domestic structure of the targeted country or region is the driving force when choosing external governance modes and effectiveness. This

explanation assumes that the institutional structures in target countries and international governance are compatible with each other. The core elements of the domestic explanation are the administrative capacity of the target state, costs of adoption, veto players, and the domestic resonance of EU-promoted rules. Independent and intervening variables of this research will be drawn from the domestic structure explanation. Namely, the commitment of Georgia to approximate domestic legislation with the EU *acquis* will be a dependent variable. On the other hand, domestic adoption costs will include both veto players and the administrative capacity of a target country - intervening variable (Barbé et al. 2009, 837; Lavenex and Schimmelfennig 2009, 804).

2.5 Analytical models of Linkage, Leverage and Governance

There are three major analytical models that the EU's external democracy promotion has been based on. Namely, linkage, leverage and the most recent one - governance model (Lavenex and Schimmelfennig 2011, 888). These analytical models are closely linked with the modes of Europeanisation outlined above. Namely, a hierarchical form of external governance can mainly be observed with the leverage analytical model and the practical model connected to it - the enlargement model. On the other hand, due to the smaller size of leverage over non-candidate countries compared to the candidates, the EU prefers the network form of governance in the Governance model (Youngs 2009, 901).

There are two main aspects of the linkage model - "direct" democracy promotion, which is addressed to democratic civil society and political opposition groups. The "Direct" pillar of the linkage can be material as well as educational (Lavenex and Schimmelfennig 2011, 890). Lavenex and Schimmelfennig (ibid) assume that the more direct support the EU demonstrates towards pro-democratic forces in the target country, the higher the effectiveness of linkage (ibid). On the other hand, the "indirect" pillar is of a more long-term nature. It is based on the modernization theory, which assumes that economic development is at the core of better education, functioning middle class and less poverty, i.e. "The more well-to-do a nation, the

greater the chances that it will sustain democracy" (ibid, 897). There are several ways the EU can achieve this, such as intensified trade relations, increased investments and development aid. Lavenex and Schimmelfennig (ibid) assume that for the higher success of "indirect" leverage, the EU needs to increase the trade, aid and investments in the secondary and tertiary sectors of the economy so that it reaches the general population, rather than the elites. Another tool the EU can use is to increase the support for education in the target country by funding educational programs, building facilities, training teachers, etc. (ibid).

According to the leverage, the target is the domestic government of the third country rather than civil society (ibid, 893). As the leverage analytical model is a top-down strategy and promotes democratic changes in state institutions, and does not trigger immediate changes in a civic culture or public sphere, the assumption is that even if the leverage model is successful, it will be so in a formally functioning democracy. Equal success on the lower level of democratic culture is not guaranteed (ibid, 892). To promote institutional reforms in the target country, the EU often utilized conditionality. In the case of the EU, external governance is the bargaining process between the EU and the third state (ibid, 900). When applying conditionality, the EU sets the adaptation of democratic institutions as conditions for the rewards. Scholars split into tangible (material and political) and intangible (social or symbolic). These rewards can include political support, financial and technical assistance, trade and AAs and the "golden carrot" – membership (ibid, 902). Size, speed of rewards and credibility are among the important variables that determine the effectiveness of the leverage model. (ibid, 903; Schimmelfennig and Sedelmeier 2020, 817).

In sum, the favourable conditions for the effectiveness of the leverage model include the cases where the interdependence between the EU and the third country is in favour of the EU. In contrast, the size, speed, credibility of rewards and determinacy of conditions remain high, and the domestic political costs for the third country's government remain relatively low (ibid).

The practical implications of the "leverage" analytical model can be seen when looking at the enlargement model of external governance. The enlargement model is the most effective model of external governance and has been praised by the European Commission as the EU's most successful foreign policy (European Commission 2003, 5). However, with the conditions for the ENP countries and the subject of my case study being different, for example, from those during the eastern enlargement wave, increased "enlargement fatigue" and decreased number of countries eligible for the membership, scholars started to shift their interest from leverage and enlargement models to more viable alternatives for the region (Börzel, Dimitrova, and Schimmelfennig 2017, 157).

Starting from the early 2000s, before the CEE wave of enlargement, scholarly literature mainly focused primarily on leverage and linkage models of governance. Studies have suggested that membership conditionality, unlike socialization strategies or the use of weaker incentives, has been a useful tool to help Central and Eastern European countries achieve significant democracy development and align domestic legislation with the EU *acquis* (Lavenex and Schimmelfennig 2011, 898). The examples of Slovakia in the 1990s and Yugoslavia until 2000 has demonstrated that even "the golden carrot" fails to achieve its goal when the government in the target country refuses to step down and fights for political survival (ibid). Because the EU does not show the readiness to extend membership perspective beyond current candidate countries, Kubicek (2011) has argued that membership incentives will not be as powerful for those countries who are willing to apply as it was in the case of CEE countries. The second reason that makes the leverage model less viable is that the empirical evidence of political conditionality without accession conditionality has proven to be inconsistent (Lavenex and Schimmelfennig 2011, 899). Lastly, the domestic factors in the "European Neighbourhood" has made the leverage model unfavourable. Most of the states in the region are run by autocratic regimes, for which even the EU's political conditionality will pose a threat. All three of these factors make the most successful EU strategy for democracy promotion - enlargement, unpopular choice in the EU's close neighbourhood (ibid).

Similar to the leverage model, linkage did not get much praise from scholars in the case of ENP. Domestic regimes and geographic proximity to the EU serves against the linkage model (Schimmelfennig and Scholtz 2008b, 193). Autocratic regimes tend to translate the EU's direct linkage as unlawful interference in their domestic affairs. Those states regard the EU's actions as driven by purely economic or strategic interest.

Due to the criticism towards the linkage and leverage models, more recent studies on the Europeanization of nonmember states have utilized the "governance" analytical model, which borrows some aspects from both "linkage" and "leverage" models described above (Lavenex and Schimmelfennig 2011, 895). The "governance" model pushes forward the elements of democratic governance through sectoral corporations and agreements between the EU and the public administration of the target countries rather than focusing on strengthening more general democratic institutions such as elections and parliaments (Beetham 1999, 4–5). Principles on which the "governance" model focuses are often stated as transparency, accountability and participation (Lavenex and Schimmelfennig 2011, 895). Transparency implies how accessible and available for the general public is the information about the decision making. Accountability refers to the public officials being obliged to answer for the decisions they make. And lastly, participation is about non-state actors being involved in the administrative decision and policy-making (ibid, 896).

Lavenex (2011a, 952) found that network governance is especially effective in the sectors that are more technocratic and less politicized, such as transboundary water management and air transport, as an example. Another important factor identified by Lavenex was the government capacity that influenced the ability of third countries to participate as equal partners. On the model of specifically ENP countries, it has also been proven that the EU is more focused on the approximation of nonmember countries to the EU norms and practices rather than entirely exporting the *acquis* (ibid). Therefore, it is argued that the EU external governance promotes democratic governance by exposing non-candidate countries to the *acquis* at the sectoral level.

However, the "Governance" model fits with the institutionalist approach but considers sector-specific and domestic conditions in the target country. Lavenex and Schimmelfennig (2009, 796) argue that the main trigger of the "governance" model is based on socialization. However, conditionality also plays a role.

There are similarities between the enlargement and governance models (Lavenex and Schimmelfennig 2011). Like "democratic conditionality", the EU promotes human rights and liberal democracy under the governance model. On the other hand, similar to "*acquis* conditionality", the EU promotes applying the EU legislation into the domestic politics of nonmember countries. The study by Sasse (2008) pointed out interesting similarities between the EU-ENP and EU-candidate countries' relations. Namely, she underlines common points between the bilateral action Plans between the EU and the ENP countries and the Accession Partnerships with the candidate countries. Commission's ENP Country Reports and the Commission's Opinions on potential candidate countries and ENP Progress Reports and Commission's Regular Reports on candidate countries. However, the key difference is the absence of membership perspective (Baltag and Romanyshyn 2011, 5). To compensate for the lack of membership perspective, the EU uses different incentives such as the AAs, DCFTA, financial support, Visa Free travels, closer trade partnerships, etc. Therefore, due to the lack of strong incentives, the EU largely depends on rule transfer and the "soft" mechanisms (ibid).

The governance model relies on network forms of interaction rather than hierarchical. The latter can be primarily observed in the enlargement model (Youngs 2009; Freyburg et al. 2009). Youngs (2009, 905) argues that the EU has less leverage over non-candidate countries than the candidate supports his argument as to why the EU leans towards network governance rather than hierarchical.

There are several variables such as the degree of legal specification in the EU *acquis* and other international treaties, that affect the success of the "governance" model. The relation between the success and the variables is that the higher the legal specification in both EU *acquis* and the

international treaties that the target country is part of, the more successful the socialization process (Lavenexa and Schimmelfennig 2011, 896). The second variable is the transgovernmental interactions. The assumption is that the more the interactions are on the level of transgovernmental networks, the higher the level of effectiveness that the norms will be transferred to the target country (ibid, 897). Another important variable that is part of not only "Governance" but various other models is adoption costs and interdependence with the EU and the target country. The overall assumption is that the success of rule transfer decreases with higher adoption costs and less interdependence with the EU in the respective sector (ibid). Lastly, similar to the "linkage" model, in the case of the "governance" model, openness and autonomy of administrations in third countries remain an important factor that influences the effectiveness. More specifically, the effectiveness of the good governance promotion is higher in those cases where the autonomy and accessibility of the administration in the target country are high.

In sum, scholars agree that the "leverage" model has reached its limits in ENP countries. Variables such as high political costs, low consistency, determinacy and credibility from the EU's side are not favourable conditions for the effectiveness of the "leverage" model. The empirical evidence shows that the efficacy of "conditionality-lite" described by Sasse (2008, 296) is relatively limited. Similar to that, there is not much scholarly evidence that would demonstrate that the "linkage" model is a viable alternative to the previously successful enlargement model (Lavenexa and Schimmelfennig 2011, 903). Regarding the EU policy-making, the governance approach to Europeanization has proven to be a viable alternative to the established integration theory when analyzing Union's relations with the non-candidate states. The governance model "focuses on the democratization potential of transgovernmental functional cooperation in individual sectors" (Schimmelfennig and Wagner 2004).

2.6 Preferred mode and application of theoretical approach

After analysing a wide range of theoretical approaches and modes that explain the success of the EU's external governance under various conditions, the question is which one is the most suitable for this case study. This paper will adopt the practice utilised by Barbe' et al. (2009, 835), which combines variables characteristic for multiple analytical approaches.

Firstly, the choice of analytical governance model over linkage and leverage was a straightforward one as the scholarly literature argues about more favourable conditions for governance model than linkage and leverage, with the latter reaching its limits in the ENP. In addition, the governance model, similar to this research, is adopting a sectoral approach.

Moving to the governance modes, Lavenex and Schimmelfennig (2009, 807) argue that there is a "tendency to rely upon more networked forms of coordination". However, more recently, scholars challenged this approach with the argument that currently, in many cases, including EU-Georgian relations, network governance remains in the "shadow of hierarchy" (Heritier 2002, 11; Delcour 2013, 352). Despite Georgia not having '*acquis* conditionality", it has legal obligations to achieve an approximation of the rules in different policy sectors undersigned AA and DCFTA. Especially when looking at the negotiations for the DCFTA and visa liberalisation, Georgia had to adopt specific, predetermined rules associated with conditionality to meet the demands. This is reflected in the preamble of the EU-Georgia AA. Although it is delivered in the form of a package of beneficial rules for Georgia, which they are, the negotiations are nevertheless asymmetrical (Tsuladze et al. 2016). That is a clear indication of the hierarchical mode. On the other hand, adopting a number of those rules, especially the ones outlined under DCFTA, would mean a greater degree of access to the EU market. This bears greater importance for Georgia as the EU is Georgia's main trading partner, accounting for 27% of its total trade (geostat.ge).

Therefore, incentives and variables envisaged under market mode should not be ignored. This argument can be strengthened by looking at the key policy instruments under the EaP, the actors involved in them and the underlying mechanisms (see Appendix 1). It further proves

that the EU's relations with the EaP member states is not limited to a single type of interaction but instead utilises a mix of different practices such as conditionality based upon legal convergence, assistance and socialisation.

The selected variables are drawn from all three analytical approaches outlined above—namely, the neo-institutionalist, power-based, and domestic structure. More specifically, the size and credibility of rewards the EU is offering Georgia are characteristic of the neo-institutionalist approach. On the other hand, the domestic factors approach focuses on the commitment of the target country and various domestic adoption costs (veto players, administrative capacity, financial costs). However, the power-based explanation is structured around the variables such as the EU's bargaining power which is largely determined by the interdependence between the EU and Georgia compared to external actors and Georgia. By choosing these sets of variables, the research will not be limited to only one analytical approach as well as address the number of limitations connected with the different modes of the EU external governance, which will be discussed below.

2.7 Limitations of the external governance

There are a number of limitations connected with the use of external governance framework and governance model in Europeanization literature. Below will be the overview of general limitations of external governance as a concept, a discussion of the implications of those framework's shortcomings on this research specifically and scholarly criticism on the governance model.

Firstly, as Gänzle (2008, 5) argues, the limitation of the EU external governance is in not treating third countries as equals and limiting their opportunities to learn in the coordinating system. As described above, by making external governance about utilising internal solutions to external problems, the EU does not look "outside the system" (ibid). This makes external governance about "injecting" learning into the target countries in order to get them closer to the EU's vision of order.

Another fundamental constraint that Korosteleva (2012, 55) points out is overlooking the boundaries of target countries when constructing its own boundaries. According to her, the external governance pays little to no attention to the two-sided process that is boundary shaping and calls the EU a subject as well as "the object of boundary-building itself" (ibid). Therefore, the EU mistreats others not as members of the club but rather objects that should be made like the EU itself. To sum Korosteleva's (ibid, 56) arguments, the EU relations with third countries, rather than being based on the notion of partnership, remains largely one-sided.

Next, as Albi (2009 as cited in Korosteleva 2012, 56) argues, external governance is characterised as projecting weak normative consistency and lacking multi-level consensus. Occasionally, it contradicts the institutional settings of the respective counterparts within the EU. The capacity of the external governance also comes under question when analysing the rule transfer of macro policies such as political *acquis* and pushing countries towards long-term commitment. Korosteleva (2012, 52) argues that as the nature of governance is evolving, it is constantly searching for more suitable ways of coordination between the EU and the target countries or regions.

Additionally, scholars outline the structural deficiencies of external governance such as the EU institutions, which are known to be rigid, hierarchical and bureaucratic while not taking into account the domestic structures of the target countries and their capacities to effectively absorb the norms and values that are being projected at them (Freyburg et al. 2009, 792; Korosteleva 2012, 49). Dimitrova and Dragneva (2009) point out the issue of interdependence. Especially in the close neighbourhood, the interdependence of the third countries, not only on the EU but on Russia, should be getting sufficient attention. The reason is that the interests and the values both Russia and the EU are spreading in the region often contradict each other.

There are certain shortcomings connected with the sectoral approach of the governance model. Namely, scholars agree that analysing rule transfer and improvement in democratic governance

in particular sectors can not substitute "democratic transformation proper" and are "only a small drop in the ocean of institutional provisions constituting a democratic order" (Freyburg et al. 2011, 1029). Moreover, often the effectiveness of external governance is limited to micro-management, especially in technical sectors, where the rule transfer is less a result of convergence but more seen as a benefit for the target countries and domestic actors. (Korosteleva 2012, 51; Whitman 2010; Bauer, Knill, and Pitschel 2007).

There is a number of ways to address these limitations. Regarding the overemphasising rule adoption in individual sectors, even adopting elements of good governance and exposing individual sectors to the EU *acquis* requires the transformation power of the EU. Therefore it promotes good governance "in those countries where such traditions are lacking" and brings the target state one step closer to the EU standards. Power-based explanation adds the factor of external actors to the equation. Thus the interdependence on powers other than the EU is not being overlooked. Academics point out the general shift in external governance during the past decade to counteract other limitations. Namely, "The new governance" is more horizontal, rather than relying solely on hierarchical settings. By mixing different modes of governance, the rule transfer has become more participatory and does not fully remove but rather blurs the boundaries between the subject and object (Korosteleva 2012, 50).

This research addresses those limitations the following way: the selection of variables from different theoretical explanations will be useful to analyse the aspects of EU-third country relations that often get overlooked. Namely, by taking into account domestic, EU-based as well as external factors, interdependence with other powers, domestic factors that affect EU's external governance and EU's tendency not to "look outside the system" will be put under the spotlight. This research will not try to explain the weakness of external governance in terms of macro policies, nor does it exclude the presence of other variables that could have an impact on EU's external governance. But rather, it takes individual sectors as a level of analysis and tries to explain the success of the EU's external governance in Georgia by testing certain sets of variables.

2.8 Conclusion

This chapter served as an overview of all the important theoretical and analytical concepts relevant to this research. It started with the large notion of external governance with the three modes used by the European Union for rule transfer and domestic change in third countries. Analysis of existing scholarly literature showed that basing the argument solely on one of the three modes would greatly limit the scope of research, as the EU utilizes all three of them to a different degree.

Following the path of Barbe et al. has been chosen as the most appropriate way to capture different influencing factors. Therefore, the research will not be limited to only one analytical approach but rather combining variables from different approaches. Lastly, the application of the existing theoretical concepts has been explained, together with the criticism the external governance framework has received due to its limitations from scholars (Heritier 2002; Korosteleva 2012; Delcour 2013).

3. Literature Overview

3.1 Introduction

This study aims to explain why, despite the absence of membership conditionality, Georgia is adopting EU rules and regulations, aligns its domestic legislation with the *acquis communautaire* and, as a result, deserves to be addressed by The European Commission as a frontrunner in democracy development among ENP countries (Civil Society Forum 2018). It is important to look at those countries who have already gone through EU membership candidacy and eventually membership to achieve this aim. Those states who, similarly to Georgia, are part of Eastern Partnership. This chapter will begin with an overview of existing literature on the European Union's external governance with membership conditionality. Next, empirical evidence on the Eastern Partnership member states will be analyzed as an example of the external governance with the absence of "golden carrot" as an incentive to carry out democratic reforms on a domestic level. The following chapter will also include the overview of the EU-Georgia relations and serve as a case study description. Lastly, the gap in existing literature will be outlined, especially regarding paying little attention to the external players and integration processes other than European integration. It will be argued why the attempt to fill in the gap by taking external actors into account is essential when analyzing EU-third country relations while keeping domestic and EU based factors into the equation.

3.2 EU External Governance

Despite the EU not being a state by itself, the Union has operated within a defined territory delimited by the member states. As the European Union developed as a political system of its own, its presence in international politics and domestic politics increased. Michael Smith (1996, 5) characterized this change as a shift from the "politics of exclusion" to the "politics of inclusion".

The politics of exclusion was a cultural, territorial, legal and institutional integration between the western European states. Under the "politics of inclusion", those boundaries are more

blurred, and the geographical division is more flexible (Smith 1996, 23). Intensified influence the EU has on the countries beyond its borders, including projecting *acquis communautaire* beyond the member states, proves that.

Development in the role of the EU has been referred to as “Europeanization”. The concept is defined as a domestic impact of the European Union and as a “process in which states adopt EU rules” (Schimmelfennig and Sedelmeier 2005b, chap. One; 2020). Another term widely used to describe a way for the European Union to extend its rules on non-member states is External Governance (Lavenex and Schimmelfennig 2009, 796). The concept of external governance first was used in relation to the eastern and the Northern Dimension Initiative (NDI) in the Black Sea Region (Friis and Murphy 1999; Filtenborg, Gänzle, and Johansson Elisabeth 2002; Myrjord 2003). Lavenex (Lavenex 2004) argues that the crucial component of external governance is “the extension of the legal boundary of authority beyond institutional integration”, which means that when the EU is exercising external governance, third countries are aligning their domestic rules and regulations with parts of the *acquis communautaire* (Lavenex 2004; Lavenex and Schimmelfennig 2009).

There are common patterns when analyzing empirical data from different countries and regions. One of the key elements is that external governance often follows a sectoral, policy-specific logic rather than macro-institutional prerogatives (Lavenex, Lehmkuhl, and Wichmann 2009; Barbé et al. 2009; A. Dimitrova and Dragneva 2009). However, what remains more constant is that the EU prefers a networked mode of external governance over hierarchical. Studies by Lavenex et al. (2009) and Youngs (2009) argue that the network mode is preferred both on sectoral policies and democracy promotion. Looking more specifically at the ENP countries, the EU favours promoting approximation to the EU norms and practices rather than copying *acquis* entirely. Furthermore, the EU does not make a consistent effort to promote bringing the democratic change on a macro-policy level but instead chooses to promote democratic governance at the sectoral level by projecting EU *acquis* (Freyburg et al. 2009).

Regarding institutionalist and power-based theories, existing literature finds evidence for the hypotheses from both theoretical approaches. The institutionalist/Neo-institutionalist approach finds support in the works of Barbé et al. (2009), Freyburg et al. (2009), Kakachia et al. (2019), while scholars like Youngs (2009, 901) and Dimitrova and Dragneva (2009) argue that the bargaining power and constellations of interdependence can be used as a potential concept to explain the different mode of governance in the democracy promotion.

3.3 Empirical evidence from member and candidate countries

As mentioned above, the frameworks for analyzing external governance vary depending on the case studies, whether the country has a membership conditionality or not, etc. The main framework used to explain if and under which conditions the EU conditionality leads to domestic change is the External Incentives Model (EIM)(Schimmelfennig et al. 2011, 663; Schimmelfennig and Sedelmeier 2005a, 10).

EIM was extensively tested on the example of CEE countries. Overall, conditions were highly favourable during the CEE pre-accession period (Schimmelfennig and Sedelmeier 2020, 828). Rewards promised by the EU were high as well as credible. More specifically, during the post-accession period, the EU used the highest award – membership (ibid, 819). Although high political costs were observed in some instances, the power of the “golden carrot” was enough to outweigh them (ibid, 829).

On the other hand, EIM partly explains the patterns observed in the CEE countries after the EU membership. Namely, it was expected that new member states would lag behind the old ones in compliance with the *acquis* as they no longer had the membership reward. However, the data showed the opposite. CEE member states outperformed many older member states overall and in specific policy areas (ibid, 821). There are several patterns in compliance of CEE countries to the EU conditionality. Namely, smaller countries of the CEE kept advancing with domestic legislation with the EU one. Poland, on the other hand, was lagging (ibid). Börzel et

al.'s (2010) argument that smaller countries are more concerned with the reputational costs of non-compliance than the larger is used by Schimmelfennig and Sedelmeier (ibid, 821).

When examining SEE countries, differences alongside similar patterns can be observed. The EU decided to take an individual approach towards the Western Balkan countries, i.e. less compliant countries could not hide behind the frontrunners in the region (ibid, 827). One of the differences between the CEE and Western Balkans pre-accession period is that the EU's external governance in the Western Balkans is led by the intention to put security, peace-building and stability above democracy promotion (Richter 2012, 514). Additionally, empirical evidence shows that the reward offered by the EU to CEE countries during the pre-accession period and currently to the SEE countries are the same – membership (Schimmelfennig and Sedelmeier 2020, 826). Schimmelfennig and Sedelmeier (ibid, 827) argue that despite the high credibility of the threat to withhold the reward, the difference between the CEE and SEE rises when comparing the credibility of EU's membership promise, which has weakened in the case of SEE. This is especially true in the case of Turkey, which is the least preferred potential member among the candidate countries (ibid, 828).

3.4 Empirical Evidence from Eastern Partnership

The most effective model of external governance and projection *acquis* to non-member states is enlargement praised by the European Commission as the EU's most successful foreign policy (European Commission 2003, 5). Therefore, scholarly literature has initially been sceptical about the ability of European neighbourhood policy to trigger tangible political change and policy diffusion. This argument has been used to explain why most of the ENP members were not eager to undertake domestic reforms (Lavenex 2011a, 938; Kelley 2006, 36). However, over time more academic work shifted from the traditional “conditionality framework” to relatively under-researched models, where we can observe “a roof over an expanding system of functional regional integration that moves at dynamics in different policy fields” (Lavenex 2011a, 939).

As the ENP is about “everything but institutions”, the EU has offered other incentives at its disposal, such as access to the internal market, visa liberalisation, financial aid, etc. (Börzel and Lebanidze 2017, 18). Sixteen years after European Neighbourhood Policy (ENP) was established, the EU is still mostly surrounded by authoritarian regimes and failed states. However, democratic conditionality is still successful in the ENP where applied consistently (Börzel and Lebanidze 2017, 18). Eastern Partnership countries are a good representation of this argument. For example, external pressure was vital for successful “Color Revolutions” in Georgia and Ukraine (ibid, 19). It was further proven to be the case in 2010 when Brussels was more determined to support democratic reforms in Ukraine, which already was a member of the Eastern Partnership. The EU used the AA negotiations and ratification conditions on specific demands (European Commission 2013). Although the former Ukrainian government refused the offered terms and conditions, the large wave of protests, widely known as “Euromaidan”, forced President Yanukovich to flee the country (Börzel and Lebanidze 2017, 26). Similarly, in the case of Moldova, the EU put a consistent effort to support pro-European political forces while freezing financial assistance to Moldova because of the corruption scandal involving Moldova’s politicians (European Commission 2019). Recent European Commission reports praise Moldova for implementing key reforms, strengthening democratic standards and the rule of law and moving forward in implementing the EU-Moldova AA (ibid).

Unlike Georgia, Ukraine and Moldova, the EU has not applied democratic conditionality consistently in Armenia and Azerbaijan. Although Azerbaijan has often been the subject of criticism over the lack of democratic reforms and the rule of law, the EU not only refrained from imposing financial sanctions but intensified its energy and trade relations with Azerbaijan (Börzel and Lebanidze 2017, 25). Similarly to Azerbaijan, the EU never made financial assistance to Armenia as a condition to incentivise political reforms.

The only case that does not follow the pattern explained above is Belarus, where despite the presence of democratic conditionality, the attempt of the EU to trigger democratic reform

failed¹. The EU used several tools it had. Namely, it applied democratic conditionality, introduced a wide range of sanctions against “Europe’s Last Dictator”, applied diplomatic and political pressure; however, the attempts proved ineffective (Reuters 2012; Börzel and Lebanidze 2017). Authors such as Ambrosio and Tolstrup explain this phenomenon by several factors such as external players, namely Russia, that remains the largest supporter of Lukashenko’s regime (as cited in Börzel and Lebanidze 2017, 20). Additionally, the political elite that was the target for strict sanctions benefited from the financial aid by other international financial institutions, especially during the global financial crisis in 2007-2008 and strengthened Lukashenko’s regime.

3.5 EU External Governance in Georgia - Case Study Description

To analyze the different tools and modes of foreign policy the EU is utilizing in relations with Georgia, how the recipient country reacts to them, and the role of major external forces, this part starts with a brief overview of the EU-Georgia relations overtime. Followed by the discussion of Georgia's political and economic integration with the EU and other major external regional actors.

After the collapse of the Soviet Union and the independence of Georgia, EU-Georgia relations were focused on humanitarian help, conflict management and nuclear safety. They did not include specific long-term goals (Rommens 2017, 116). This was due to the perception of the South Caucasus by the west in the 1990s as an unstable region with emerging ethnic conflicts in the failing states. It took five years after Georgian independence for the two sides to engage in a standardized format of relations when in 1996 Partnership and Cooperation Agreement (PCA) was signed. PCA, which entered into force in 1999, was the primary legal basis for the

¹ In the end of June Belarus said that it was "suspending its participation in the EU's Eastern Partnership. However, because the events are still unfolding at the time of writing the paper, they have not been included in the thesis.

bilateral relations between the two sides until 2016 when the AA (AA) was signed (ibid). The PCA did not include specific policies to support democracy or civil society but instead focused on sectoral cooperation (trade, economic, energy, legislative, cultural, etc.) and covered necessary tools to facilitate political dialogue (ibid). The absence of explicit guidelines for democracy promotion was partly balanced by introducing the European Initiative for Democracy and Human Rights (EIDHR) in 1999 (Eur-Lex 2000).

Although not part of the ENP at the earlier level of drafting, Georgia became a member after the Rose Revolution in 2003. The aim of the ENP is officially declared as to offer policy member states deeper economic integration and political association, increase mobility and enhance people-to-people contacts with the absence of membership perspective (European Commission 2004). Based on this, two sides drafted the Action Plan, the implementation of which was monitored through annual progress reports (European Council 2006). The ENP, as promised by the then president of the European Commission, Romano Prodi (2002), offered "everything but institutions" and contributed to strengthening the political framework based on already existing institutions, most of which were shaped during the intensified bilateral cooperation under PCA.

2009 marked a significant year in the EU-Georgia relations as the Eastern Partnership (EaP) was introduced. It was preceded by two milestones for Georgia that greatly influenced the future relations between the two sides. The first one being the NATO Bucharest summit in 2008, during which Georgia received a promise that, together with Ukraine, they will eventually become a NATO member country (North Atlantic Council 2008). The second significant event was the Russo-Georgia war that left two of the country's regions occupied by Russian forces. The Georgian government put NATO membership in front of EU integration (Chkhikvadze 2019, 58). The vagueness of the ENP also fueled the lack of enthusiasm towards EU integration. Georgian government officials have expressed that the ENP Action Plan signed in 2006 did not introduce any new priorities that would bring tangible benefits to the Georgian

population (ibid). Moreover, the European Union was not interested in updating the PCA, which was the only legally binding document, signed back in 1996.

After the 2008 Russo-Georgian war, the interest and the presence of the EU in Georgia increased significantly. In particular, Nicolas Sarkozy, the president of France, who held the EU presidency, mediated a six-point ceasefire agreement in August 2008 (Reliefweb 2008). The EU played an essential role in supporting Georgia's non-recognition policy of occupied regions. Moreover, it organized a donor's conference in October 2008, where \$4.5 billion was raised for post-war rehabilitation. Furthermore, the EU established European Union Monitoring Mission (EUMM) to Georgia, which aimed to monitor compliance with the six-point-agreement (ibid).

After the events described above, the Georgian government decided to put intensifying relations with the EU on the agenda. President Saakashvili openly declared that "joining the European Union is more important to Tbilisi than being part of NATO since entering Europe is like coming home" (Civil Georgia 2009). Simultaneously, The EaP expanded the EU's offers to the Eastern neighbours and "proposed accelerating political association and further economic integration" (Council Of The European Union 2009, 6). Unlike ENP and Action Plan, EaP promised tangible benefits to Georgia. Among the major incentives listed in the Joint Declaration of the Prague Eastern Partnership summit were "political association and further economic integration between the European Union and interested partner countries" together with "supporting mobility of citizens and visa liberalization in a secure environment" (ibid, 7). The EaP offered two formats: bilateral and multilateral dimensions. Both former and current governments of Georgia favoured bilateral over multilateral. The aim of Georgian leadership from the beginning of the EaP programme was to become a successful example among the EaP countries, get the benefits from the EU in return and focus on a somewhat distant membership perspective (Chkhikvadze 2019, 61; Lebanidze 2017, 1).

EaP brought changes in the bilateral relations of the EU and the EaP member states, such as increased financial support from the EU followed by the increased responsibilities from the

EaP member states. To benefit from the rewards offered by the EU, Georgia had to meet the demands in the areas of visa regulations and trade integration (Rommens 2017, 116). On the other hand, AAs (AAs) and the deep and comprehensive free-trade areas (DCFTAs) were aimed at creating "a strong political bond and promote further convergence by establishing a closer link to EU regulation and standards" (European Commission 2008, 3).

Since 2009, the EaP has been the main force behind the implemented reforms in Georgia. Even before the AA entered into force, the EaP and the negotiations for the DCFTA served as an incentive for Georgia to introduce specific regulations that would bring the country closer to the EU standards (Chkhikvadze 2019, 61). Georgia started AA negotiations during Saakashvili's administration, and the process was finalized during the Georgian Dream coalition. Harmonizing Georgian legislation and standards with those of the EU turned out to be a difficult task. During the negotiation period, the Georgian government's strategy was to introduce only the necessary regulations and continue the deregulation policy where possible (ibid, 62).

AA, which entered into force on 1 July 2016, covers a wide range of areas and, unlike the ENP AP, directly impacts citizens' lives. Overall, alignment with the regulations is a costly and lengthy process. Experts argue that the benefits won't be felt overnight. Similarly, the benefits of the DCFTA are expected in the long run. Analysis of current trends proves that the results vary depending on the sector (ibid). Five years on, the AA has not yet managed to make significant changes in the most concerning unemployment and poverty areas, notably increasing foreign direct investments (FDI) or stimulating high economic growth. However, the visa-free agreement has brought clear benefits to the Georgian population. Until 2021, over 500 000 Georgians have used the visa-free regime (Agenda.ge 2019).

Currently, Georgia is going through the long road of harmonizing domestic legislation with that of the EU. However, after successful AA/DCFTA and visa-free travel negotiations, Georgia closed a significant chapter and exhausted the existing strategy. As President of Georgia Salome

Zurabishvili mentioned in her speech during her official visit to Brussels, "currently the real question is where we go from here" (civil.ge 2019). Representatives of both governmental and non-governmental sectors in Georgia argue that a comprehensive reform of the EaP is needed to keep it an attractive project for the partner countries (Chkhikvadze 2019, 68).

Overall, the EU contributed to the creation of institutional ground needed for the network mode of governance. Scholars argue that although the mode of governance that the EU favours in Georgia fits the network governance, it largely remains in the "shadow of hierarchy" (Heritier 2002, 11; Delcour 2013, 352). This can be explained by the proposed rewards the partner countries can potentially receive under the increased incentives EaP offered, which are more robust than those under ENP (ibid). The list of incentives includes a signed EU-Georgia AA that entered into force in July 2016. Two sides have also entered into a Deep and Comprehensive Free Trade Area (DCFTA), while Georgian citizens have benefited from visa-free travel to the Schengen area since 2017. Moreover, the EU is Georgia's largest trading partner and provides over €120 million annual grant assistance to Georgia (European Commission, n.d.).

What brings additional value to this particular case study is the wide range of external actors with political and economic interests that concern Georgia and the EaP region in general. Most of the academic literature that analyzes Georgia's Euro-Atlantic integration narrowly focuses on the EU-centered and Western actors while paying little attention to other major actors. A wide range of external players has more interest and influence in the EaP region compared to Central and Eastern Europe (CEE) and the Western Balkans (WB) (Lebanidze 2018, 6). There is a gap in the existing literature about European integration that covers regional integration processes.

However, few exceptions look beyond EU-centric factors (ibid). They emphasized rather general dimensions such as economic and political. Nevertheless, they give helpful insight as to how different integrational projects coexist in the EaP region. Economic and trade relations

are an essential part of integrational projects. It is argued that geopolitics are being played out by economic means (ibid,7; Luttwak 1990, 20). At first glance, we could assume that the availability of choices potentially means easier ways to diversify the economy, but not in the case of post-Soviet small states. Georgia, however, managed to do so mainly because of two main factors: worsened relations with Russia and openly declared a pro-Euro-Atlantic vector of the Georgian government (Lebanidze 2018, 7). Additionally, the overall influence of regional actors remains negative. Dependency on illiberal actors, as Lebanidze (ibid, 22) argued, "has repeatedly forced Georgia to enter into normative conflicts with the West". On the other hand, Russia has been blocking Georgia's attempts to join NATO by using political and security destabilization tools. However, despite challenging conditions, the EU managed to establish itself as the most important economy, trade, investments partner as well as the security provider for Georgia (ibid).

A study by Kakachia et al. (2019) applies ideational and consequentialist incentives to explain how different incentives influence the choice of EaP countries towards Europe regardless of the difficulties on their path. A paper by Lebanidze (2018) adds other integrational processes as an essential factor. As argued in the example of Georgia and Ukraine, having sovereignty and territorial integrity endangered by strong regional actors and having newly recalibrated national identities with the European centre contributes to their European integration. At the same time, Soviet-era socio-political practices, illiberal attitudes, lack of good governance and socio-economic development keeps pulling EaP frontrunners back (Kakachia, Lebanidze, and Dubovyk 2019, 459).

As identified above, certain areas of European integration remain underresearched. Namely, there is a gap in the existing literature about European integration that covers regional integration processes, especially on a sectoral level. For example, there is only a limited number of literature, for example, a paper by Baltag and Romanyshyn (2011), that focuses both on the impact of Russia as an external actor and domestic factors that influence EU-third country relations while keeping sector-specific focus. This paper will attempt to fill in those gaps and

possibly open new doors for future researchers. A combination of variables and influencing factors from a number of analytical approaches will be used for that. The purpose of not limiting the analyses with a single approach is to include EU-based factors and domestic and external variables. Combining variables from different analytical approaches has been tested previously by Barbé et al. (2009); however, the authors tested them in larger policy areas such as foreign and security policy. None of the case studies had signed AA. There are several reasons behind the gap in the literature. Namely, the aspect of Europeanization and EU external governance in non-candidate countries is relatively new.

Additionally, scholars either choose not to take a sector-specific approach, or the role of the external actors is being overlooked. To see a clear picture, it's important to take into look at the EU, as a power that exercises external governance, Georgia, as a country that is receiving it and external powers, who also have their interest in the region and may influence the relations between the EU and the target country. This paper aims at doing this while also keeping a sector-specific approach rather than looking at broader concepts of democracy and good governance in general.

Lastly, the timing is also important as 2020 marked an important milestone in EU-Georgia's relations. Mainly because that's when the previous Action Plan and Deliverables for 2020 have expired; although those documents cover a wide range of sectors and aspects of cooperation between the two sides, three sectors were chosen for this research - trade, energy, and environment remain among the ones in which Georgia is largely exposed to *acquis*. They carry political and economic weight to them that goes beyond Georgia and the EU and involves other regional and global players. Additionally, the research will follow the recommendations given by Lavenex and Schimmelfennig (2009, 809) that existing literature "points to a possible next step in the development of the external governance approach which may focus less on what the EU does in promoting its norms than...on the domestic conditions for effective policy implementation in third countries".

4. Methodology

As the European Union became a global political actor, it began to export internal rules and models of governance outside its borders. Enlargement has been praised as the most successful tool for the EU to exercise its external governance. However, in the absence of membership conditionality, the EU offers target countries smaller incentives, such as partnership, AAs, access to the EU sectoral market, etc. Börzel and Schimmelfennig (2017) argue that smaller incentives cannot substitute the membership conditionality and its effect on Europeanization. However, by looking at the AA implementation and various other reports assessing Georgia's performance in aligning the domestic rules and legislation with the EU's *acquis*, Georgia is often praised as a frontrunner in democracy and good governance developments in the region.

The study aims to analyze the various factors that could explain the reasons behind Georgia's adaptation of EU rules and regulations between 2016-2020 without membership conditionality. The research will take a sector-specific approach and analyze trade, environment, and energy policy areas to achieve this.

The main research question is the following:

Q: Why does Georgia adopt good governance standards without the EU membership perspective?

To answer the research question, this paper will follow the outcome-centric single case study approach. A case study is a research strategy through which a contemporary phenomenon is being analyzed within its natural context while using multiple sources of evidence and asking explanatory questions such as “how” and “why” (Yin 2003). While tracking the operational links over time, the research primarily focuses on explaining the outcome, which is the adoption of good governance standards. To achieve this, the paper assesses potential and alternative explanations by considering independent and intervening variables such as EU Incentives (IV), Domestic Adoption Cost and External Influence (intervening variables) and

their influence on different variances in the Commitment of Georgia (DV) to adopt EU rules and regulations.

External Governance has been established as the main framework of this research as it has proven to be a useful way to capture the extension of EU rules and legislations beyond membership or beyond candidate countries, to analyze how the EU supports democratic reforms and projects EU rules beyond its borders (Lavenex and Schimmelfennig 2009, 795). It does so by outlining variables that affect these processes. Primary variables of this paper cover three major theoretical approaches that explain different modes of the EU external governance (Youngs 2009).

	Variables	Theoretical approach
Independent Variable	<ul style="list-style-type: none"> • EU Incentives 	<ul style="list-style-type: none"> • Neo-institutionalist explanation
Dependent Variable	<ul style="list-style-type: none"> • Commitment 	<ul style="list-style-type: none"> • Domestic factors explanation
Intervening Variable	<ul style="list-style-type: none"> • Domestic Adoption Costs 	<ul style="list-style-type: none"> • Domestic factors explanation
	<ul style="list-style-type: none"> • External Actors 	<ul style="list-style-type: none"> • Power Based explanation

Table 1. Variables and corresponding theoretical approach

Currently, Georgia does not possess the status of membership candidate country. The Governance analytical model is the most suitable for analyzing Europeanisation in this case, especially when following the sector-specific path (Lavenex 2011a, 939). Additionally, the

governance model considers all three of the theoretical approaches that the above-described variables are drawn from (Lavenexa and Schimmelfennig 2011, 33).

4.1 Case selection and timeframe

Several factors determined the selection of the case study. Firstly, 17 years since the Eastern Neighbourhood Policy (ENP) launched, most of the neighbours both in the South and in the East demonstrate the same or lower quality of democratic development. Georgia is one of the exceptions, together with Moldova, Ukraine and Tunisia. In regular reports on the progress towards democracy and public speeches of high ranking EU officials, Georgia is often mentioned as the frontrunner among the Eastern Partnership countries (Agenda.ge 2017; European Parliament 2021; Civil Society Forum 2018). Secondly, EU-Georgia relations have entered a new level of cooperation with the AA, DCFTA and Visa-liberalisation granted to Georgia citizens in recent years (Ministry of Foreign Affairs of Georgia n.d.). On the other hand, the Georgian side expressed commitment to harmonize national legislation with at least 346 EU directives, 213 EU regulations, 57 EU decisions and 31 EU recommendations (Parliament of Georgia 2019, 6). The aforementioned directives, regulations, decisions and recommendations cover a wide range of sectors, including the three which are of specific interest to this research.

Timeframe for the research will be between 2016 and 2020. 2016 marks the year when the AA between the European Union and Georgia fully entered into force. The same year the first Association Implementation Report on Georgia was published by the European Commission (2016a), the annual report that outlines major progress or the lack of it in terms of obligations and undertakings of the AA throughout the year. In 2016 the Council of Europe adopted the 2016-2019 Action Plan for Georgia (Council of Europe 2016). 2020 also marks an important milestone in EU-Georgia Relations. Firstly, the Council of Europe introduced a new Action Plan for Georgia for 2020-2023 (Council of Europe 2019).

Moreover, "20 Deliverables for 2020" was an ambitious work plan that outlined the number of objectives to reach by 2020 in Eastern Partnership countries, including Georgia (European Commission 2017b). Overall, 2020 marks six years since the AA (AA) between the European Union (EU) and the European Atomic Energy Community and their Member States, of the one part, and Georgia, of the other part provisionally entered into force and four years since it fully entered into force. Although some obligations taken by the Georgian side are of a medium or long term nature, some directives, regulations, recommendations and decisions have already had their deadline by 2020. Moreover, taking into account Georgia's ambitious plan to apply for EU membership by 2024 brings additional relevance to the country's progress in recent years and the factors that may have influenced Georgia's way towards democracy and good governance development (Lavrelashvili and Hecke 2021).

Moving to sectors, trade, energy and environment policy areas are covered under the AA and subject of close monitoring by the EU, the Georgian government and non-governmental organizations. Title IV of the AA is entirely dedicated to trade and trade-related matters. Two other sectors listed in my research are covered in the Title VI of the AA. Namely, Chapter 2 - energy cooperation and chapter 3 - Environment. Furthermore, energy and environment sectors are closely monitored by the Energy Community, and all three sectors are covered in the annual Association Implementation Report on Georgia by the European Commission. What's also significant is the resources invested in those sectors by the EU. Namely, there have been 83 projects funded by the EU that Georgia benefited from in economic development and better market opportunities, covering the trade sector and 45 in Connectivity, energy efficiency, environment and climate change, which covers the other two sectors analyzed in this paper. There has been a noticeable boost in projects since the AA was signed between the two sides in 2014 (The European Union For Georgia n.d.).

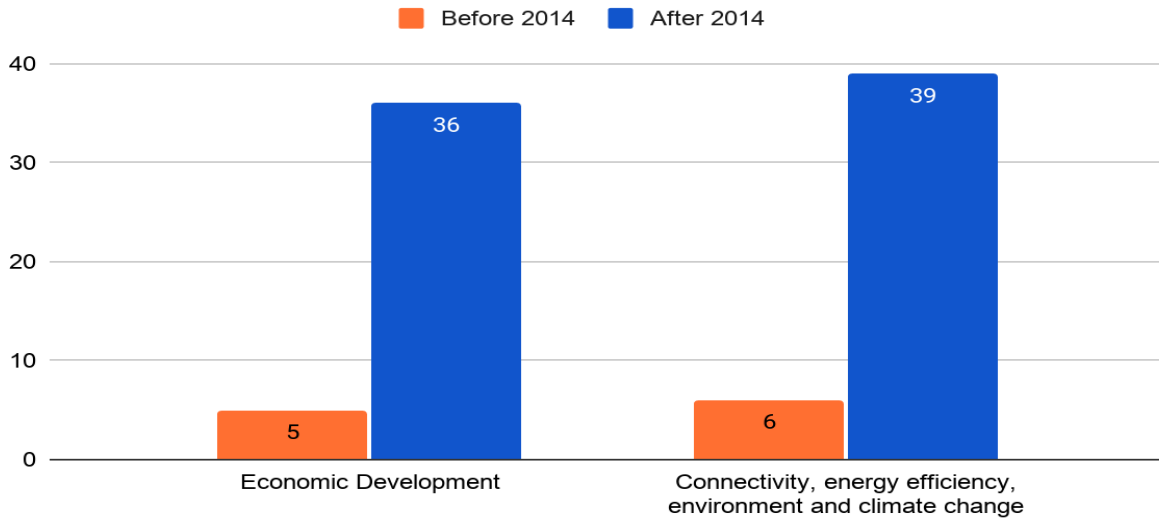


Figure 1. EU sectoral projects in Georgia before and after 2014. *Author's elaboration (based on EU4Georgia.ge)*

4.2 Conceptualization and operationalization

This research will apply triple division (weak, medium, strong) for each indicator assigned to the variables. Each of the dividing measures will be individually defined for each indicator.

4.2.1 EU Incentives

The Independent variable of this research is the "EU Incentives" offered to Georgia in exchange for compliance with the EU rules, regulations and meeting the obligations. This is a common variable used by scholars when analysing the EU's external governance. The paper uses the following indicators to measure the independent variable: the size of the reward, determinacy of conditions and credibility of conditionality (Schimmelfennig and Scholtz 2008b).

Firstly, the EU rules and norms adoption are the conditions for receiving a reward as part of "EU incentives". Potential rewards can include financial assistance, institutional association, partial or complete access to the market or- ultimately – membership (Schimmelfennig and Sedelmeier 2020; Schimmelfennig and Scholtz 2008). EU conditionality is mainly positive, which means that it offers rewards when countries meet the criteria. In case of failure,

countries are denied whichever reward they were offered. In other words, "the EU offers and withholds carrots but does not carry a big stick" (Schimmelfennig and Scholtz 2008, 190). The EU's position is that governments in target countries should take the responsibility to create the conditions and meet the agreed terms to be rewarded. In this research, the size of reward refers to a type of institutional arrangement that the EU is offering to a country in case of rule adoption. There are three types of rewards outlined, varying from weak to medium and strong: 1) sectoral cooperation, 2) access to the sectoral market and active financial support, 3) membership.

The next indicator is the determinacy of the conditions. Determinacy implies letting the target government know the conditions for getting the reward (Schimmelfennig and Sedelmeier 2020, 817). Therefore, three measurements to determine the degree of determinacy are the following. If the conditions, timelines and rules are constantly specified in the official documents such as annual Action Plans, determinacy is strong. Determinacy is medium if they have initially been defined under the AA and in the Energy Community Treaty and are rarely updated or addressed in reports and action plans. Lastly, in case of conditions and rules being vaguely specified under the AA or other official documents regarding the commitments Georgia has taken but have not been the subject of update or further specification, determinacy is weak.

Lavenex and Schimmelfennig outline two important aspects of determinacy. Firstly, it has an informational value. The second aspect has to do with my following indicator - credibility. Namely, "determinacy enhances the credibility of conditionality" (Lavenex and Schimmelfennig 2011, 894). Time-inconsistency plays an important role in conditionality. Target countries have to meet the set conditions before they receive the reward. Therefore, both EU's threats and promises have to be credible for the target country to commit to rule adoption, i.e. the EU has to be able to withhold the reward at a very low or no cost, the target government has to be more interested in getting the reward than the EU in giving it.

General propositions regarding the indicators are that an increase in all three (size, determinacy and credibility) increases the likelihood of the target government prioritising them and, therefore, increases the commitment (Schimmelfennig and Sedelmeier 2020, 817). Other propositions are the following - promised rewards have to be in the EU's capability to deliver, and they should not be distant for the credibility to be high. This research uses the following measurements for credibility: for the credibility to be weak, the EU should not be able to withhold the rewards, the point when the target country gets the reward should be distant due to high dependency on other conditions. For medium credibility, the EU should not be able or interested in withholding the reward even if the target country does not meet the conditions. On the other hand, receiving the full benefits from the rewards should depend on different conditions. Lastly, for strong credibility, the EU should be able to withhold the promises at any point if the conditions are not met, and it needs to be specified when the target country will receive the reward, assuming all the commitments and conditions have been fulfilled. It should be noted that distance to the reward, also described as the speed of reward, may vary between the sectors and types of rewards. As establishing a specific time period to measure the distance to the reward would give inconsistent results, it has been linked with the dependence on other conditions.

	Indicator	Measurement		
	EU Incentive	Size	1	Weak
2			Medium	If promised access to sectoral market
3			Strong	If promised Membership
Determinacy		1	Weak	Conditions and rules have been vaguely specified and are not a subject of update
		2	Medium	Conditions and rules have been initially specified but are rarely or never being updated
		3	Strong	Conditions and rules are specified and regularly updated

	Credibility	1	Weak	The EU can or will not withhold the reward if the conditions are not met, the speed of reward depends on other conditions.
		2	Medium	The EU can withhold the rewards if conditions are not met, receiving the full benefits from the promised reward depends on other conditions.
		3	Strong	The EU can withhold the rewards if conditions are not met and the reward can be paid once the conditions are met

Table 2. Operationalization of EU Incentives

4.2.2 Commitment

This takes me to a dependent variable – commitment, which measures how committed the target country is to meet conditions to receive the reward. The notion of commitment is embodied in the concept of external governance. According to Lavenex and Schimmelfennig (2011, 896), “External governance refers to institutionalized relationships with non-member states...in which [partner countries] commit themselves to approximate their domestic policies and legislation to the EU *acquis*”. This research uses two indicators to measure the degree of commitment. If the rule adoption is described as slow and missed deadlines is a recurring case throughout the reports, adoption assessment will be Weak. If the adoption process received overall positive feedback with occasional delays in the adoption/implementation process for which the country provided an explanation and therefore was not considered a severe violation by the EU, the indicator would be evaluated as Medium. Lastly, if the rule adoption is assessed as fully up to date across all the reports, rule adoption will be assessed as Strong. Similar measurements apply for the rule implementation assessment. If the adopted rules are only formally adopted and not integrated into the legislation, they will be assessed as weak. However, if they are formally adopted, and the full integration is delayed according to the official deadlines, the rule implementation degree will be Medium. Lastly, for the indicator to be strong, rules need to be formally adopted and fully integrated into domestic legislation.

	Indicator	Measurement		
	Commitment	Rule Adoption assessment	1	Weak
2			Medium	Rule adoption process is assessed according to the reports as satisfactory with occasionally missed deadlines, which is not considered as a harsh violation.
3			Strong	Rule adoption is fully up to schedule. No criticism in regards with meeting the deadlines.
Rule Implementation Assessment		1	Weak	Rules outlined in the action plans only formally adopted and not integrated into national legislation
		2	Medium	Rules outlined in action plans are formally adopted but full integration is lagging behind the official schedule.
		3	Strong	Rules outlined in action plans are formally adopted as well as fully integrated into the domestic legislation.

Table 3. Operationalization of Commitment

4.2.3 Intervening Variables

Additionally, the research will be looking at two intervening variables: domestic adoption costs and external influence. Two types of domestic adoption costs that can affect the commitment of the target country are veto players and administrative capacity. Schimmelfennig and Sedelmeir (2020, 818) argue that domestic adoption costs rise with the number of veto players on the other hand and with the lack of administrative capacity and expertise to implement the EU rules and regulations on the other. Georgia is an interesting case due to the power and influence of one particular veto player and how the other, less influential ones are connected with him. Therefore this research won't emphasise the number of veto players but rather their influence and interests in regards to legal approximation with the EU standards. Tsebelis (2002, 17–19) defines veto players as actors whose agreement is necessary to change the status quo. Tsebelis (ibid, 19) differentiates between institutional (for example, presidency and parliament) and partisan (political parties and relevant majorities) veto players. However, it has been argued

that often in countries with a communist legacy, informal veto players can be observed (Hellman 1998, 233). It has been demonstrated how the interest of the informal veto players influence the constitutional/formal veto players in government and parliament, and even EU-driven reforms can get vetoed as a result (A. L. Dimitrova 2010). Therefore, Georgia being a post-communist country, it is assumed that rule adoption, even at a sector-specific level, will depend on the interaction of the policy change in those sectors with the interests of these formal and informal veto players. The degree of veto players can be either weak, medium or strong. If no informal veto players can be identified or their interest does not go against the EU driven reforms, the indicator is weak. Veto players will be assessed as a medium in case of identified veto players or a group of veto players operating together, whose actions can, to a degree, harm the overall process of Europeanization in Georgia. However, interest does not always go directly against the undertaken commitments by Georgia. The influence of veto players can be considered strong in the case of identified veto players or groups of veto players if their interests go against the EU-driven reforms, and reports often mention them as one of the most critical obstacles for Georgian way towards the EU.

Europeanisation literature often considers countries' administrative capacity when analysing compliance with the EU rules in target countries (Börzel and Sedelmeier 2017). For example, administrative capacity has been a differentiating factor when analysing the Northern and EFTA enlargement rounds and comparing them to the Southern and Eastern enlargement rounds of the EU (ibid, 199). Scholars outline several factors that influence a country's administrative capacity, such as inefficient administrations driven by corruption and patronage, authoritarian legacies, weakly organised societal interests, low level of socio-economic development, etc. (ibid). With all these factors in mind, administrative capacity will be weak if the available resources are highly limited and the government fails to use even the available resources efficiently. Administrative capacity will be considered medium if, due to the lack of resources and corruption, administrative services are limited, but the government overall does a good job at making the most out of available resources. Lastly, administrative

capacity will be measured as strong if there are sufficient administrative resources to implement the EU-driven reforms and the government uses them efficiently.

Moving to my second intervening variable, the external governance approach considers EU institutional factors, domestic factors in target countries, and the influence of external "governance provider" actors (Wunderlich and Wunderlich 2012, 1417). While Georgia being a post-soviet country, it naturally falls under the sphere of interest of the Russian Federation (Trenin 2009; Baltag and Romanyshyn 2011, 15). Lebanidze (2020) has shown how Russia and the EU influence the regime outcomes and the general quality of democracy in post-Soviet space. This research, however, will focus narrowly more on specific sectors and how the presence of one global actor in a small country may influence the external governance of the other. This will be done strictly on a sector-specific level and concerning the EU's external governance, rather than comparing Russian and EU influence on Georgian democracy in general.

Previous reports also demonstrate how Russia tried to offer alternative options to the EU initiatives in the EaP countries (Popescu and Wilson 2009). On the other hand, due to the EU and Russia being economically superior to Georgia, the interdependence between them and Georgia can be characterised as highly asymmetric. As Lebanidze (2018, 17) argues, economic means are the significant determinants of geopolitics. Therefore, to measure the impact of external influence on the commitment to the EU-driven reforms, the comparison will be between the economic leverage of two major regional actors - Russia and the EU and the influence it has on the adoption of the EU rules and regulations in their shared neighbourhood, namely Georgia. The level of external influence will be determined by purely economic factors such as exports, imports and foreign direct investments in particular sectors. Other factors will include sector-specific interests that Russia might have in Georgia. The external influence will be considered weak if the economic indicators mentioned above are significantly lower in the case of Russia than the ones between the EU and Georgia, and the alternative projects are neither strong nor attractive compared to the ones offered by the EU. Russian influence will

be considered medium if the overall trade size and alternative projects offered by Russia are somewhat similar with the same indicator of the EU. Lastly, the external influence is strong if empirical data shows that Georgia has stronger economic ties with Russia than the EU. On the other hand, the Russian alternative projects in particular sectors appear more attractive than the EU's. It's important to remember that trade will include overall export and import between Georgia and the external actor. However, the FDI will be analysed in particular sectors of interest.

Intervening Variables	Indicator	Measurement		
Domestic Adoption Costs	Veto Players	1	Weak	No informal veto players or their interests do not go against the EU-driven reforms.
		2	Medium	There is a veto player or a group of them operating together, whose actions can, to a degree, harm the overall process of Europeanization in Georgia. However, interest does not always go directly against the undertaken commitments by Georgia.
		3	Strong	Active presence of an influential group of informal veto whose business or political interests openly go against Georgia's European integration process.
	Administrative Capacity	3	Weak	Available resources are limited and the government makes efficient use of only some of available limited human, financial and organizational resources.
		2	Medium	The operation of administrative services is limited and to some extent deficient (lack of resources, corruption, inefficiency) and the government makes efficient use of most available human, financial and organizational resources
		1	Strong	There are sufficient administrative resources in order to implement the EU-driven reforms and the government makes efficient use of all available human, financial and organizational resources.
		0	None	<ul style="list-style-type: none"> • If the Russian interests in the specific sector can not be identified and are not taken into consideration • If Georgia and Russia have no sector-specific trade relations and there is no dependency.
		1	Weak	<ul style="list-style-type: none"> • If overall trade and FDI with Russia is significantly lower than the ones with the EU in particular sector

External Influence	Leverage of Russia compared to the EU			<ul style="list-style-type: none"> • Russia has special interest in the sector. Russia is either not offering the alternative projects and mechanisms or they are much weaker and less attractive than the ones offered by the EU.
		2	Medium	<ul style="list-style-type: none"> • If overall trade and FDI with Russia and the EU are roughly the same in particular sector. • Russia has special interest in the sector but the alternative projects and mechanisms Russia offers are similarly attractive for the target country as the ones offered by the EU.
		3	Strong	<ul style="list-style-type: none"> • If overall trade and FDI with Russia is much greater than the ones with the EU in particular sector. • Russia has special interest in the sector and the alternative projects and mechanisms offered by Russia are more attractive for the target country than the ones offered by the EU

Table 4. Operationalization of Domestic Adoption Costs and External Influence

4.3 Primary sources and data collection

This research uses interdisciplinary qualitative analyses of primary and secondary sources. Namely, 54 individual documents of different types such as official documents, declarations, reports conducted by the EU, Georgian government or various NGOs, and scientific literature have been analyzed. Moreover, different statistical data has been collected from the National Statistics Office of Georgia. Data has been gathered from trustworthy media sources such as OC Media, Civil Georgia, Radio Liberty, etc. Several international rankings used in the research include the Corruption Perception Index by Transparency International, Bertelsmann Transformation Index, Ease of doing business index by the World Bank, Absence of Unconstitutional Veto Players ranking by the Freedom Barometer.

Interviews were conducted to fill the informational gap left after the analyses of the sources mentioned above. Seven semi-structured interviews were conducted between June 7 and 15, 2021, via the digital platform Zoom. Each of the interviewees was selected due to their expertise in one or multiple sectors specific to this research. Only one out of seven interviewees chose to keep her identity anonymous (Appendix B).

To analyze EU incentives and the indicators used to measure the variable, information has been gathered from secondary sources such as the AA, EU/Georgia action plans and annual reports on the implementation of the EU AA with Georgia, 20 Deliverables for 2020, etc.

As for the commitment, secondary data such as AA, EU/Georgia action plans, Action Plan of the Parliament of Georgia for the Implementation of the EU-Georgia AA, Energy Community implementation reports, annual reports on the implementation of the EU AA with Georgia have been used together with reports on the implementation of AA and 20 Deliverables for 2020 by various NGO's (Lebanidze et al. 2020) and the data extracted from the webpages of the departments of Georgia Parliament assigned to the rule adoption and implementation in particular sectors.

Regarding the domestic adoption costs, different sources have been used to measure veto players and administrative capacity. Namely, reports by Freedom Barometer, Transparency International, including data extracted from the BTI -The Transformation Index and expert interviews. To measure administrative capacity

AA Implementation reports have been used. Moreover, the number of indicators of BTI -The Transformation Index provides valuable insights about the shortcomings or efficiency of administrative capacity in countries. To account for the role of corruption, which is often taken into account as a negative factor determining administrative capacity (BTI), data from the Corruption Perceptions Index by Transparency International has been used.

Lastly, to measure external influence, statistical information regarding the trade and Foreign Direct Investment (FDI) has been extracted from the data available at the National Statistics Office of Georgia (Geostat.ge) as well as from the Energy Policy Review by the International Energy Agency and Electricity Market Operator (ESCO).

When measuring individual variables, each of the indicators will be assigned a number to determine the strength. 0-none (for External Influence only), 1-weak, 2-medium, 3-strong. The exception being administrative capacity, where 3=weak, 2=medium and 1=strong, because

strong administrative capacity, contrary, for example, to veto players, translate into lower adoption costs. Another exception is the external influence, where in addition to weak, medium, strong, there is 0=None. After measuring each indicator individually, the arithmetical mean will be calculated to determine the overall degree of each variable - $[0;1.5]$ =low, $(1.5;2.5]$ =medium $(2.5;3]$ =high.

5. Analysis and Research Results

5.1 Introduction

This chapter will measure each indicator as described in the methodology chapter to assess the degree of each variable. First of all, the results of the empirical data analyses about EU incentives and Georgian commitment will be discussed. Next, the degree of veto players and administrative capacity will be measured to determine the level of domestic adoption costs. Lastly, external influence will be analysed by looking at Russian leverage and comparing it to the EU where relevant. All the measurements will be done on a sectoral basis where possible, with a few exceptions.

5.2 EU Incentives

Firstly, the chapter will start by analyzing the size of rewards that the EU promises Georgia in exchange for approximating the domestic legislation with the EU *acquis*, followed by the different factors that influence the determinacy of the set conditions and the credibility of rewards promised to Georgia.

5.2.1 Size of Rewards

Most of the benefits of meeting conditions set by the EU in the trade policy area are covered under the DCFTA part of the AA. Even the provisional DCFTA application before it fully entered into force removed customs tariffs and quotas and comprehensively approximated trade-related laws and regulations with the EU standards. DCFTA provided for Georgia trade opportunities and a roadmap that allows the modernisation and acceleration of domestic industries. It facilitates Georgia's "progressive integration with the EU single market" (European Commission 2016a, 2). Integration of Georgia to the EU Single market is the ultimate objective of the EU-Georgia AA/DCFTA. This is specified in the AA document ("European Union - Georgia AA" 2014, 7). Additionally, it is mentioned in the annual Association Implementation Reports published by the European Commission and reports on the implementation of the EU AA with Georgia by the European Parliament (European

Commission 2016a, 2). In the latest report by the European Parliament (2020, 15), the EP called on the European Commission "to be more vocal in setting the target of the access to the Single Market for Georgia and step up initiatives aimed at deeper sectoral integration to achieve more policy convergence of Georgia with the EU and make the deliverables of bilateral cooperation more visible and measurable for both sides". Therefore messages from Brussels have been clear - Georgia is not promised membership in exchange for implementing the AA/DCFTA but instead access and gradual integration with the EU market (European Commission 2016b).

Although the AA/DCFTA was developed to facilitate closer linkages between the EU and countries without a membership perspective, it nevertheless brings tangible benefits for Georgia in the trade policy area along multiple channels. Benefits of the AA/DCFTA vary from short and medium term to long term. The "trade" and "deep" aspects of the DCFTA respectively focus on the elimination/reduction of tariff and non-tariff barriers to bilateral trade. They are aimed at easing access to the EU market and boosting exports.

Noteworthy, the AA includes an option of adding an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) as a protocol of the AA ("European Union - Georgia AA" 2014, 21). It will allow the EU and Georgia to trade products under the same conditions as between the Member States. However, it will become part of the agenda after Georgia fully approximates the relevant sectoral legislation with that of the EU (ibid). Nevertheless, the EU remains Georgia's largest trading partner. In the first eleven months of 2020, trade turnover between the EU and Georgia amounted to EUR 2.1 billion (\approx 2.6 billion USD) (European Commission 2021, 2). Liberalisation of imports over time led to more efficient domestic industries and lowered intermediate and final goods prices. On the other hand, strict EU requirements will lead to higher quality and more competitive products over time (Adarov and Havlik 2016, 24). The regulatory approximation is also expected to improve the supportive and stable business environment and facilitate FDI flow. Empirical data supports this argument.

Year	World Rank
2014	24
2015	23
2016	16
2017	9
2018	6
2019	7

Table 5. Ease of Doing Business ranking, Georgia. (2014-2019). Author’s elaboration (based on The World Bank Ease of Doing Business ranking)

In 2014 Georgia ranked 24th in the Ease of Doing Business according to the World Bank annual ranking. It reached the 6th position in 2018 and currently holds the 7th position in the world. There has been a gradual increase in the trade between Georgia and the EU since 2014 from \$2.7 billion to \$3.1 billion in 2019. FDI from the EU to Georgia has followed a similar pattern, growing from \$425 million in 2014 to \$656 million in 2019. With a significant inflow of FDI over \$800 million per year in 2014, 2015 and 2017 (geostat.ge.).

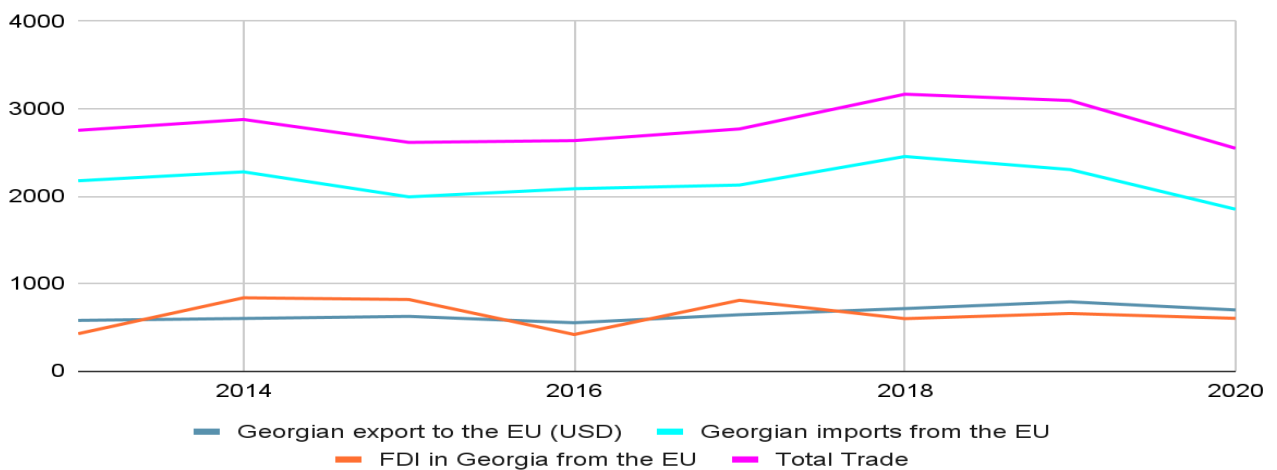


Figure 2. Georgia-EU Trade and FDI in USD (2014-2020). Author’s elaboration (based on Geostat.ge)

Regarding specific products, although Georgian imports from the EU between 2014 and 2019 mainly remained the same, except for an increase of 2135% in imported machinery for mining industries, there has been a significant structural change in the Georgian exports to the EU between the same period. Namely, copper ores and concentrates accounted for over 50% of total Georgian exports to the EU, with \$462 million in value in 2019 (256% growth compared to 2014). Traditional Georgian exports such as wine and mineral water also saw a steady increase between 2014 and 2019 with 52% and 39%, respectively (geostat.ge).

It has been argued that the effects of the DCFTA implementation are distributed unequally over the implementation period, and the full benefits will be felt by the target country in the long run and will heavily depend on the implementation of certain aspects of the agreement (Adarov and Havlik 2016, 70). In the interview, Vato Lejava (2021) described this as "There is a lot of pain before gain". Therefore, the empirical data does not fully represent the incentives promised by the EU as the implementation process is still ongoing. The economic incentives offered by the EU are there, and the real-life benefits will depend on Georgia's commitments to approximate domestic legislation with that of the EU. However, the access to the EU single market remains the highest reward promised to Georgia by the EU.

Rewards promised by the EU in the energy and environment policy areas are similar with the trade - access and integration into the EU market through regulatory convergence (European Commission 2017a). Alignment of the domestic legislation with the EU *acquis* is in accordance with the priorities of the Georgian government: diversification of the energy market, increasing energy supply security, strengthening of regional cooperation, increasing energy efficiency, etc. An important incentive was the accession to the Energy Community on July 1st 2017. This membership brings additional benefits for Georgia, such as creating a competitive and sustainable energy system with increased customer's rights, increased transparency and cut down corruption in the sector (Civil Georgia 2017). Moreover, the Energy Community covers environmental protection and assists in approximation with European legislation, implementation of the AA, which ultimately will lead to Georgia's integration in the pan-

European energy market and the EU single market (Kochladze et al. 2015, 4). Among the energy sector-related initiatives, Georgia is part of the EU4Energy Initiative, which "aims to improve energy data and statistics quality, shape regional policy-making discussions, strengthen the legislative and regulatory framework, and improve access to information in the partner countries" (Zygierewicz 2020, 16). EU4Energy programme for 2016-2020, which has a budget of €21 million, is an essential component of the initiative (ibid, 17). EU driven incentives to align domestic legislation in the environment sector is closely linked with the attractiveness of the single EU energy market as those two sectors are intertwined. Therefore, the development of energy and environmental policies in Georgia, which is happening with the active support of the European Union, are in line with each other. The EU assists by initiating important environmental programmes, green economy, renewable energy and energy efficiency, such as the EU's Black Sea Basin Cross-Border Cooperation (European Commission n.d.).

The European Union's support is not limited to funding relevant projects. Georgia receives essential support in developing domestic action plans and legislation that will help with the approximation process. One of the latest examples of that is a high-level policy talks event organised by the EU4Energy Governance to support Georgia with developing the National Energy and Climate Plan (NECP). Top experts of the Energy Community Secretariat provide their expertise on relevant aspects of EU/Energy Community and climate policy and relevant EU regulatory and organisational practices (Energy Community 2020). Initiatives such as EU4Climate, funded by the European Union (EU) and implemented by UNDP, support the Georgian government in implementing the Paris Agreement, which Georgia officially joined in 2017 (agenda.ge 2017). Moreover, it works with the Georgian government to attract climate investments, helps with the alignment of domestic legislation with the EU *acquis* and enhances the technical qualification of people working in the sector.

5.2.2 Determinacy

Although voluntary approximation of domestic legislation with the EU laws, in general, will bring benefits to a country, there are additional benefits in the form of increased determinacy when carrying out an approximation process via AA/DCFTA and following Energy Community instructions, such as financial and technical support. Single Support Framework (2014-2016) and (2017-2020) outline those policy areas the EU is directing its financial assistance. The EU allocated EUR 610 million to EUR 746 million between 2014-2020. EUR 371million to EUR 453 million of which is for 2017-2020. The largest percentage of total allocations for 2017-2020 (40% or EUR 148-181.2 million) is for economic development and market opportunities (European Commission 2017c). The assistance aims to boost the benefits of the AA/DCFTA and regional trade, improve the business and economic environment, support structural reforms and approximation process in general (ibid).

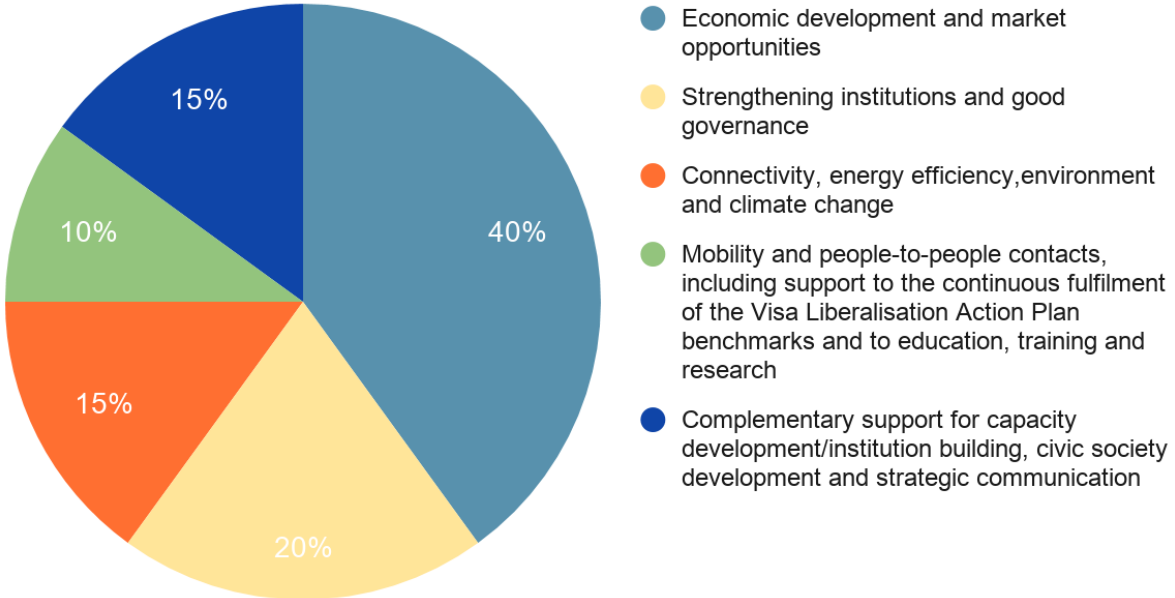


Figure 3. The indicative breakdown of the SSP Funding by sector. Author’s elaboration (based on the Single Support Framework for EU support to Georgia (2017-2020))

EUR 55.65-67.97 million (15% of total allocations) is for energy efficiency, climate change and connectivity. Among the objectives of fundings for energy efficiency, environment, and climate change are enhancing energy efficiency and increasing energy independence, improving energy interconnections for market development and security purposes, and meeting Paris Agreement targets (ibid). It is important to note that more specific objectives are closely connected with the obligations taken by Georgia under the AA. Moreover, each of the objectives outlined in the Single Support Framework documents have specific indicators as well as means of verification. This sort of breakdown clarifies to the target government what to do and how their progress will be assessed, thus increasing the determinacy of conditions. Additionally, each Single Support Framework document is being created, and prioritisation is performed in a correlation with the Annual Action Programmes, current and future Association Agenda's, and sector-specific action plans (ibid).

Georgia also benefits from the regional response package under the Team Europe initiative for support to the economy in the Eastern Partnership region (European Commission 2021, 17). The exact amount of financial support dedicated to implementing EU laws in each policy area is hard to determine due to the nature of regional programmes Georgia is part of, such as EU4Business, EU4Energy, EU4Innovation, etc. as they often combine assistance for multiple sectors (ibid, 18). Furthermore, Georgia benefits from EU Macro-Financial Assistance (MFA). The MFA operation that was launched in 2019 was completed in November 2020. Georgia received a total amount of EUR 150 million from this programme in the form of loans on highly favourable terms (ibid). EU is funding the Georgian Energy sector through various international financial institutions (IFIs): The EBRD is financing the EUR 5.7 million Svaneti hydropower plants (HPPs), the Kheladula HPP (costing EUR 24.6 million) and the climate-resilience-improvement of Enguri HPP (EUR31 million) (Lebanidze et al. 2020, 82). Another important financial support includes the loan agreement for EUR 90 million between Georgia and KfW signed in 2020. The second loan agreement for EUR 120 million was signed the same year with AFD. Additionally, Georgia received an EU grant for EUR 8.44 million

Neighbourhood Investment Platform (NIP). Germany provided an additional EUR 7.4 million grant funding for Energy Efficiency-Measures in Kindergartens in Batumi (ibid, 83).

We can conclude that the European Union is not only promising Georgia greater access to the European Market, elimination of numerous non-tariff barriers, legal system and institutions reforms, stabilisation of laws and high credibility of the country for foreign investors but also provides crucial financial assistance to implement those costly changes (Kawecka-Wyrzykowska 2015, 93). As all three sectors are part of AA/DCFTA and covered by the Energy Community, obligations taken by the Georgian side in trade, energy and environment policy areas are equally strong, determinacy of conditions and credibility of the rewards are similar. The EU is using several tools to increase the determinacy of the incentives. The EU-Georgia AA consists of different legislative approximation mechanisms specified in several parts of the Agreement. Individual chapters of the AA have different objectives. More specifically, the approximation provisions are found in Title IV(DCFTA), Title V (Economic cooperation), Title VI (Other cooperation policies) and Title VIII (Institutional, general and final provisions) (“European Union - Georgia AA” 2014).

“Georgia shall carry out gradual approximation of its legislation to EU law as referred to in the Annexes to this Agreement, based on commitments identified in this Agreement, and in accordance with the provisions of those Annexes. This provision shall be without prejudice to any specific principles and obligations on approximation under Title IV (Trade and Trade-related Matters) of this Agreement”.

However, dynamic approximation (Article 418) assumes that the Association Council has a right to periodically update the Annexes of the Agreement, therefore, change the legislation that the country needs to align to.

Documents such as Action Plan for Georgia (Council of Europe 2013; 2016; 2019) as well as EU-Georgia Association Agenda (European Union 2013; 2017), Single Support Framework

(European Commission 2017c; 2014) are being developed to support Georgia in the legal approximation process. Additionally, annual AA implementation reports published by the Council of Europe and European Parliament and expert studies on the implementation degree commissioned by the European Parliament Committee on Foreign Affairs (AFET) ensures that the EU is not only giving the directives to Georgia but monitors the implementation, helps to set the priorities and supports the target country throughout the process of European integration.

There are individual action plans that cover single or multiple sectors. For example, as a contracting party to the Energy Community Treaty, Georgia is obliged to implement the energy *acquis* in force together with secondary legislation. The implementation of those obligations is assessed based on comprehensive, multi-annual action plans and implementation reports (Energy Community n.d.). The aforementioned reports and action plans cover the energy and environment sectors. Furthermore, ambitious work plans such as "20 Deliverables for 2020" usually focus on a limited number of priority areas of cooperation. Priorities of the "20 Deliverables for 2020" included all three sectors discussed in this paper. All these monitoring mechanisms are used to actively assess the approximation of Georgian law to EU laws as defined in the AA and evaluate the degree of enforcement. Comprehensive assessment allows the EU to better sort out the priorities depending on the needs and possibilities. Those policy areas covered in the AA/DCFTA are similar in that regard. They are subject to close monitoring by the EU institutions either directly or through third-party reports. Georgia's progress regarding the implementation of the AA in general and in specific policy sectors is supervised by the Association Council, which is the highest formal institution under the EU-Georgia AA. (EU Neighbours 2021a). Additionally, the Delegation of the European Union to Georgia has the status of a diplomatic mission and officially represents the European Union in Georgia. The delegation's mandate includes monitoring the implementation of the AA between the European Union and Georgia and participates in the implementation of the European Union's assistance programs (Delegation of the European Union to Georgia 2016).

5.2.3 Credibility

Moving to the credibility of rewards, as Schimmelfennig and Sedelmeier (2020, 816) argue, "if the target government rejects, or fails to meet, the conditions, the EU typically withholds the rewards without applying coercive sanctions. It pays the reward if the target government fulfils the conditions". Similar logic applies to the commitments of the Georgian side. The economic dimension of the AA, which directly covers trade and trade-related energy issues and indirectly addresses the environmental sector, is based on conditionality (Eteria 2020). Fulfilling the set conditions is essential to establish the EU compatible economic system and get the most out of the offered benefits by the DCFTA.

Firstly, there are mechanisms in the AA. Namely, Chapter 14 of Title IV covers the disputes regarding the DCFTA part of the Agreement. Also, Articles 421 and 422 cover the dispute settlement and appropriate measures in case of non-fulfilment of obligations outlined in the rest of the Agreement respectively ("European Union - Georgia AA" 2014, 136). Those articles outline technical procedures in place in case of disputes concerning the AA's interpretation, implementation, or application. For the trade and trade-related energy policy areas, the first actions in case of dispute are consultations and mediations (ibid, 96). If the parties fail to resolve the dispute by consultations, the arbitration procedure is next (ibid, 97). Suppose, after all those measures the party complained against fails to demonstrate that it has taken measures to comply with the arbitration panel ruling in a reasonable period of time, which is described in Article 255 of the Agreement. In that case, the arbitration panel concludes that the party's obligations and actions are inconsistent with each other, the complaining party can request temporary compensation. Suppose the complaining party decides not to request a temporary compensation or the Agreement is not reached even after the compensation. In that case, the complaining party has the right to "suspend obligations arising from any provisions' referred to in Title IV of the Agreement at an "adequate level". The number of options the complaining party has when suspending the obligations includes the "increase its tariff rates to the level applied to other WTO Members" (ibid, 100).

Procedures are slightly different in other policy areas not directly covered in the DCFTA part of the Agreement. Suppose the European Union is concerned with any dispute regarding the Agreement's interpretation, implementation, or application. In that case, it must exhaust every possible measure, such as submitting the request to the Association Council and other relevant bodies specified in Articles 407 and 409 (ibid, 132). If, after exhaustion of available procedures, the complaining party decides that the other party has failed to fulfil an obligation under the Agreement, it is allowed to take appropriate measures. First of all, the measures should be to disturb the functioning of the AA the least. Secondly, such actions should not cause the suspension of rights or obligations outlined in the Title IV (Trade and Trade-related Matters) of the Agreement, with few exceptions such as violations of the essential elements also referred to as General Principles of the Agreement and in the case of the AA "not sanctioned by the general rules of international law" (ibid, 136).

In sum, non-fulfilment of obligations under the AA can differ from appropriate measures depending on the sector and the violation's severity to suspend the obligations. The European Union can take away offered economic rewards by imposing previous tariffs and ultimately deny access to the EU market in respective sectors. The latter arises from the fact that access to the single market is permitted only after the domestic legislation is aligned with specific directives, regulations, recommendations and decisions responsible for trading a particular type of product. As will be discussed below, the slight delays from the schedule are not considered a severe violation, especially when the target country explains why the deadline has not been met. This decreases the credibility of conditions. It allows the target countries to delay alignment with the EU *acquis* in certain areas and not get punished. However, although it is not deadline-related, recently, the EU requested the arbitration under the EU-Ukraine AA, which is the first precedent of the EU pursuing a trade dispute under a bilateral preferential trade agreement. The dispute is related to Ukraine's export restrictions on certain materials such as timber and unsawn wood of certain species (Tobias Dolle 2020). This should signal to

other countries the EU has signed the AA with those mechanisms outlined in the Agreement will be activated when needed.

Experts specified the political and financial leverage during the interviews. Speaking about political leverage, Khaki Kenkadze (2021) outlined the importance of Article 78 – Integration into European and Euro-Atlantic structures of the Constitution of Georgia. According to Kenkadze (2021), if a ruling or any other political party in Georgia openly declares that they are refusing to follow the EU instructions and consequently receive a harsh critique from the EU, they will be "politically dead" lose legitimacy. In general, according to Lebanidze, a positive attitude from the EU towards Georgian political forces is one of the primary sources of their legitimacy (Lebanidze, 2021).

Regarding financial leverage, the conditionality of the Macro-financial Assistance (MFA) provided to Georgia are outlined in the Memorandum of Understanding between the European Union and Georgia (2020) and differ from each MFA. For example, the recent Memorandum of Understanding outlines the implementation of specific reforms in the energy policy area as a conditionality for the disbursement of the second instalment. The previous Memorandum of Understanding (2018) covers trade and financial sectors. The one published in 2013 addresses the commitments in trade and competition policy areas. It should be mentioned that the Memorandums (2013; 2018; 2020) are not limited only to those policy areas mentioned above and cover a wide range of aspects such as public finance management, governance, labour market, etc.

However, the degree of conditionality linked to EU Macro-Financial Assistance and budget support programmes are not fixed. In April of 2021, seven MEPs from four of the five largest groupings in the European Parliament, including the chairs of the EU relations with the South Caucasus, foreign affairs as well as the parliament's rapporteur on Georgia, signed a statement after "hastily designed and adopted" changes to the selection process of the Supreme Court Justice as well as the failed negotiations between the Government and opposition. In the statement, MEP's called for consequences by suspending further disbursements of the future

financial aid and increasing conditionality linked to EU Macro-Financial Assistance and budget support programmes. This increases the credibility of financial incentives offered to Georgia by the EU (OC Media 2021; Civil Georgia 2021).

5.2.4 Summary

To conclude, the size of rewards in chosen policy areas are Medium as the EU does not promise membership to Georgia in exchange for the alignment of the domestic legislation with the EU *acquis*. However, bilateral relations in trade, energy, and the environment have gone beyond simple sectoral cooperation. This was clear after the provisional application of the DCFTA removed tariffs and quotas. Today Georgia is on its way to gradually enter the European Market and eventually sign the Agreements on Conformity Assessment and Acceptance of Industrial Products (Ministry of Foreign Affairs of Georgia 2019). Moving to the determinacy of conditions, according to the measurements outlined in the methodology chapter, the indicator is assessed as Strong in all three sectors. Firstly, the conditions Georgia has to meet to get the promised rewards of Single Market access and financial and technical assistance are outlined in the AA.

Moreover, since the two sides signed the Agreement in 2014, documents such as sector-specific action plans, Single Support Frameworks, AA as well as Energy Community annual implementation reports, etc. ensure that the Georgian side has a clear vision of what needs to be done to receive promised rewards from the EU. Furthermore, the EU is providing frequent feedback on the progress made and sets future priorities. Lastly, the credibility of threats and promises are Medium in all three sectors. Namely, in case of non-fulfilment of obligations, the EU has a mechanism at its disposal that can be used to withhold the promised rewards until Georgia meets the commitments. However, the financial assistance provided to Georgia is crucial for the country's development and implementation of the taken obligations. As a recent statement by the MEPs demonstrated, even if there is progress in specific sectors, the crucial financial aid may come into question by failing to meet the expectations and going against the values of democracy and good governance. Therefore, in some instances like that, the speed of

reward depends on different conditions other than the ones related to only trade, energy or environment policy areas. With all those indicator assessments in mind, the overall EU incentive measurement looks as follows:

		Trade	Energy	Environment
EU Incentives	Size	Medium (2)	Medium (2)	Medium (2)
	Determinacy	Strong (3)	Strong (3)	Strong (3)
	Credibility	Medium (2)	Medium (2)	Medium (2)
	Overall	Medium (2.3)	Medium (2.3)	Medium (2.3)

Table 6. Measurement of degree of EU Incentives in trade, energy and environment sectors (2016-2020). Author’s elaboration

5.3 Commitment

To assess the commitment of the Georgian side to adopt the EU rules and regulations and meet the undertaken commitments, this paper will analyze the number of EU instruments adopted and enforced as well as delayed implementation cases. Furthermore, qualitative assessment of each sector by the European Commission and European Parliament, Energy Community and Georgian parliament implementation reports, as well as evaluations by NGO’s will be used for the assessment of the variable.

5.3.1 General overview

Unlike provisions of the EU-Georgia Partnership and cooperation agreement (PCA) and ENP Action Plans signed previously, approximation clauses outlined in the EU-Georgia AA are of a binding nature. By signing the AA with the EU in 2014, Georgia committed to approximate its legislation with the EU *acquis*. According to the 2019-2020 Action Plan of The Parliament of Georgia, Georgia is committed to approximate domestic legislation with at least 346 EU

directives, 213 EU regulations, 57 EU decisions and 31 EU recommendations. Half of the undertaken obligations, more specifically 128 directives, 56 regulations, 11 decisions and three recommendations, must have been fulfilled by the end of 2020 (Parliament of Georgia 2019, 6). Georgian parliament measures the approximation process in 21 different sectors. Out of those 21 sectors, 11 are relevant to this study. (See Table 6) When analyzing given sectors in the Georgian Parliament data, the ones relevant to this study cover either one or two sectors from trade, energy, and/or environment (aa.ge).

Sectors specific to this study	Sectors from the data provided by the Georgian Parliament
Trade	<ul style="list-style-type: none"> • Customs • Public Health • Rules applicable to postal and courier services • Rules applicable to financial services • Food safety • International maritime transport • Financial services • Telecommunications
Energy	<ul style="list-style-type: none"> • Energy
Environment	<ul style="list-style-type: none"> • Environment • Public Health • Climate Action • Energy

Table 7. Sectors in which the approximation is measured by Georgian Parliament. Author's elaboration (based on aa.ge)

According to the Georgian Parliament's official data and the analyses of annual action plans of the Committee on European Integration - Parliament of Georgia, the sectoral approximation of domestic legislation looks as follows. Out of the 11 sectors listed above, Georgia has adopted or enforced at least 21 directives, 55 regulations, two recommendations and ten decisions (aa.ge). Total of 88. The list of adopted or enforced obligations divided between three sectors looks as follows: Trade - 77 (enforced 33, adopted 44), Energy - 3 (enforced one adopted 2), Environment - 10 (enforced 6, adopted 4). Many EU instruments regarding the energy and

environment sectors are specified in the Energy Community treaty. According to the data provided by the Committee on European Integration of Georgian Parliament, adoption is described as a stage at which the approximation of Georgian legislation with EU *acquis* is completed, but the norm is not enforced. On the other hand, in the case of enforced instruments, the approximation is completed, and the norm is in force (aa.ge).

Further analyses of the action plans of the Committee on European Integration between 2018-2021 showed that there were delays in the implementation and adoption of some rules from environment and trade policy areas. Namely, at least 9 of those obligations that had a deadline by 2020 were listed in the newer action plan with a new deadline according to the abovementioned action plan. Therefore, it can be assumed that previous deadlines have not been met.

5.3.2 Commitments in the trade sector

Firstly, the overall assessment by the European Commission and the European Parliament of Georgian progress in the trade policy area starting from 2016 has been positive (European Commission 2016a; 2017a; 2019; 2020a; 2021). Even before the AA fully entered into force, the Georgian side had demonstrated commitment to approximate domestic legislation with the EU *acquis*. For example, before 2016, Georgia has improved market surveillance, the National Food Agency (NFA) has more than doubled its control operations regarding sanitary and phytosanitary measures. It started working towards legislative approximation with the new EU Customs Code, entered in 2019 (European Commission 2019). Georgia has also progressed in applying the Pan-Euro-Mediterranean system of preferential rules of origin and the rules such as the Authorised Economic Operators (AEO) (European Commission 2017a, 1).

More progress was made in the following years when the Georgian National Food Agency became a member of the European and Mediterranean Plant Protection Organisation (EPPO), which led to the improvement of the NFA phytosanitary control programme (ibid, 7). As a result, the European Commission listed additional Georgian products such as Black Sea fishery,

honey and raw wool as eligible for export to the EU market. According to the latest data, Georgia has been working on approximation and implementation of 272 EU agri-food legal instruments since 2010, with the deadline set to 2027. As of 2019, Georgia had approximated 101 standards. This number reached 169 by 2020 (European Commission 2020a, 13; 2021, 13). Georgia has advanced by approximating legislation regarding intellectual property rights by preparing and drafting amendments in Georgian IPR legislation, which was adopted in the following year. By 2020 Georgia has reformed Georgian intellectual property laws in line with the AA (European Commission 2019, 3).

Regarding the technical trade barriers, the recent data shows that Georgia has adopted 16,000 standards, out of which 8,000 represent European ones (European Commission 2021, 13). Latest progress in the trade-policy area includes the Georgian Accreditation Centre (GAC) becoming the signatory to the European Accreditation Bilateral Agreement and gaining international recognition, the finalisation of the Food Safety Strategic Implementation Plan of the Agricultural and Rural Development Strategy of Georgia 2021-2027, joining the Common Transit Convention (CTC) by the Georgian Revenue Services (GRS), amendment of the Law of Georgia on Competition (European Commission 2017a, 7; 2021, 14; Georgian National Competition Agency 2020).

Moreover, AFET commissioned expert studies that concluded that some of the DCFTA approximation procedures required by the AA are ahead of the schedules. Georgia had a head-start compared to other DCFTA states regarding trade liberalisation as it scrapped most of the tariffs even before signing the agreement (Zygierewicz 2020, 32). It also went further by making free trade agreements with Hong Kong and China and currency negotiating with India. Georgia wants to establish itself as a bridge between the EU and the Asian markets. Although this goal is still far from being accomplished, the policy prerequisites are being put into place (ibid). The national exhaustion regime regarding the trademarks still does not comply with the provisions of the DCFTA (European Commission 2021, 14). Moreover, the legal framework on the protection and quality control system of Geographical Indicators in compliance with the

EU legislation, which should have been revised, is being delayed. Assessment by the European Commission has been relatively sceptical with regards to public procurement. Although the Government and State Procurement Agency (SPA) continues to provide the alignment of the legislation, as of 2020, the roadmap developed in 2017 is still on phase one out of five, with the deadline for all phases being until 2022 (European Commission 2017a; 2021). Also, the Commission concluded that actions approved by the Parliament of Georgia in 2017, such as creating a new review body with representatives of different governmental and non-governmental entities, “does not comply with the requirements to set up an independent and impartial review body as set out in the DCFTA” (European Commission 2019, 9).

However, the Georgian parliament made amendments based on which the new independent and impartial body will soon be established as required by the DCFTA (European Commission 2021, 14). The recent legislation on public-private partnership (PPP) also received criticism as not complying with the relevant EU legislation in the field. Namely, with the Directive 2014/23/EU on the award of concession contracts.

5.3.3 Commitments in the energy and environment sectors

One of the key events in Georgia's energy and environment policy areas was becoming a Contracting Party to the Energy Community on 1 July 2017 (Energy Community n.d.). The protocol of accession to the Community provided a timeframe for implementing important energy market reforms under the AA (European Commission 2017a).

Energy Community annual implementation reports provide specific data on the transposition performance of Georgia. The data covers all the sectors of the Energy Community, which, concerning this research, includes both energy and environment. When looking at the overall summary of both the energy and environment sector between 2018 and 2020, Georgia has made noticeable progress in the transposition of the obligations taken under the Energy Community Treaty.

Firstly, Georgia has improved its implementation performance from 23% according to the 2018 Report, which is the first report that included Georgia, to 36% in 2020 (Energy Community Secretariat 2018, 63; 2020, 62). This is the most significant increase in the last three years by any other contracting party, except for Ukraine that also scored over a 12% increase in 2020. Secondly, Energy Community reports assess the transposition degree varying from complete to partial and no transposition progress. According to the data, Georgia excelled in the transposition of the energy and environment-related legislation similar to the implementation performance. Namely, if in 2018 Georgia had no transposition progress in 41% of the selected indicators, which are under the AA and Energy Community Treaty obligations, the number was reduced to 38% and 14% in 2019 and 2020, respectively. The degree of partial transpositions has also decreased from 49% in 2018 to 39% in 2020. This was due to a notable increase in full or significant progress, which, according to the latest data, reached 44% compared to 16% and 11% in the previous two years (ibid).

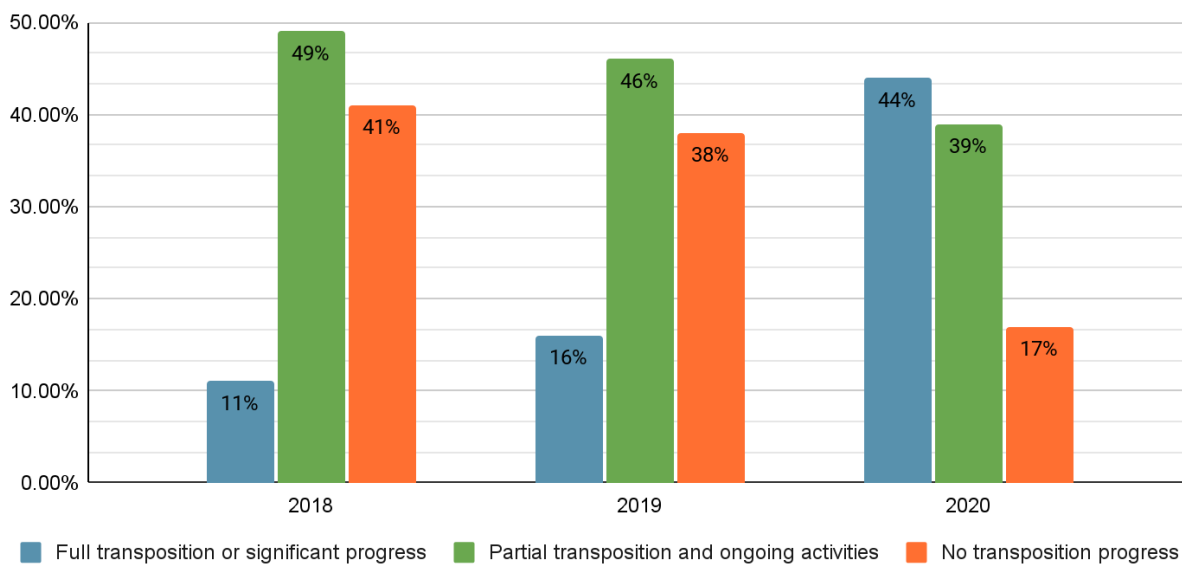


Figure 4. Energy Community Treaty Transposition Assessment (2018-2020). Author’s elaboration (based on the Annual Implementation Report Energy Community (2018, 2019, 2020))

Countries' summary implementation by the Energy Community provides valuable insight on the implementation status of energy and environmental *acquis*. Reports use several sector-specific indicators for the assessment such as electricity, gas, oil, renewable energy, energy efficiency, environment, climate, infrastructure, statistics and cybersecurity, with the latest being added in 2020 for the first time in case of Georgia (Energy Community Secretariat 2018; 2019; 2020). To adjust those indicators to the policy areas relevant to this paper, environment and climate indicators will evaluate the environment sector. The other indicators will be used to assess implementation and transposition in the energy sector.

The analyses showed that the progress is being unevenly distributed even within individual sectors. Starting with the energy sector, implementing the energy *acquis* in gas, oil and infrastructure sectors is yet, to begin with, implementation status in those sectors varying from 13% in the gas to 20% and 3% in oil and infrastructure, respectively. Overall, the implementation status in the infrastructure is the lowest among all the sectors. On the other hand, the implementation in the renewable energy sector and cybersecurity are still at an early stage. With renewable energy being implemented at 33% and cybersecurity at 29%. More advanced sectors in the energy policy area include electricity - 52%, energy efficiency, 44% and statistics - 99%, with the implementation process in the latter being almost completed (Energy Community Secretariat 2020, 62).

We can see that the implementation was unevenly distributed between the different sectors within the energy policy area. While Georgia has almost finished implementing legislation related to the statistics, it's still lagging in the infrastructure and gas sectors. Therefore, energy policy area-related sectors have an average implementation degree of 36%.

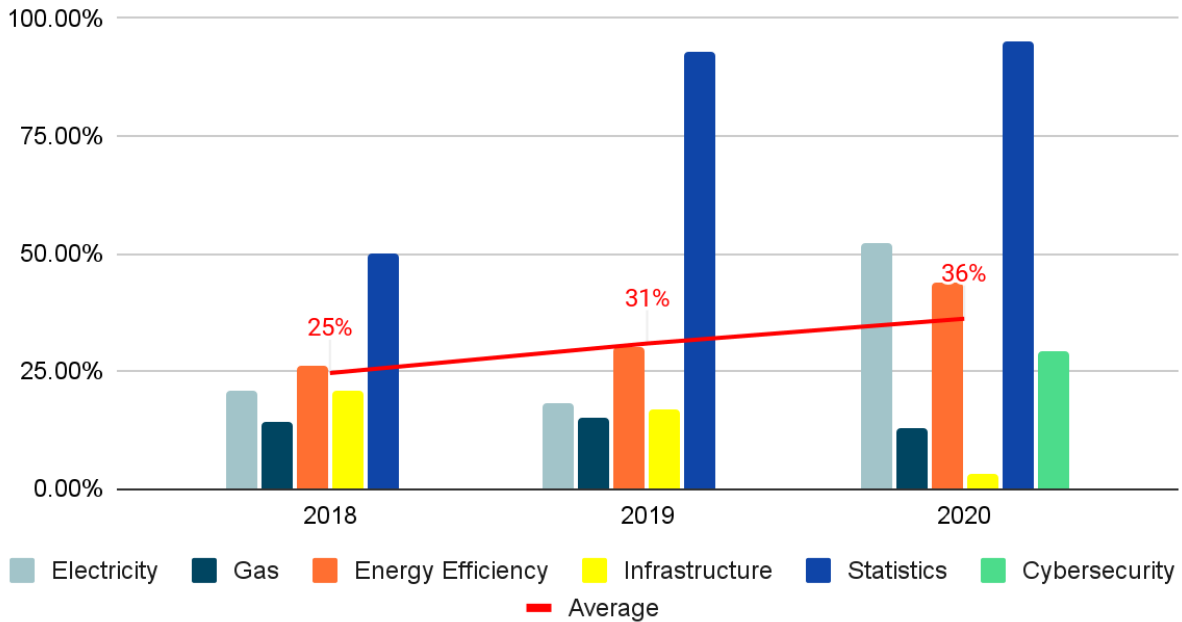


Figure 5. Energy Implementation Summary (2018-2020). Author’s elaboration (based on the Annual Implementation Report Energy Community (2018, 2019, 2020))¹

Moving to other important evaluation mechanisms, the annual reports by the European Commission have given a moderate assessment to Georgia in the energy sector. The main criticism has been the lack of an energy efficiency policy framework in 2017, which has been a repeating remark in future implementation reports (European Commission 2017a, 13). Followed by the criticism from the European Parliament and urging Georgian authorities to develop a national energy strategy that would reduce the level of energy subsidies and improve the country's position in energy security and energy independence (European Parliament 2018). Moreover, according to the 2020 report, Georgia missed the critical deadlines for implementing energy *acquis* under the AA and the Energy Community Treaty (European

¹ Author was not able to determine why exactly some of the sectors, such as electricity, renewable energy, oil and infrastructure had lower implementation either 2019 or 2020 compared to the previous year. This could have been due to the change criterias in assessment such as assessment indicators and/or dynamic approximation when the number of legislations the country has to align to changes over time.

Parliament 2020). However, there have been positive sides as well in the assessment reports. Namely, the promotion of the construction of the new hydropower infrastructure and expanding Georgia's renewable energy mix (European Commission 2017a, 13). Adoption of the Energy and Water Supply Law and the Renewable Energy Law in 2019, laying the basis for the implementation of energy efficiency policies by adopting the Energy Efficiency and the Energy Performance of Buildings Law in May 2020, has also deserved a positive assessment by the Commission (European Commission 2019, 13).

Increased energy supply security is one of the deliverables for 2020. The analyses of "Georgia's Implementation of 20 Eastern Partnership Deliverables for 2020" demonstrated that several projects that Georgia is involved in the energy sector had received criticism. (Lebanidze et al. 2020, 78). Namely, planned rehabilitation of the hydropower plant Vardnili 2,3 and 4 with EUR 94 million, according to the report, has questionable consequences due to them being located in the occupied territory of Abkhazia (ibid, 83). Experts assess this as a potential for Russia to increase leverage over Georgia (ibid). Another project that, according to the expert opinion, requires comprehensive investigation as there are elements of corruption or at least neglect of public interest is the HPP Shuakhevi which was funded by the EBRD and Asian Development Bank and International Finance Corporation. Firstly, the project received criticism due to environmental problems. The sceptical attitude was elevated due to the major tunnel failure that required an additional US 300 million investment on top of the initial USD 400 million (ibid). This financial damage was passed on to the Georgian citizens without investor responsibility and public disclosure. Cases like these that address EU funded projects that have questionable consequences, low level of transparency and accountability raises questions regarding the overall commitment of the country to utilize the funding it receives from the EU in the most efficient way possible and increase the awareness in public about the costly failures as described above.

Georgia 2020 Energy Policy Review by the International Energy Agency (IEA) matches the overall rhetoric of the EU commissioned implementation reports and reports on implementing

20 Deliverables regarding Georgia's commitments in the energy sector. Georgia's energy security situation has improved in recent years as the country is importing natural gas, which is Georgia's primary energy source, from Azerbaijan rather than Russia (International Energy Agency 2020, 14). However, energy security is still questionable. The Georgian Oil and Gas Cooperation report concluded that the risks and threats to the country's natural gas sector are high as infrastructure failures and the lack of strategic fuel reserves could lead to undesirable results (ibid, 43).

Additionally, the latest reports show that due to slow progress up until this point, some of the future deadlines most likely will not be met. Namely, the obligation to maintain minimum stocks of crude and/or petroleum products is the EU *acquis's* requirement (ibid, 14). However, the Georgian side demonstrated a commitment to align the domestic energy sector with EU regulations by drafting primary legislation and developing secondary legislation with IFIs and various donors (ibid, 33).

As data illustrates, Georgia has advanced in both environment and climate sectors of the energy community over the past three years, with an overall implementation increase from 27% in 2018 to 35% in 2019 and eventually reaching 48% in 2020, according to the latest available data.

The overall assessment of the progress in the environment sector according to the annual implementation reports commissioned and/or prepared by the EU has been positive. Georgia has progressed in the legal approximation under the AA. In the first couple of years after signing the Agreement, Georgia adopted a number of policy papers and laws in the sector, such as a new Waste Management Code, a Waste Management Strategy and new rules on the export and import of dangerous chemicals (European Commission 2016a, 11).

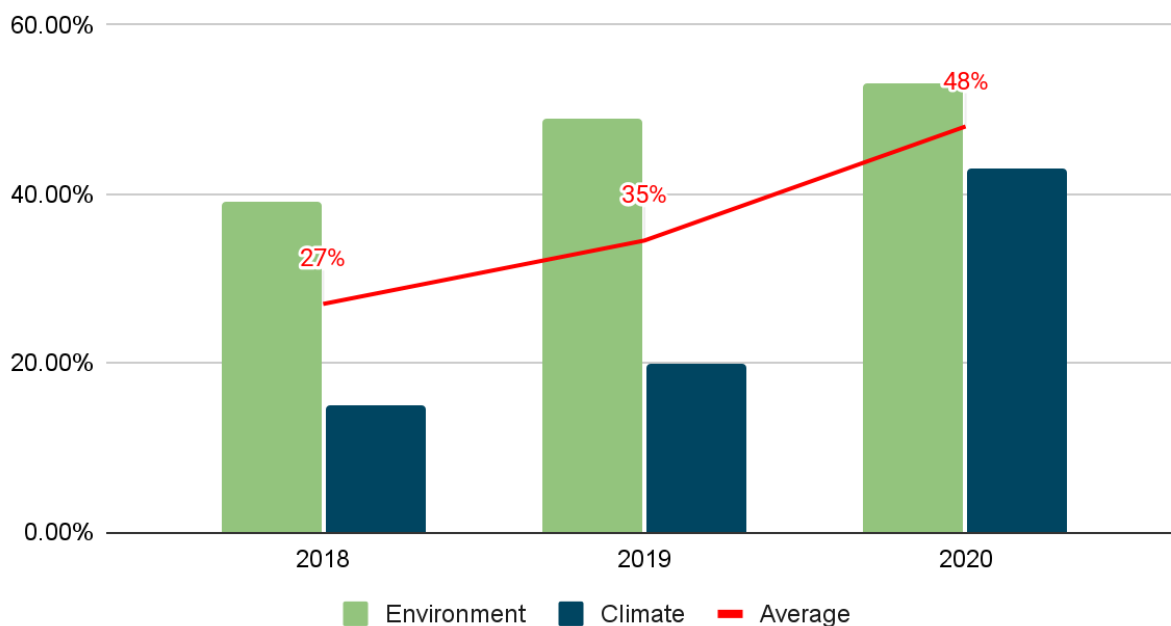


Figure 6. Environment implementation summary (2018-2020). Author’s elaboration (based on the Annual Implementation Report Energy Community (2018, 2019, 2020))

Later in 2018, Georgia adopted its 3rd National Environment Action Programme (2017-2020), which is the main strategic document in the field of environment (European Commission 2019, 15). Important legislation adopted in recent years includes the Law on Ambient Quality Protection, gradual implementation of the concept of Extended Producer Responsibility and adoption of the new Forest Code of Georgia (European Commission 2021, 15). Specific sectors within the environment and climate action have advanced more than the others. Advanced sectors include waste management, which has received adequate resources for expansion and modernisation in recent years. Moreover, Georgia has been receiving crucial technical assistance for the implementation of municipal plans.

The country has been working on improving the capacity for enforcement, which remains one of the weaker links in different sectors, including the environmental policy area (European Commission 2019, 15; Lebanidze et al. 2020, 90). However, specific necessary steps still have

to be made, such as the adoption of the long-term Low Greenhouse Gas Emission Development Strategy (LEDS) and its new nationally determined contribution (NCD), which are required under the Paris Agreement (European Commission 2021, 15). 24 out of 50 Georgian municipalities have joined the Covenant of Mayor's initiative (COM). Ten cities have already submitted sustainable energy action plans (SEAPs) and committed to cut the CO₂ emission by 20% by 2020. However, since the development of the SEAPs, there has been little to no progress by those cities in monitoring the implementation (Lebanidze et al. 2020, 84).

Energy Community implementation reports provide a more comprehensive assessment of transposition and implementation of the EU *acquis* in the environmental policy area. Main indicators for the environment sector outlined in the reports include Environmental impact assessment (EIA) and strategic environmental assessment (SEA), sulphur in fuels, large combustions plants and industrial emissions, nature protection, national energy and climate plans (NECPs) as well as National greenhouse gas emissions monitoring and reporting systems. Detailed analyses of the reports between 2017 and 2020 demonstrated that Georgian commitment has been moderate. On the one hand, it excelled in certain aspects of the sector while falling behind and not meeting deadlines in the others (Energy Community Secretariat 2020, 62). For example, the Environmental Assessment Code and secondary legislation related to the code comply with the provisions of the directives on environmental impact assessment and strategic environmental assessment (Energy Community Secretariat 2020, 74). However, Georgia has not yet transported the provisions of any of the Directives related to the abatement of emissions from large combustion plants, and the country also missed the deadline for the transposition of Article 4(2) of the Wild Birds Directive, which was on 1 September 2019 (ibid, 73). None of the above-mentioned delays is considered enough to invoke the dispute resolution mechanisms included in the AA and Energy Community Treaty. According to the latest data, Georgia, together with Montenegro and North Macedonia, are the only three contracting parties with which the Energy Community has no ongoing disputes (ibid, 10).

5.3.4 Summary

To conclude this subchapter, Georgian commitments will be assessed as medium. Although Georgia has advanced in all three sectors in adopting and implementing rules and received overall positive assessment according to multiple reports, the adoption and implementation degree within different aspects of individual sectors remain uneven. The analysis of the trade sector showed that the alignment with the *acquis* according to the DCFTA part of the AA is mostly going according to the schedule. However, Georgia missed several key deadlines regarding the number of directives and regulations as described above. Similar patterns can be observed in both energy and environmental policy. Although compared to other members of the Energy Community performance of Georgia might not strike as outstanding, it is the last member to join the community in 2017 that should be considered. The energy community assessed the transposition performance of Georgia as 44% fully or significantly implemented with no transposition progress in just 17% of the indicators (Energy Community Secretariat 2020). However, missed deadlines, problems with implementation degree, and questionable projects have been outlined in the implementation reports by the European Commission, European Parliament, and independent NGOs. Overall, although differences between the sectors and chosen indicators have been described above, none of them goes beyond the medium range of assessment as described in the methodology chapter. Therefore, with all those indicator assessments in mind, the overall Commitment measurement looks as follows:

	Indicators	Trade	Energy	Environment
Commitment	Rule Adoption Assessment	Medium (2)	Medium (2)	Medium (2)
	Rule Implementation Assessment	Medium (2)	Medium (2)	Medium (2)
	Overall	Medium (2)	Medium (2)	Medium (2)

Table 8. Measurement of Georgian commitment in trade, energy and environment sectors (2016-2020). Author’s elaboration.

5.4 Domestic Adoption Costs

5.4.1 Veto Players

According to Freedom Barometer (n.d.), influential individuals, business interests and religious groups often intervene in a country's political processes. "Close ties between business and political elites in the country have significant influence over decision-making as well, itself thus often serving rather for personal or group benefits than for public interest" - says the latest report by the Freedom Barometer. Bidzina Ivanishvili, a former prime minister, the richest man and the only billionaire in Georgia, has been named the most prominent and influential person on the Georgian political scene in several researches and interviewees (Transparency International 2020; Loladze 2021). For example, according to the recent research by Transparency International (Transparency International 2020, 1), "Ivanishvili has successfully managed to place key Georgian public institutions, including ones supposed to be independent by law, in the service of his private business interests and security". The same report concluded that the signs of state capture by Ivanishvili are evident in all three branches of government in Georgia. According to Loladze (2021), it is clear that although Ivanishvili formally left the position as the chairman of the ruling party in January 2021, he still keeps control over the important decisions in the country.

Margvelashvili (2021) expressed his concerns in the interview that the energy sector in general, more than most other ones, is famous for falling under the influence of business elites, and Georgia is no exception in that regard. However, due to much narrow circle of influence and all other veto players having connections with the government, compared to, for example, Ukraine, where there is a conflict of interest, most of the activities in individual sectors are hard to expose and remain undetected.

Nevertheless, the case of Ivanishvili's cousin, Ucha Mamatsashvili, has come under the spotlight recently when it has been revealed that his company plays a role of a third party between Georgia and Azerbaijan when trading electricity. The company receives around \$9 million annually (report.ge 2020; Loladze 2021). Yet another large-scale scheme that addresses

the environmental sector is regarding Georgian Manganese, which is the largest producer and exporter of ferroalloys and manganese ore in Georgia. In 2017, the foreign owner of the company had deprived of the right to run the company by the Georgian government due to the damage caused to the environment of roughly \$131 million. According to Georgian law, in similar cases, the state has a right to appoint a special manager instead of the previous owner. Local environmental organisations such as "Green Alternative" are concerned with the case because even in 2020, there have been no changes in how the Manganese is being extracted. Furthermore, a recent investigation by Radio Free Europe/Radio Liberty (2021) found close links between the business group involved in the Georgian Manganese and the ruling Georgian Dream party. Alongside unofficial links, newly elected management of the Georgian Manganese has donated over \$157 million to Georgian Dream and political figures connected with it (ibid).

Moreover, instead of the \$131 million fine, Georgian Manganese paid only 5% of that to the state budget, according to Radio Liberty. Therefore, on one side, we have business and political elites benefiting from the current state of the Georgian Manganese. On the other side, we have damaged the reputation of the Georgian state for firing the foreign investor without a comprehensive investigation of the matter. At the same time, still nothing is being done to address the environmental side of the case.

Because of the power and wealth imbalance in favour of Ivanishvili, Loladze (2021) outlines public officials on a local level, such as representatives of municipal governments who have been in office during the previous and current ruling parties, that can be characterised as a veto player due to their power of influence. But, Loladze (2021) further explains that due to their limited influence outside of their region and especially on a national level, their direct contact with the implementation of any AA commitments has not been identified. Nevertheless, such precedents, together with the case of Mamatsashvili or the Georgian Manganese, make progress in good governance elements - transparency, responsibility, and accountability questionable.

When talking about veto players in Georgia, it's important to mention the case of the Anaklia deep-sea port that was expected to be a key hub for East-West trade. However, after a possible intervention from an unconstitutional veto player, the project faced unforeseen consequences. The US, one of the closest allies to Georgia and the EU, was highly interested in the project. The principal investor in the Anaklia Port Project was the Anaklia Development Consortium (ADC) which included one Georgian, three US, one UK and three EU companies. Moreover, the Georgian government invested \$100 million in the project (Hess and Otarashvili 2020, 4). However, starting from 2018, the position of the Georgian government towards the Anaklia project started to change. Georgian prime minister at that time, Giorgi Kvirikashvili, who was openly supporting the project, resigned after a committee meeting shortly after Ivanishvili officially returned to politics as the chairman of his ruling party. Since then, members of the ruling party who have left the Georgian Dream have talked about the aforementioned committee meeting. "There was a very critical and negative attitude towards the project, particularly towards the head of the consortium, Mamuka Khazaradze. This was apparent also in the aftermath of that meeting," - said Eka Beselia, a former Georgian Dream member and a lawmaker (netgazeti.ge 2019). It's noteworthy that Mamuka Khazaradze and Badri Japaridze are the founders of TBC Holding, the only Georgian company in the ADC. In 2016, shortly after the ADC was awarded the contract for the Anaklia deep-sea port project, Khazaradze purchased a bank partially owned by Ivanishvili and Kakha Kaladze, the mayor of Tbilisi. Despite the Anaklia deep-sea port being of crucial importance for Georgia both in terms of security and economic development, Khazaradze claimed that in 2017 during a personal conversation with Ivanishvili, the billionaire told him, "Let's leave Anaklia alone. You clearly don't understand geopolitics. What are the Americans doing in the Black Sea? I thought that a Chinese state company was supposed to be the investor, and now I don't see any prospects of that" (reginfo.ge 2018). Khazaradze remembers yet another personal meeting with Ivanishvili at his house, which was attended by Khazaradze, Ivanishvili, General Prosecutor, Irakli Shotadze and yet another businessman, Vano Chkhartishvili. Ivanishvili called the meeting to

settle a business dispute between Khazaradze and Chkhartishvili (Voice of America 2019). During the interview, Loladze (2021) said that informal meetings like that which are attended by the most influential people in the country and surprisingly by the General Prosecutor hint that important matters for the nation could be decided behind closed doors by the unconstitutional veto players. Moreover, Loladze claims that the events that unfolded in summer 2018 had signs of a politically motivated attack on certain individuals, namely Khazaradze and Japaridze. The general prosecutor's office launched an investigation into TBC bank on alleged money-laundering charges in 2007-2008. Loladze (ibid) argues that charges against one of the most important figures of the Anaklia Development Consortium made it "extremely difficult for the ADC to attract huge investments and carry out this mega project". Furthermore, a recent report by Transparency International (2021) finds clear links between the ownership of the Poti Free Industrial Zone and the role of Ivanishvili and Chkhartishvili. Poti deep-sea port is yet another important project with clear links to Ivanishvili and the ruling Georgian Dream. Namely, members and their business partners of Pace Georgia LLC, a company responsible for the expansion of the Poti port, have made significant donations to the Georgian Dream and President Salome Zurbishvili during the presidential election elections. According to the TI, Anaklia deep-sea port would have been significantly better than the port in Poti even after the reconstruction regarding the total investment, depth of vessels received and the port annual cargo processing capacity (ibid). It's not surprising that the US had a special interest in the project. Mike Pompeo, former Secretary of State, said during his visit to Georgia in 2020 that: "I communicated our hope that Georgia completes the (Anaklia) port project. The project and others will enhance Georgia's relationship with free economies and prevent Georgia from falling prey to Russian or Chinese economic influence" (Anaklia Development Consortium 2020). However, despite the full support from the US and the EU, in January 2020, the Georgian government cancelled contracts with the ADC, and all construction stopped (Hess and Otashvili 2020, 15). In sum, suspicious suspension of the project, which potentially would have been the single largest investment in the history of modern Georgia, by the

Georgian government, raises questions. Especially keeping in mind the informal meetings and business interests of one of the richest people in Georgia with significant political power.

During the interview, ENV_Gov (2021) said that the veto players are not characteristic of the environmental sector, as it is usually less politicised. She further stated that there were signs of the influence by the unconstitutional players in the management of natural resources, especially in regards to the mineral resources due to the economic benefit. Moreover, ENV_Gov (2021) clarified that most of the corruption cases in the environment sector are on a domestic level and directly don't address the AA commitments. The influence of unconstitutional players is mainly used to acquire special licenses or avoid specific regulations. There can be several explanations for why this is happening. For example, approximation of the legislation is a lengthy process, and either implementation mechanisms or full legal basis to ensure the effective functioning of newly adopted regulations are not in place. This is further confirmed in the report by Transparency International (2020, 3):" Even after several reform waves, the court administration remains in the hands of a small group of influential judges, which is commonly referred to as the 'clan'".

5.4.2 Administrative Capacity

The importance of administrative capacity in different sectors has been outlined in almost every AA and DCFTA implementation report on Georgia. Margvelashvili (2021) and Lebanidze (2021) stressed the importance of domestic factors such as the administrative capacity and the will of the Georgian government as the deciding factors when analyzing the degree of AA implementation. Georgia has been encouraged to assign highly skilled personnel for the activities related to implementing the Association Agenda (European Parliament 2018, 7). The Commission has been vocal about the significance of the effort from national authorities regarding the efficiency, accountability and capacity of the available resources to meet the commitments under the AA/DCFTA. Moreover, by looking at the assistance Georgia is getting from the EU in terms of financial and technical support, missions such as Twinning and Technical Assistance and Information Exchange (TAIEX), as well as overall rhetoric in the

implementation reports, the EU understand that the degree of commitments and influence of domestic adoption costs on the implementation level largely depends on the availability of external support to enhance the administrative capacity (European Commission 2019, 18; Zygierewicz 2020, 12).

Lebanidze (2021) stated that Georgia started an approximation process with a headstart regarding administrative capacity as between 2003-2012, the country significantly advanced in building important state institutions and improving administrative capacity compared to what it was in the 1990s. However, problems related to administrative capacity still exist. When analyzing numerous AA implementation reports and interview transcripts, the most frequent reasons behind the lack of administrative capacity were corruption, nepotism, qualification and lack of evidence-based policy (European Commission 2017a, 16; 2021, 13; European Parliament 2018, 3; Margvelashvili 2021).

Although several factors determine the degree of administrative capacity within a country, corruption has been vital among them, especially in developing countries (Ricciuti, Savoia, and Sen 2019, 976). However, it is hard to determine the level of corruption in individual sectors and how that affects the alignment with the EU *acquis* in them. Nevertheless, the country's overall position in the numerous corruption-related rankings can be a reliable indicator as anti-corruption mechanisms have nationwide implications and do not address only one sector. Transparency International's Corruption Perception Index (CPI) ranks over 180 countries in the world "by their perceived levels of public sector corruption, as determined by expert assessments and opinion surveys". According to the data, Georgia's position has slightly improved in recent years. Namely, in 2014 Georgia held the 50th position in the world with 52 points. In 2020, Georgia was holding 45th position with 56 points.

Year	Position	Ranking
2014	50	52
2015	48	52
2016	44	57
2017	46	56
2018	41	58
2019	44	56
2020	45	56

Table 9. Georgian ranking in the Corruption Perceptions Index (2014-2020). Author's elaboration (based on Transparency International's Corruption Perceptions Index).

Another reliable source is Bertelsmann Transformation Index which analyzes transformation processes towards democracy and market economy. Among the criteria of the BTI that addresses administrative capacity includes (a) Basic Administration (b) Efficient use of assets, (c) Anti-corruption policy. Starting with basic administration, Georgian's position has not changed much since 2014 (BTI Transformation Index). It improved by one point from 6 to 7 in 2018 and remained at that level. According to the BTI codebook, 7 points mean that "The state's administrative structures provide most basic public services throughout the country, but their operation is to some extent deficient (lack of resources, corruption inefficiency)". Moving to the efficient use of assets, Georgia's position also improved by 1 point in the last six years from 5 to 6, which means that the government makes efficient use of some of the available human, financial and organizational resources. However, it's not enough to assess it as an "efficient use of most resources". Lastly, Anti-corruption policies such as auditing of state spending, regulation of party financing, citizen and media access to information, accountability of officeholders including asset declarations, conflicts of interest rules, codes of conduct as well as transparent public procurement system have received a moderate 7 points which are once again 1 point improvement in the last six years, i.e. "the government is often successful in containing corruption. Most integrity mechanisms are in place, but some are functioning with limited effectiveness" (BTI Transformation Index). The results with all three indicators

resemble the rhetoric in the AA implementation reports prepared by the EU institutions and a slight improvement in corruption in recent years represented in the Corruption Perception Index.

The next factor that the research will briefly touch upon is nepotism, a topic widely covered by Georgian media and numerous reports. Loladze (2021), an analyst at the Transparency International anti-corruption team, said that nepotism is an aspect of corruption that TI frequently faces while researching government organizations. The characteristic of the majority of large cases of nepotism is the affiliation with the ruling political party. Loladze further explained that people working in higher institutions directly working on the formal approximation of Georgian legislation are highly qualified. However, it is in the smaller government organizations, legal entities under the public law, where we see most cases of nepotism. Interestingly, these entities should be dealing with the day-to-day tasks of implementing approximated legislation and putting those legislations into practice rather than putting "tick" in after formally adopting these regulations and avoiding the challenging part of implementation (Lejava 2021). Lejava (2021) and Samushia (2021), who have been directly involved in the AA negotiation process in the early 2010s, remember how the current Georgian government ignored the recommendations and the calculations made in some instances during the negotiation process for personal business gains. Samushia (2021) argues that there are cases when in the 2010s, during the numerous negotiation rounds, they got the approval to move the approximation of specific regulations as far in the future as possible as it would have been "a huge hit for Georgian economy and administrative capacity", however, Georgian Dream decided to adopt those EU instruments earlier than outlined in the schedule. Samushia and Lejava name two main reasons for that. Firstly, "by doing so, they look good in the eyes of the EU, as they are ahead of schedule", says Samushia. Secondly, people directly connected with the ruling party have a personal business interest in these regulations. As a result, Georgia gets new rules that are costly for the taxpayers and commitments that the country's administrative capacity can not cope with.

Moving to individual sectors, limited sectoral available data and the information extracted from the interview transcript gave similar results. Margvelashvili (2021) named administrative capacity as one of the main factors in the energy sector. According to him, Georgia formally adopts specific rules. However, the implementation of those rules and implications in real life is fully left for donor programmes. Therefore, even if there is an improvement in an administrative capacity, it takes place in the aforementioned donor programmes rather than in respective government structures. "The country is left with completely insufficient administrative resources to solve the problems related with the approximation of legislation" (Margvelashvili 2021). Margvelashvili further explained the additional problems caused by the lack of administrative capacity. Namely, the absence of evidence-based policies. The results of an insignificant number of research and scientific evidence backing government decisions are visible in policy developments in the energy sector or any other industry for that matter. Lejava (2021) and Samushia (2021) outline why programmes created to enhance the administrative capacity in individual sectors might not be as effective as expected. "Millions of euros are being spent on capacity building programmes in government agencies. However, people attending those programmes are learning things by heart rather than developing critical thinking towards offered regulations". ENV_Gov (2021) further clarified the problems with programmes addressing administrative capacity and qualification of the workforce on the example of the environment sector. "Those programmes are useful for those people who already have a significant amount of experience and knowledge in the sector. Training that lasts only a couple of weeks can not solve the problem of qualification and administrative capacity. I think it is impossible to achieve this only through those programmes". Furthermore, capacity is an essential topic in the Third National Environmental Action Programme of Georgia. It is mentioned multiple times that the "skills and experiences of the governmental staff, as well as other stakeholders involved in the development and implementation of the environmental policy and legislation, is crucial" (Ministry of Environmental Protection and Agriculture of Georgia 2018, 22). Moreover, the need for additional administrative capacity is outlined in the

document's problems and priorities section of each significant environmental chapter, such as water management, ambient air protection, waste management, etc. (ibid).

The lack of administrative capacity is noticeable when looking at the approximation of the legislation on the example of energy and environment sectors. For example, Georgia has advanced the alignment process in activities requiring more office work than technical procedures. As mentioned above, according to the Energy Community, transposition and implementation degree in statistics are highest. At the same time, indicators regarding different resources such as gas, oil or more technical areas like infrastructure remain considerably low (Energy Community Secretariat 2020). The interviewees have mentioned this tendency as a mistake country often makes on the way to Europeanization. They are formally adopting rules without considering further difficulties when trying to implement them due to a lack of administrative capacity (Lejava 2021; Samushia 2021).

5.4.3 Summary

To conclude, analyzing empirical data has demonstrated that it is hard to individually assess highly sensitive subjects of veto players and technicalities of administrative capacity. Certain degrees of veto players have been observed in each of the three sectors. However, it was often hard to find direct links with their influence and the Georgian commitment to approximate domestic legislation with the EU. Nevertheless, veto players in trade and energy sectors have received similar assessments - medium in the environment sector - weak. Interviewees often mentioned how the influence of veto players is higher in more politicized sectors with greater business interests. Therefore, this explains the difference between trade and energy on the one hand and the environment on the other.

Moving to the administrative capacity, due to difficulties accessing the information on individual sectors, the research relied on expert interviews for sectoral analyses and several ranking systems for general analyses. As a result, administrative capacity has been assessed as medium in all three sectors. Overall rhetoric from the AA implementation reports as well as

expert interviews has been relatively similar. Problems in administrative capacity exist partly due to the complexity of the legislation that needs to be approximated. The other reasons that emerged during the analyses were the effectiveness of the capacity enhancing programs and decisions made by the ruling party. As a result, administrative capacity has been assessed as medium. In sum, domestic adoption costs have been evaluated as medium in all three sectors, with insignificant differences.

		Trade	Energy	Environment
Domestic Adoption Costs	Veto Players	2 (medium)	2 (medium)	3 (weak)
	Administrative Capacity	2 (medium)	2 (medium)	2 (medium)
	Total	2 (medium)	2 (medium)	2.5 (medium)

Table 10. Measurement of domestic adoption costs in trade, energy and environment sectors (2016-2020). Author’s elaboration

5.5 External Influence

5.5.1 Russian Leverage

The economic leverage of Russia over Georgia can be measured using several indicators. As outlined in the methodology chapter, I will use the same indicators in relation to the EU and compare them with Russia.

Between 2014 and 2019, trade between Georgia and the EU amounted on average 25.6% of total Georgian trade. The same indicator for Georgian-Russian trade was 9.6%. However, total trade in the USD between Georgia and Russia between 2014 and 2019 increased by 73%, when Georgia-EU trade saw only a 7% increase. Although the amount in USD of Georgian-EU trade is still twice the number of Georgian-Russian trade, there is a clear trend of increasing trade between Georgia and Russia both in the value and share of total Georgian trade (geostat.ge).

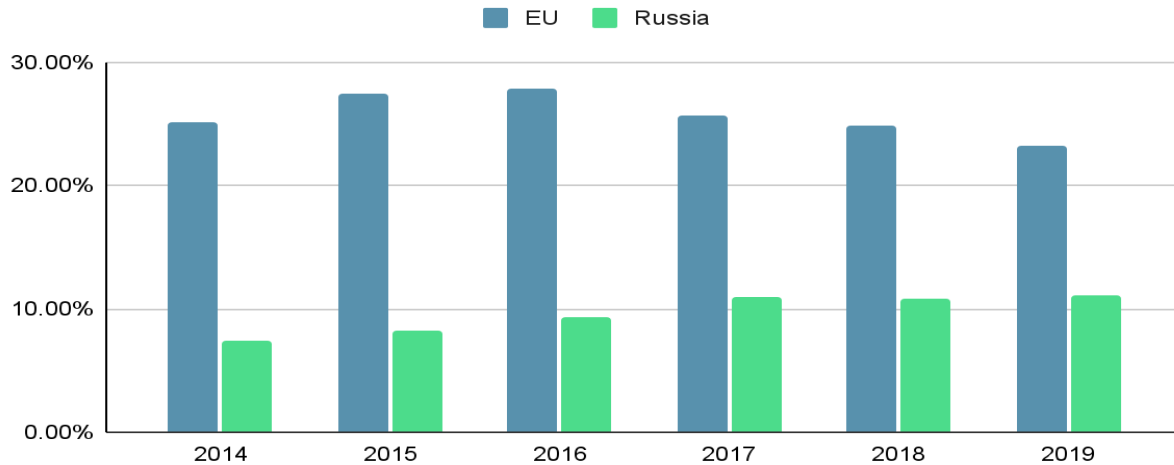


Figure 7. Share of the EU and Russian trade in total Georgian trade (2014-2019). Author’s elaboration (based on geostat.ge)

Moving to the Foreign Direct Investments (FDI), the EU has a significant advantage compared to Russia. Namely, in 2019 FDI from the EU countries accounted for 50% of total FDI in Georgia. For comparison, the share of Russian FDI was only 4%. The average share of EU FDI between 2014 and 2019 for the EU was 45%, Russian - 3.8%.

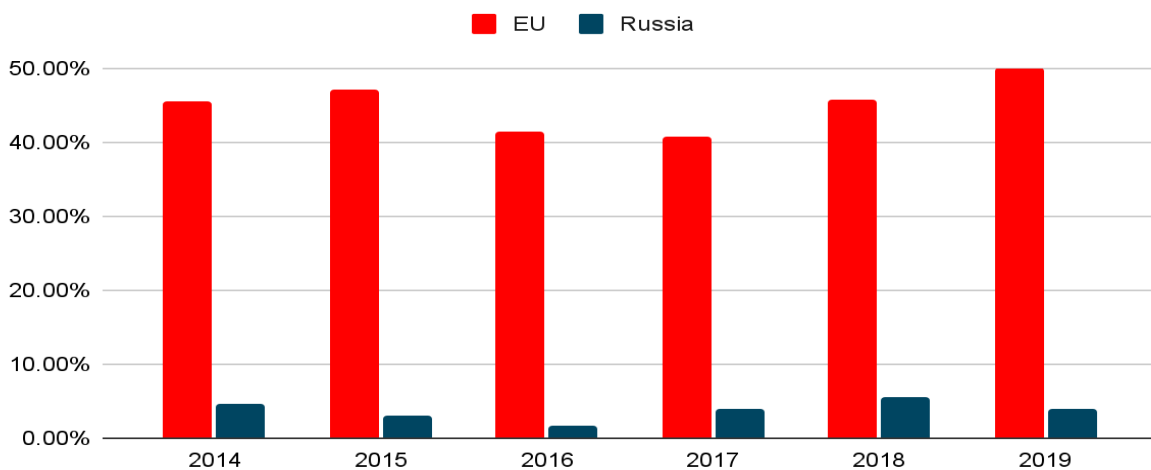


Figure 8. Share of the EU and Russian FDI in the total FDI in Georgia (2014-2019). Author’s elaboration (based on geostat.ge)

A similar pattern continues when comparing the EU and Russian FDI, specifically in the energy sector. The EU FDI in the Georgian energy sector has been significant between 2014 and 2019 (geostat.ge). In 2019 the energy sector's FDI from the EU and Russia to Georgia accounted for about 34% and 1.2% of the total FDI in the energy sector, respectively. The highest share of Russian FDI in energy during the past six years was 3% in 2017. On the other hand, the FDI from the EU member states accounted for over 195% of total energy sector FDI in Georgia¹ (geostat.ge).

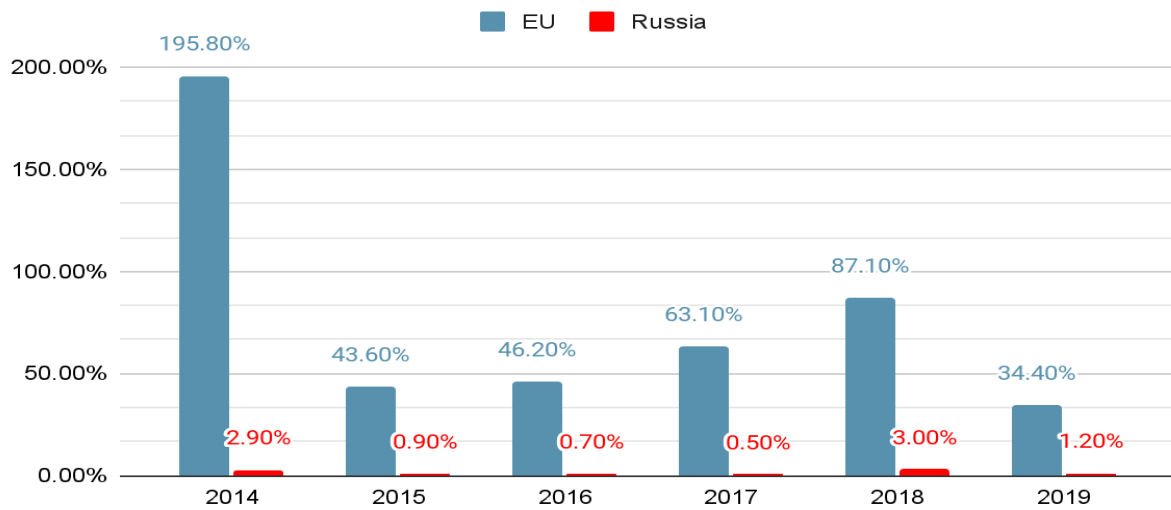


Figure 9. Share of the EU and Russian energy sector FDI in total Energy sector FDI in Georgia. Author's elaboration (based on geostat.ge)

¹ In 2014 the share of EU FDI in the energy sector was above 100% because the FDI in general can be both positive and negative according to the methodology used by the Geostat.ge. "The reasons for which could be:- Increase or reduction of equity/share capital;- Profit or loss of an enterprise;- Receiving or repaying a loan of nonresident direct investor;- Purchase of a share by nonresident from a resident enterprise or, conversely redemption of a share by a resident from a nonresident; - Distribution of dividends"

However, when analyzing Russian leverage in the energy sector, we should consider Georgia as an energy importer country, and Russia is one of the countries Georgia is buying its energy resources from, which increases Russian leverage.

Russia, together with Azerbaijan and Turkey, are major exporters of electricity to Georgia. In 2020 35.4% of Georgian imported electricity was from Russia. However, the largest electricity importer for the past four years has been Azerbaijan. Georgia imported 82% of the electricity from Azerbaijan in 2018, 67.8% in 2019, and the lowest share in the past four years was 45.1% in 2020 (esco.ge).

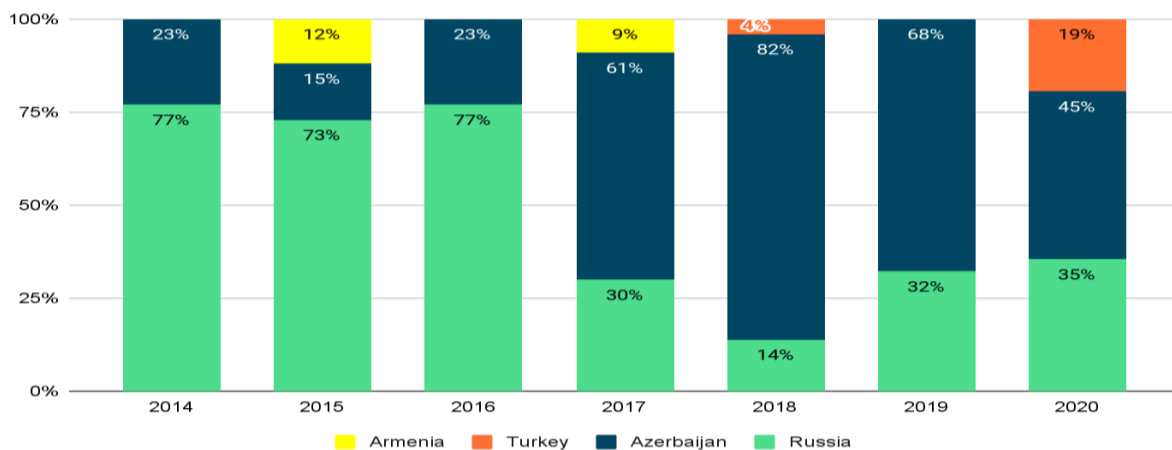


Figure 10. Share of electricity imports to Georgia by country (2014-2020). Author’s elaboration (based on ESCO)

Moving to natural gas, up until 2005, Russia was the only provider of natural gas to Georgia. Since 2009 Azerbaijan became the major importer. Most of those imports come from direct imports and transit fee payments from the South Caucasus Pipeline (SCP). According to the latest available data, the Russian shares of imported natural gas to Georgia remains insignificant (International Energy Agency 2020).

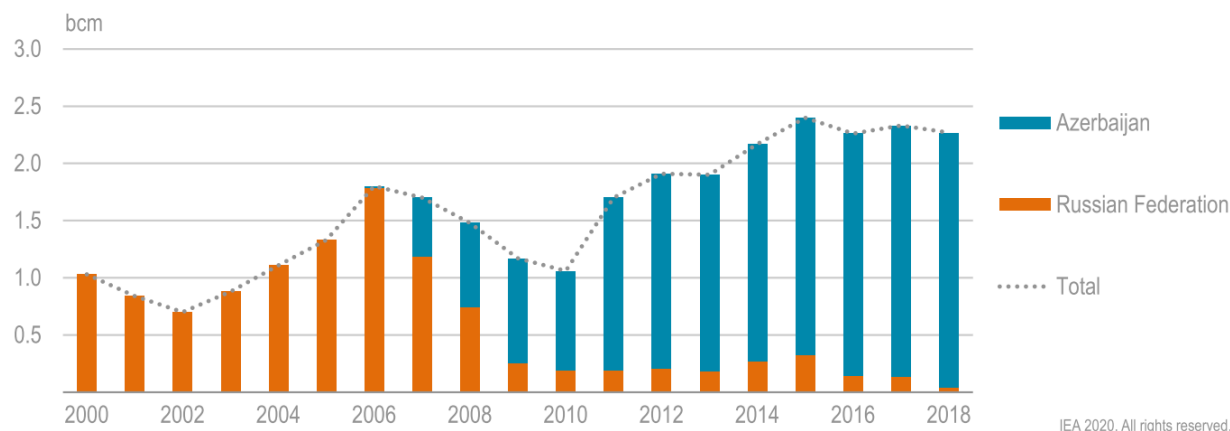


Figure 11. Georgia’s natural gas imports by entry point (2000-2018). Source: Georgia 2020 Energy Policy Review by International Energy Agency

Lastly, Georgia relies primarily on imports for refined oil products. Georgia imports oil products from Azerbaijan, Russia, Bulgaria, Romania, Greece, Italy, Turkmenistan, etc. Although Russia, together with Azerbaijan and Romania, remain major exporters of oil products to Georgia, unlike electricity and gas imports, Georgia has substantial flexibility when dealing with potential supply distribution.

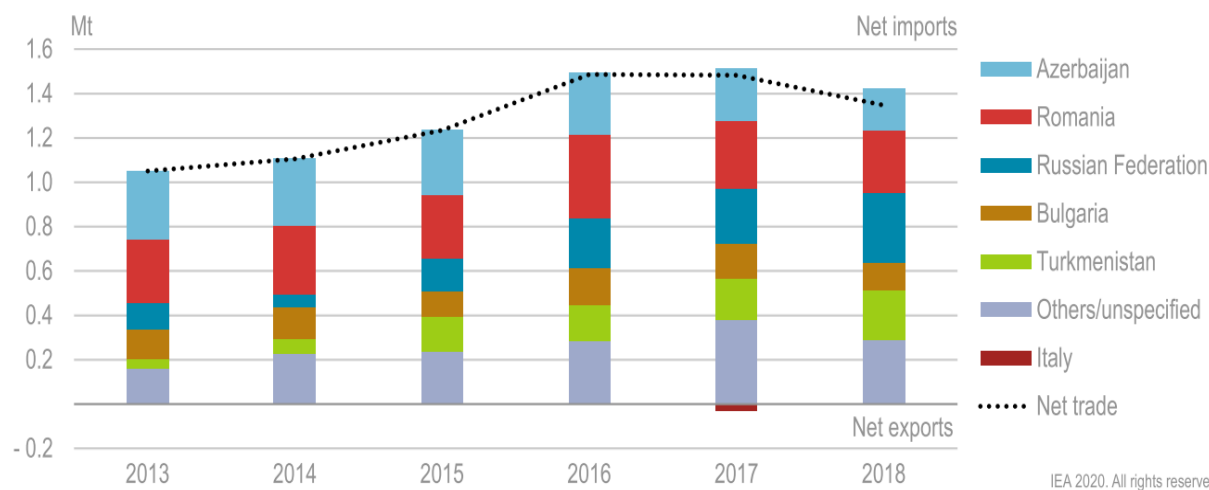


Figure 12. Georgia’s Oil product imports by country (2013-2018). Source: Georgia 2020 Energy Policy Review by International Energy Agency

Overall, even considering the existing Russian-Georgian economic or energy relations, expert interviews confirmed that that type of leverage has little to no effect on actual legislation approximation even though other Russian companies own noticeable shares of companies operating in the energy sector. For example, Russian company Inter RAO owns 75% of "Telasi" as well as thermal power station "Mtkvari Energetic", "Khamhesi 1" and "Khamhesi 2". Moreover, several influential Russian citizens own important hydroelectric stations in Georgia, such as "Larsi hydroelectric station" and "Skurdidi hydroelectric station" (Gelashvili 2019). However, Murman Margvelashvili (2021) stated no clear link between these ownerships and the undertaken obligations under the AA.

Lastly, Russia has not been identified as an important player in the Georgia-EU relations in the environmental policy in any of the reports, academic articles or interview transcripts analyzed. The interviewee from The Ministry of Environmental Protection and Agriculture of Georgia explains this by the less politicized nature of the environmental sector, especially compared to the trade and energy sectors (ENV_Gov 2021). Moreover, the Russian factor is not considered when it comes to approximating legislation by adopting specific EU instruments as they are more technical and require sufficient administrative capacity rather than being a geopolitical matter that falls under the Russian sphere of interest.

Furthermore, Georgia has not been part of a Russian-led international organization neither in general nor with a specific focus on trade, energy or environment between the 2013-2019 period. Georgia previously was a member of CIS, a regional intergovernmental organization created by Russia in 1991. However, Georgia withdrew its membership after the Russo-Georgian war in 2008 (Radio Free Europe/Radio Liberty 2009). Therefore, as Lebnidze (2021) argues, Russia has no leverage to dictate its economic or political agenda in Georgia in a way that would contradict Georgian European aspiration and slow down the approximation process with the EU legislation in a specific sector.

5.5.2 Summary

As empirical data demonstrated, although Russia is an important economic partner of Georgia and plays a role in the Georgian energy market, its share is modest compared to the EU. For the past six years, the EU accounted for 25.7% of total Georgian trade on average, while the same figure is 11% for Russia. Furthermore, expert interviews confirmed the assumption that the increase in Georgian-Russian trade between 2013-2019 is not a type of leverage that could negatively affect the approximation process and implementation of the DCFTA. The gap is even greater for foreign direct investments. In 2019 the share of EU FDI in Georgia was 50% of the total FDI in Georgia, while the FDI from Russia accounted for only 4% of the total. A similar pattern continues for the FDI, specifically in the energy sector, wherein in 2019, the FDI from the EU and Russia was 34,4% and 1.2%, respectively of a total FDI. The share of imported electricity and natural gas from Russia has also decreased over the past decade. This was largely due to the diversification of the energy market and the increased role of Azerbaijan and Turkey in the Georgian energy sector, which resulted in a significant decrease in dependency on Russia. Lastly, no Russian interest has been identified in the environment sector.

Therefore, Russian leverage in the trade and energy sectors have been measured as low and in the environment - none.

External Influence		Trade	Energy	Environment
	Russian Leverage	Low (1)	Low (1)	None(0)

Table 11. Measurement of degree of external influence in trade, energy and environment sectors (2016-2020). Author's elaboration

5.6 Conclusions

Empirical analyses gave the following results. Firstly, the size of rewards in all three sectors was medium because the highest reward promised to Georgia is access to the EU market rather than a membership perspective. Determinacy of the EU conditions was assessed as strong as the conditions Georgia needs to do are clearly outlined and updated regularly. The credibility of the rewards was determined as medium. The AA document has special instruments to withhold the rewards in case of non-compliance with the commitments. Moreover, important financial assistance that Georgia is getting from the EU can be cancelled not if Georgia refuses to fulfil the undertaken obligations but if Georgia does not meet the EU expectations in democracy and good governance. Therefore, the credibility of rewards has been assessed as medium for each sector. In sum, the EU is offering Georgia similar incentives in each of the three sectors and has received a medium score overall.

Similarly to the EU incentives, Georgian commitments have been evaluated as medium: the adoption and implementation degree within each sector remains uneven. Georgia missed several key deadlines in each sector and carried out some questionable projects. However, it has advanced in all three sectors addressed in this paper, and none of the delays in deadlines was severe enough to invoke any of the AA instruments.

Additionally, the analyses of domestic adoption costs and factors like administrative capacity and veto players demonstrated that Georgia faces medium adoption costs when looking at those two indicators. Starting with veto players, data analyses and the interviews have illustrated that although there are domestic veto players in Georgia, they are mostly connected with one influential individual, Bidzina Ivanishvili. Moreover, the research could not determine a clear link between the influence of the veto players and the Georgian commitment to approximate domestic legislation with that of the EU. Their influence was even smaller in the environment sector. As the interviewees often mentioned, it is the less politicized sector of the three and therefore receives less attention from the veto players. Moving to the administrative capacity, Georgia faces similar difficulties in that regard in all three sectors. Despite the significant

assistance from the EU to enhance the administrative capacity, it remains one of the major problems. However, due to the reforms carried out after the Rose Revolution, Georgia has built a certain number of state institutions. It can cope with the overwhelming number of technical procedures and administrative-heavy tasks. In sum, domestic adoption costs have been evaluated as medium. Slight differences between the sectors were not significant enough for the variable to be either high or low.

Lastly, this chapter looked at Russian leverage as the external influence that potentially served as an obstacle for the EU's external governance in Georgia. The analyses of empirical data demonstrated that Russia is an important economic partner of Georgia and plays its role in the Georgian energy market. However, the EU share in overall Georgian trade and FDI both in general and on a sectoral level between 2016 and 2020 has been significantly larger. Moreover, Georgia has advanced in terms of the diversification of the energy market, which resulted in decreased dependency on Russia. Lastly, the environment sector is the only one out of three with no Russian interest and leverage identified when analyzing the data. Therefore, Russian leverage has been measured as low in trade and energy and none in environmental sectors.

6. Conclusions

This outcome-centric single case study aimed to analyse domestic, EU-related and external factors that could explain why, regardless absence of the membership conditionality, which is the highest incentive a country can receive from the EU, Georgia has advanced in approximating domestic legislation with that of the EU and received the status of a frontrunner in democracy development among the ENP countries. The study took a sector-specific approach and analysed trade, energy, and environment policy areas.

The research introduced an external governance framework. Further analyses of analytical approaches demonstrated that choosing only one model would limit the scope of research. Therefore the paper utilised neo-institutionalist, power-based and domestic structure approaches. By doing so, the research addressed variables at a domestic as well as external level. The study specified variables such as Georgian commitment, EU incentives, domestic adoption costs, external influence and assessed them for each sector to answer the following research question:

Q: Why is Georgia a successful example of good governance promotion among EaP without having the EU membership perspective?

The study revealed that Georgia demonstrates an adequate degree of commitments on a sectoral level considering the incentives it is getting from the EU; namely, both commitments and incentives variables have been assessed as medium. Although there is no membership perspective, Georgia does not face high domestic adoption costs. Firstly, it has veto players, but their interests do not openly go against the Georgian European aspirations and legislative approximation. However, some of their actions feed the corruption and harm good governance principles in general. Secondly, although the administrative capacity remains the challenge, the EU supports Georgia financially and technically to overcome it. Interviewees outlined that strengthening administrative capacity is a lengthy process. Projects addressed to fix that don't always give the expected outcome. Nevertheless, without them, it would have been

questionable to get where Georgia is today. Lastly, at least on a sectoral level, Georgia faces little to no negative external influence from Russia, which is an important factor. Potentially, suppose Georgia wants to make the most out of the governance model. In that case, it needs to address domestic adoption costs to boost the commitments, especially now that Georgia prepares itself to officially apply for EU membership by 2024 (Lavrelashvili and Hecke 2021).

The results are slightly different across the sectors. Namely, there is little evidence of veto players influencing environmental policies in Georgia, compared to medium for trade and energy sectors. Secondly, no Russian leverage has been detected in the environmental sector compared to low Russian leverage for the trade and energy policy areas. Interviewees confirmed the assumption that this was due to the less politicised nature of the environmental sector in Georgia compared to trade and energy. This further supports the argument by Lavenex (2011a, 947) that in the less politicised sectors, there are fewer hindering factors for the success of the governance model.

The research, therefore, concludes that low external influence with the combination of medium EU incentives, Georgian commitment and domestic adoption costs can be considered as a deciding factor as to why, despite no membership conditionality, Georgia continues to be the successful example of the good governance promotion in the ENP region. More specifically, alternative external incentives and the significance of economic relations with Russia compared to that of the EU are not large enough to reduce Georgia's commitment in any of the sectors discussed in the paper.

Research results have further implications on the general effectiveness of EU external governance and different modes of governance discussed in the theoretical chapter. Firstly, the external governance framework proved to be useful for analysing how the EU supports democratic reforms and projects EU rules and standards in Georgia. This is especially true if we look at hierarchy, market and network modes of external governance. The research has shown that the EU is using all three modes to a certain degree. Although, as a non-EU member

or candidate country, the network is the primary mode for external governance in Georgia, it's not the only one detected during the analysis. Georgia has the obligations to approximate domestic legislation with that of the EU according to the AA, and further cooperation between the two sides and significant financial assistance through multiple channels depends on how well Georgia keeps up the promises. This and the close economic cooperation, which as the highest reward promised by the EU that should ultimately lead to access to the EU market, is clear evidence of hierarchy and market modes of governance alongside the network.

Using variables characteristic to three theoretical explanations was a necessary decision. By utilising neo-institutionalist, power-based and domestic structure explanations, the conclusion of the thesis included domestic, EU-based and external dimensions, which otherwise could have been overlooked. Based on cross-dimensional analyses, the research detected similar value for EU and domestic-based factors such as size and determinacy of rewards, Georgian commitment and domestic adoption costs on the one hand. On the other hand, in the relatively less politicised sectors such as the environment, the role of veto players and Russian leverage was smaller than in energy and trade. Lastly, the relatively under-researched governance model has demonstrated its potential. Namely, it targeted the aspects of the EU-Georgia relations relevant to this paper: helped the research to keep the focus on the democratisation potential of the EU-Georgia relations while maintaining a sector-specific approach.

Nevertheless, the research encompassed several limitations. First of all, 2016-2020 timeframe. Although the reasons behind choosing this specific timeframe have been described in the methodology chapter, it can be interesting to look at the good governance promotion in Georgia from the beginning of EU-Georgia relations and analyse how the influencing factors shifted over time. Secondly, the study was limited to only three sectors. It can be a useful approach for future researchers to extend the scope of their paper to other sectors in which Georgia and the EU are actively cooperating and can potentially be influenced by external actors.

Another thing that can be argued about the sector-specific approach is the risk of losing the broader picture when looking at individual policy areas. Although in sectors analysed in the paper, Russian influence has been determined as weak, this research did not look at other ways external actors can influence the overall process of Europeanization in Georgia, such as disinformation and effects that might have on public opinion, which consequently can affect government's actions beyond officially announced positions. This brings to yet another perspective for further research that looks at other external actors in the region. Primarily due to the growing role of some of them in particular sectors such as energy.

Although it goes beyond the research timeframe and the sectoral approach, there have been interesting developments in Georgia at the end of 2020 and the first half of 2021. Namely, the parliamentary elections that "put tremendous strain on Georgian democracy" (Freedom House 2021) escalated a political crisis in Georgia and resulted in an overall decline in Democracy Score (ibid). Although, after an active involvement of the European Union, the situation stabilised, it gives rise to doubt about the effectiveness of the governance model on a larger scale and if the progress in individual sectors at all can be translated into overall progress in democracy and good governance (EU Neighbours 2021b).

Furthermore, the selected theoretical framework and the variables did not cover domestic factors entirely. More analyses of the logic behind the government decisions regarding rule selection are needed for a better understanding of the reality, even on a sectoral level. It is too early to declare the governance model's superiority over the others with all those shortcomings in mind. Further cross-country and cross-sectoral analyses are required to determine whether the governance model gives similar results under different domestic conditions.

Despite those limitations, the research demonstrated an interesting approach to the EU external governance on a sectoral level in one of the ENP countries. It has further contributed to the relatively new analytical governance model. Moreover, the thesis utilised several analytical approaches to capture different influencing factors within and beyond the EU-

Georgia relations. The latter turned out to be a crucial factor, as comparing variables from several analytical approaches made it possible to see a larger picture and accordingly address the aim of the study.

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Appendices

Appendix A: Eastern Partnership key policy instruments

Type of instruments	Type of actors involved	Underlying mechanisms
AAs	EU (EEAS) and partner countries' governments	Conditionality based upon legal convergence EU assistance
DCFTAs	EU (EC DG Trade) and partner countries' governments	Conditionality based upon legal convergence EU assistance
Visa liberalisation (dialogues and action plans)	EU (EC DG Home, Council) and partner countries' governments Flagship	Conditionality based upon legal convergence EU assistance
Flagship initiatives	EU (DG DEVCO), partner countries' governments, specific stakeholders (SMEs ...) depending upon the initiative	EU Assistance
Thematic platforms and panels	EU (EEAS, EC, member states and panels representatives, ad-hoc participants), partner countries' governments, civil society forum	Socialisation
Euronest	European Parliament, partner countries' members of parliaments	Socialisation
Civil society forum	Civil society organisations from the EU and partner countries	Socialisation

Source: (Delcour 2013, 348)

Appendix B: List of Interviewees

No	Name/Code name	Position held relevant to the research	Sector
1	Bidzina Lebanidze	Senior Policy Analyst at Georgian Institute of Politics. Postdoctoral Research Fellow at the University of Jena.	Mix
2	Vakhtang Lejava	At the time of the AA negotiations: Senior advisor of the Prime Minister of Georgia. During the AA negotiations, member of Georgian delegation. Head of the negotiating team on Technical Barriers to Trade/TBT and Competition.	Trade and Energy
3	Natia Samushia	At the time of the AA negotiations: Advisor of the Prime Minister of Georgia. Negotiator of the AA. Specifically the DCFTA part.	Trade
4	Murman Margvelashvili	Director of the World Experience for Georgia (WEG). Mr. Margvelashvili is a member of international and Georgian Associations of Energy Engineers (AEE, GAEE), and Associate Member of the Georgian Energy Academy (GEA) Former international consultant of the European Commission and the International Energy Agency in post-socialist countries.	Energy
5	Kakhi Kenkadze	Invited Socialist at the Committee of Foreign Relations of the Parliament of Georgia. Fellow of the Wetherhead Center of International Affairs of the Harvard University	Mix
6	Giorgi Loladze	Analyst of the Anti-corruption team at the Transparency International Georgia	Mix
7	ENV_Gov	Middle-level manager at the International Relations and European Integration Department at The Ministry of Environmental Protection and Agriculture of Georgia	Environment

Appendix C: Consent Form

Title of Project: Using EU's External Governance to promote Good Governance in Eastern
Partnership: Evidence from Georgia

Name of Researcher: Irakli Korkia

Supervisors: Dr Ammon Cheskin

Dr Natasza Styczyńska

Dr Heiko Pääbo

I confirm that I have read and understood the Plain Language Statement for the above study and have had the opportunity to ask questions.

I understand that my participation is voluntary and that I am free to withdraw at any time, without giving any reason.

I acknowledge the provision of a Privacy Notice in relation to this research project.

I consent to interviews being audio-recorded.

Please tick one option:

I would like my identity to be anonymised

I am happy to be named in the research

If you chose anonymity, all names and other material likely to identify individuals will be anonymised.

The material will be treated as confidential and kept in secure storage at all times.

All personal information will be destroyed once the project is complete.

I agree to take part in the above study.

Name of Participant Signature

Date

Name of ResearcherSignature

Date

Appendix D: Plain Language Statement

Title of Project: Using EU's External Governance to promote Good Governance in Eastern Partnership: Evidence from Georgia

Name of Researcher: Irakli Korkia

Supervisors: Dr Ammon Cheskin

Dr Natasza Styczyńska

Dr Heiko Pääbo

The research is being undertaken for a Master's degree.

Dear Sir/Madam,

You are being invited to take part in a research study. Before you decide it is important for you to understand why the research is being done and what it will involve. Please take time to read the following information carefully and discuss it with others if you wish. Ask us if there is anything that is not clear or if you would like more information. Take time to decide whether or not you wish to take part.

The aim of my study is to find out why the EU has been able to promote Europeanisation and the export of 'good governance' to Georgia, despite no prospects for EU membership.

I have decided to focus on three sectors of cooperation between Georgia and the European Union: trade, environment and energy. You have been chosen for your experience and expertise in this particular sector(s) and Georgia's European integration in general. I believe your point of view on these matters will be of significant value for my research.

It is up to you to decide whether or not to take part. If you decide to take part you are still free to withdraw at any time and without giving a reason

Due to the COVID19 related restrictions, the interview will be conducted online using the ZOOM platform. The interview will last about 30-40 minutes and will be audio-recorded and later on used for the master's thesis. Your involvement will be limited to an interview regarding EU rule adoption in Georgia in a particular sector(s).

You have a free choice between having your name mentioned in the research or retaining confidentiality. In case of confidentiality, all information that is collected about you during the

course of the research will be kept strictly confidential. You will be identified by a pseudonym and any information about you will have your name and address removed so that you cannot be recognised from it.

Please note that assurances on confidentiality will be strictly adhered to unless evidence of wrongdoing or potential harm is uncovered. In such cases, the University may be obliged to contact relevant statutory bodies/agencies.

The results of the research will be available as a Master's thesis on the University of Tartu website. All the sensitive data, including the audio-recordings of the interview, will be stored on an encrypted laptop hard-drive and destroyed by the end of the research in late August 2021.

The study is reviewed by the College of Social Sciences Research Ethics Committee at the University of Glasgow.

For further information, feel free to contact me at 2408879k@student.gla.ac.uk

If you have any concerns regarding the conduct of this research project, you can contact the School of Social and Political Sciences Ethics Officer Dr Susan Batchelor email: Susan.Batchelor@glasgow.ac.uk

Thank you for reading this.



School of Social &
Political Sciences

School Ethics Forum for Non-Clinical Research Involving

Human Subjects

Notification of Ethics Application Outcome – UG and PGT Student Applications

Application Details

Undergraduate Student Research Ethics Application Postgraduate Student Research Ethics Application

Application Number: PGT/SPS/2021/014/IMCEERES

Applicant's Name: Irakli Korkia

Project Title: Using EU's External Governance to promote Good Governance in Eastern Partnership:
Evidence from Georgia

Application Status: **Fully Approved**

Date of Review: 31/03/2021

Start Date of Approval 26/04/2021 End Date of Approval 30/08/2021

NB: Only if the applicant has been given approval can they proceed with their data collection from the date of approval.

Fully approved

Means that the applicant can proceed with data collection with effect from the date of approval.

Amendments required

Where amendments are required by reviewers, applicants must respond in the relevant boxes below to the recommendations of the School Ethics Forum and provide this as an 'Amendments Response' document to explain the changes made to the application as well as amending the documents, as relevant. Changes to the application form or supporting documents should be highlighted either in **block highlight** or **in red coloured text** to assist the reviewers. All amended application documents should then be sent to the ethics administrator by the Supervisor for the approval of the SEF before data collection can proceed.

Rejected

If your application is Rejected a new application must be submitted to the School Ethics Forum. The reviewer feedback below will indicate whether a similar future project is likely to be supported. Where recommendations are provided, they should be responded to and this document provided as part of the new application. A new reference number will be generated. The new application forms should be signed off and submitted to the ethics administrator by the Supervisor.

REVIEWER MAJOR RECOMMENDATIONS	APPLICANT RESPONSE

REVIEWER MINOR RECOMMENDATIONS	APPLICANT RESPONSE

ADDITIONAL REVIEWER COMMENTS RESPONSE	APPLICANT RESPONSE