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WILHELMS-UNIVERSITÄT
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Leaving Russia's Backyard

GUAM and the Challenge of Integration

Dana Schulze

Fach Politikwissenschaft

Regional Cooperation in post-Soviet Space:
GUAM as a Special Case of post-Soviet
Regionalism

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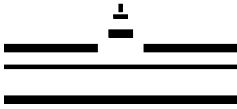
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Contents

1	Introduction	1
1.1	Relevance of the Research Subject	1
1.2	Research Questions	5
1.3	Methodological Approach	6
1.4	Structure of the Dissertation	8
2	GUAM and post-Soviet Regionalism	11
2.1	Conceptualising the Research Subject	11
2.1.1	GUAM and Regional Integration	11
2.1.2	Characteristics of post-Soviet States	20
2.2	Concepts and Voids in Current Research	27
2.2.1	Post-Soviet Regionalism	27
2.2.2	GUAM	32
2.3	Conclusion	36
3	GUAM – Facts and Figures	39
3.1	The Evolution of GUAM	39
3.2	Objectives	45
3.3	Institutional Design and Financing	52
3.3.1	Institutional Design	52
3.3.2	Financing	56
3.4	Performance Review	59
3.4.1	Economic Cooperation	59
3.4.2	Political Cooperation	68
3.5	Conclusion	72

4	The Development Strategy	75
4.1	The Setting	76
4.1.1	Economic Integration	77
4.1.2	Welfare and Development	82
4.1.3	Summary	85
4.2	Explaining the Emergence of GUAM	86
4.2.1	The Development Concept	86
4.2.2	Substantiating the Development Thesis	98
4.2.2.1	Overall Development	98
4.2.2.2	Modernisation	100
4.2.2.3	Disintegration	105
4.2.2.4	Transformation	111
4.2.3	Summary	113
4.3	Explaining the State of GUAM	114
4.3.1	Mutual Trust	116
4.3.2	State Capacity	123
4.3.2.1	Approaches	124
4.3.2.2	Conceptualising State Capacity	126
4.3.2.3	State Capacity of GUAM Members	128
4.3.2.4	Mitigating Individual Weakness	136
4.3.3	Demand	141
4.3.3.1	Azerbaijan	143
4.3.3.2	Georgia	149
4.3.3.3	Ukraine	155
4.3.3.4	Moldova	160
4.3.3.5	Intraregional Trade	166
4.3.4	Summary	169
4.4	Conclusion	171
5	The Sovereignty Strategy	175
5.1	Conceptualising Sovereignty	176
5.2	Explaining the Emergence of GUAM	183
5.2.1	From Sovereignty to Integration	184
5.2.2	Young Statehood and Post-Colonialism	191
5.2.3	Russia as a Challenge to Sovereignty	197

5.2.4	Sovereignty in GUAM Documents	209
5.2.5	Summary	221
5.3	Explaining the State of GUAM	222
5.3.1	Sovereignty, Power and the Evolution of Inte- gration	222
5.3.2	Continuing Challenges to Sovereignty	228
5.3.2.1	Challenging Territorial Integrity . . .	229
5.3.2.2	Challenging Equality and Self-Deter- mination	241
5.3.2.3	Challenging Domestic Authority . . .	245
5.3.2.4	Challenging Economic Sovereignty . .	247
5.3.2.5	Unconsolidated Domestic Sovereignty	261
5.3.3	Constraints on Sovereignty	266
5.3.4	Summary	272
5.4	Conclusion	272
6	Conclusion	277
6.1	Research Assumptions	277
6.2	Research Results	278
6.3	Recommendations	290
6.4	Outlook	292
	Bibliography	295

List of Tables

2.1	Freedom House Democracy Score 1999/2000 – 2014, from 1 to 7 with 1 as the highest level of democratic progress (<i>Source: Freedom House</i>).	23
2.2	Scores of political and economic transformation according to the Bertelsmann Transformation Index (BTI) (<i>Source: Bertelsmann Foundation</i>). Scale: 1 (lowest) to 10 (highest). The BTI has been estimated since 2003 every two years for 128 countries.	26
3.1	Costs for cross-border trade among GUAM states compared to strong exporters Germany and Turkey (<i>Source: Worldbank Doing Business Report. Estimated since 2006</i>).	62
4.1	GDP per capita in current USD (<i>Source: IMF World Economic Outlook data</i>).	87
4.2	Growth rates of GDP, constant prices in USD. Data available since 1993 (<i>Source: IMF World Economic Outlook data</i>).	89
4.3	Real GDP development (1989=100) (<i>Source: EBRD Transition Report 2010</i>).	90
4.4	Evaluating quality and availability of infrastructure on a rank from 1 to 7, with 7 as best grade (<i>Source: Global Competitiveness Reports</i>).	95
4.5	Development of consumer prices, average, in annual percentage change (<i>Source: IMF World Economic Outlook data</i>).	130

4.6	Military expenses in percentage of GDP (<i>Source: Worldbank data</i>).	132
4.7	Corruption index. Rating on a scale of 1 to 7, with 1 as the best score. Figures before 1999/2000 incomplete (<i>Source: Freedom House: Nations in Transit</i>).	135
4.8	Development of political and economic institutions on a scale from 1 to 7, with 7 being the best value. Industrialised states score approximately 5 points (<i>Source: Global Competitiveness Reports</i>).	136
4.9	National Democratic Governance on a scale from 1 to 7 with 1 as best performance (<i>Source: Freedom House: Nations in Transit</i>).	136
4.10	Judicial Framework on a scale from 1 to 7 with 1 as best performance (<i>Source: Freedom House: Nations in Transit</i>).	137
4.11	Independent Media on a scale from 1 to 7 with 1 as best performance (<i>Source: Freedom House: Nations in Transit</i>).	137
4.12	Civil Society on a scale from 1 to 7 with 1 as best performance (<i>Source: Freedom House: Nations in Transit</i>).	138
4.13	Balance on current accounts in percentage of GDP, 2003 – 2014 (<i>Source: IMF World Economic Outlook data</i>).	144
4.14	Top destinations for Azerbaijani exports (<i>Source: Azerbaijani National Statistics</i>).	146
4.15	Top origins of Azerbaijani imports (<i>Source: Azerbaijani National Statistics</i>).	147
4.16	Top destinations for Georgian exports (<i>Source: Georgian National Statistics</i>).	151
4.17	Top origins of Georgian imports (<i>Source: Georgian National Statistics</i>).	152
4.18	Top destinations for Ukrainian exports (<i>Source: Ukrainian National Statistics</i>). Data for 2014 without the currently occupied territory of the Autonomous Republic Crimea and Sevastopol.	156
4.19	Top origins of Ukrainian imports (<i>Source: Ukrainian National Statistics</i>). Data for 2014 without the currently occupied territory of the Autonomous Republic Crimea and Sevastopol.	158

4.20	Top destinations for Moldovan exports (<i>Source</i> : Moldovan National Statistics).	162
4.21	Top origins of Moldovan imports (<i>Source</i> : Moldovan National Statistics).	163
4.22	Overview of most relevant import and export goods as well as export destinations and import origins of the four states, 2000 – 2014 (<i>Source</i> : UN Comtrade Data, National Statistics).	167
4.23	Share of exports to GUAM partners in percentage of total exports (<i>Source</i> : own estimations based on data from national statistic offices).	168
4.24	Trade per capita in USD (<i>Source</i> : WTO data).	168

List of Figures

1.1	The GUAM member states Azerbaijan, Georgia, Moldova and Ukraine (<i>Source: author's design</i>).	2
3.1	Main bodies of GUAM in hierarchical order (<i>Source: author's design</i>).	53
3.2	Major gas pipelines in the GUAM area (<i>Source: author's design</i>).	66
3.3	Major oil pipelines in the GUAM area (<i>Source: author's design</i>).	67
4.1	The Transport Corridor Europe-Caucasus-Asia (TRACECA) in the GUAM-area and the VIKING project (<i>Source: author's design</i>).	109
5.1	Moldova and the separatist region Transnistria (<i>Source: author's design</i>).	231
5.2	Georgia and its district Adjara and the two separatist regions South Ossetia and Abkhazia (<i>Source: author's design</i>).	234
5.3	Ukraine and the disputed peninsula of Crimea (<i>Source: author's design</i>).	239
5.4	Azerbaijan, Armenia and the disputed region of Nagorno-Karabakh (<i>Source: author's design</i>).	242

List of Abbreviations

BSEC	Organisation of the Black Sea Economic Cooperation
BTC	Baku – Tbilissi – Ceyhan oil pipeline
CIS	Commonwealth of Independent States
CNC	Council of National Coordinators
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ODED–GUAM	Organisation for Democracy and Economic Development – GUAM
IPE	International Political Economy
IR	International Relations
NR	New Regionalism
PSR	Post-Soviet Regionalism
PSS	Post-Soviet States
PTA	Preferential Trade Agreements
RS	Regionalism Studies
SU	Soviet Union
USD	US-Dollar
USSR	Union of the Socialist Soviet Republics

Chapter 1

Introduction

1.1 Relevance of the Research Subject

Comprised of Georgia, Ukraine, Azerbaijan and Moldova, GUAM borders the European Union on one side, Russia on the other, and, the Middle East on its Southern periphery. Initiated as a mechanism of policy coordination during the disintegration process of the 1990s, GUAM today is a regional organisation with an advanced structure.¹ Amidst domestic turbulence within the GUAM member states, the repercussions of the global financial crisis and Russian intervention in Georgia and Ukraine the organisation continues to exist. Today, GUAM is unique in post-Soviet space, because Russia—the traditional initiator and promoter of interstate cooperation in post-Soviet space—is no part of it, and because GUAM’s agenda promotes the integration of its members into European and Trans-Atlantic structures. These features indicate that the grouping may follow other variables than have previous regional integration projects.

Regional groupings are no new phenomenon. Today, all countries are part of a regional structure (De Lombaerde & van Langenhove

¹ From 1999 to 2005 Uzbekistan was a member of the group. Thus, official documents and other sources of that period use the abbreviation *GUUAM* (see also ch. 3).



Figure 1.1: The GUAM member states Azerbaijan, Georgia, Moldova and Ukraine (*Source: author's design*).

2007). The number of regional groupings has increased in the last decades (cf. Choi & Caporaso 2002; Fawcett & Hurrell 1995b; Glania & Matthes 2005); particularly interstate trade agreements have proliferated (Baccini & Dür 2012; Mansfield & Milner 1999), representing shallow integration (Börzel 2012b; Burfisher et al. 2004), while regional organisations did not increase in an equally strong way and deepened only to a limited extent (Börzel 2012b).

Regionalism Studies (RS) is characterised as ‘fragmented’ (De Lombaerde & Söderbaum 2013: xvii, De Lombaerde et al. 2010: 731), embracing various ‘schisms’ (Shaw et al. 2011: 4). It comprises a diverse set of theoretical and analytical approaches, key concepts and research issues (Goltermann et al. 2012; Väyrynen 2003). RS borrow to a large extent from the central theories of International Relations (IR), including the branch of European integration theories. Conclusions from IR theory on the emergence of international institutions have been reiterated for regional projects, proposing global challenges (De Lombaerde & van Langenhove 2007)—or de-nationalised problems (Zürn 2005)—as systemic explanations, and power and welfare increase as actor-related explanations. Interstate institutions are

regarded as a cornerstone of cooperation (Axelrod & Keohane 1993; Milner 1992) that help to form stable expectations of the other's behaviour, and therefore reduce distrust between states (Fawcett & Hurrell 1995a; Keohane 1993; Martin & Simmons 1998). In this context, regional integration is assumed to have positive effects not only for peace, but also on economic prosperity and democratisation (the Kantian triangle), which have been of particular interest to the newly independent states along the Eastern European periphery (Mansfield & Pevehouse 2006; Pevehouse 2005; Oneal et al. 2003). Studying regional projects has also been related to core issues of IR, such as the nature of the international system, agency and how the world is organised.

Another relevant contribution to RS comes from classical economics. While International Political Economy (IPE) focuses on the 'marketisation from below' of regional projects (Söderbaum 2013; Spindler 2002; Väyrynen 2003) and the relation between regionalism and globalism (Newman et al. 2006b; Sbragia & Söderbaum 2010), development studies offers insight into regional projects between developing states and into their impact on raising the development level (Baccini 2012; Heydon & Woolcock 2012; Jurcic et al. 2013).

Patterns of regional integration differ from case to case (Hettne & Söderbaum 2002). Comparative regionalism suggests differences for integration projects that involve developing countries (Acharya & Johnston 2007a; Shaw et al. 2011; Sbragia & Söderbaum 2010); yet, post-Soviet states (PSS) do not fit into classic definitions of developing states and reflect a rather heterogenous group, suggesting a different form of regionalism. Regional integration projects in post-Soviet space have been a domain for local scholars who have argued primarily with 'the power variable' and Russian hegemony (Molchanov & Yevdokimov 2005). Scholars disagree as to whether the communist legacy has explanatory power for alleged divergent patterns of regionalism (Gros & Suhrke 2000; Molchanov 2009; Libman & Vinokurov 2010). A high number of projects combined with limited activity are two characteristics of post-Soviet regionalism (cf.

Aslund et al. 1999; Libman 2007; Molchanov 2009). Considering the criticism of ‘façade-making’ (Trojesen 2007) and the so-called higher efficiency of global integration schemes (cf. Choi & Caporaso 2002), it is imperative to ask what added value GUAM has to offer. Moreover, the fact that Russia has neither been the initiator nor the promoter of GUAM adds to the relevance of the case. Yet, with PSS following a different logic concerning democratisation and market reform than transition states in Eastern and South Eastern Europe (Kuzio 2007; McFaul 2002; Mickiewicz 2005), and without the ostensible transformative power of EU and NATO membership (Börzel 2011) in the near future, the capacity of GUAM to contribute to closing the welfare and democracy gap is doubtful. Moreover, the continuing conflict in Ukraine underscores the significance of sovereignty.

From a European vantage point, GUAM may serve as an instrument for stability along the EU’s Eastern periphery (cf. Emerson 2008; European Security Strategy ‘A Secure Europe in a Better World’ 2003); promoting economic development and democratic governance among its members, GUAM might contribute to the concept of a ‘ring of friends’ around the European Union. Other structures like the *Organization of the Black Sea Economic Cooperation* (BSEC) or the *Black Sea Synergy* are of limited success while the *Eastern Partnership* remains an accumulation of strategy papers and bilateral action plans that is jeopardised by the continuing European debate of ‘widening-versus-deepening’ (cf. Manoli 2012). In addition to the stability perspective, the economic dimension adds to the importance of the four GUAM countries and their joint economic agenda, since the four states are relevant for international trade from Europe to Asia and vice versa—particularly with regard to energy resources. However, the EU’s East is Russia’s West, where security and economic concerns of both actors coincide, leaving the EU with the dilemma of how to approach GUAM without steering into strong discord with Russia.²

² Apart from sporadic actions, the EU does not hold established relations with GUAM. Instead, the EU follows a single country approach. According to a

1.2 Research Questions

This study seeks to make both an empirical and a methodological contribution by testing two different concepts as an explanation for the emergence and the present state of GUAM as a regional integration project in post-Soviet space. In scrutinising the emergence of GUAM, I suggest that GUAM members do have common interests and follow a double-strategy: facilitating development on the one hand, and strengthening their sovereignty, on the other. Both aspects are tightly interwoven and can be regarded as a consequence of disintegration from the Soviet Union (SU).³ The inception of GUAM as well as the current state of GUAM are designed as explanandum. The first assumption that GUAM functions as a development strategy repeats common ground in RS and is based on liberal institutionalism's conviction that states aim at welfare maximisation (1). GUAM states can be understood to aim at shifting their comparatively low welfare level to the level of Western European states. Thus, development—conceived in a broad sense as the process of increasing the welfare level—is employed as the independent variable. The second assumption refers to the current state of GUAM, arguing that their development strategy is bound to fail, since the composition of the participants is ill-conceived (2). This assumption refers to three different independent variables: mutual trust, state capacity and demand. These variables have to be examined in the context of the Soviet disintegration process. The third assumption—GUAM as a sovereignty strategy—underscores the significance of sovereignty for GUAM, which has been regarded only marginally in RS but is decisive for PSS (3). In this setting, sovereignty is employed as the independent variable. The fourth assumption argues that GUAM's sovereignty strategy is also

decision in June 2007, GUAM for the first time received funding from the ENP budget 2007-2010 (915 mill. Euro in total), which had to be distributed to projects of the GUAM member states, with the EU deciding how much every state had to receive (Memo on Eastern Partnership, MEMO/09/217, 05.05.2009).

³ Other explanations for the inception and present state of GUAM, e. g. identity construction, are disregarded due to the limited scope of this dissertation.

deficient, because its format is inadequate for addressing *practiced* sovereignty (4). Sovereignty and power are employed as independent variables to prove this assumption. I propose that GUAM should not be understood as a security organisation, but as an instrument to strengthen the sovereignty of its individual member states. GUAM contradicts traditional concepts of security organisations, since it is less about containing conflict *amongst* participants, but rather about maintaining sovereignty towards a *non-member* without military elements. Summing up, I argue that GUAM as a development and as a sovereignty strategy is not designed to fit the capacities and demands of its members and, thus, is destined to fail.

1.3 Methodological Approach

In this dissertation GUAM is scrutinised within the regionalism research programme, focusing on states which formalise their intergovernmental cooperation in various issue areas with regional institutional entities, adding relative durability to their relations (cf. Fawcett 2008; Goltermann et al. 2012; Russett et al. 2006).⁴ As a product of post-bipolarity GUAM could be associated with *new* regionalism (Söderbaum & De Lombaerde 2013; Molchanov 2009), displaying also a multidimensional character by embracing economic, political, social and cultural aspects (Hettne 2000). Moreover, as a project of smaller states without the participation of the advanced industrialised Western countries, the GUAM case follows the demands for a turn in RS towards such case studies (Shaw et al. 2011; Sbragia & Söderbaum 2010). However, GUAM is still state-centric, typical for *old* regionalism.

This study is embedded in the grand schools of IR theory. I combine different ‘isms’ (cf. Keohane 2008: 1), forming a complex whole.⁵ Different theories are not perceived as mutually exclusive or

⁴ Regionalism as a phenomenon below the national level (micro-regionalism) is disregarded in this context.

⁵ The issue continues in the debate about ‘the end of IR theory’. Dunne et al.

competing to explain a phenomenon, but ‘tend to focus on different or related aspects of the broader regional phenomenon’ (De Lombaerde et al. 2010b: 27). New theories complement old ones which remain in our repertoire (Meyers 1990). While the economic dimension of GUAM is primarily examined in a liberal institutionalist setting in combination with International Political Economy, realism and integration theories are employed for the sovereignty dimension of GUAM.

States still constitute the main actors in IR and are assumed to act goal-orientedly and rationally. Whether power calculation or welfare maximising—states do calculate the costs and gains of cooperation and inactivity (Lipson 1993; Keohane 1993), considering future outcomes of their behaviour. PSS—like other states—exhibit ‘assertive sovereignty’ and should not be reduced to ‘pushover pawns’ of the two former superpowers (Pourchot 2008; Silaev 2006). Within the empiric-analytical research programme, I follow a deductive approach that bridges traditional levels of analysis (cf. Viotti & Kauppi 1993) to explain a regional phenomenon. Since a unit-analysis cannot ignore the context of the international system (cf. Keohane 1984), this analysis embraces structure-related as well as actor-related variables. I will detail the theoretical setting at the beginning of the two analytical chapters.

This dissertation is based on heuristic analysis of various documents. I cite secondary sources on the region and GUAM member states, primary sources from governments, media and international organisations, such as the legal documents of GUAM or the member states (including government publications like strategies or press releases), newspaper articles and interviews with officials, different indices and special reports are examined as well.⁶ The latter comprise governance as well as economic indicators, the *Bertelsmann Transfor-*

(2013: 416f) propose ‘integrative pluralism’ which differs from eclecticism by intersecting and forming a complex whole. By contrast, David A. Lake (2013) suggests concentrating on mid-level theories, which will also be considered in this dissertation.

⁶ Bibliography or citation in Cyrillic letters has been transliterated into Latin letters according to the norm BGN/PCGN.

mation Index (BTI), the *Transition Report* from the EBRD, *Nations in Transit* from Freedom House, the *Global Competitiveness Report* (GCR) from the World Economic Forum, various data sets from the WTO, IMF, Worldbank, etc. It has to be noted that international economic statistics involve primarily data provided by national governments. Even analysts from the post-Soviet states acknowledge deficits of their indices—their diverging calculation methods, deliberate manipulation or simply non-availability of data—which complicate the comparability among GUAM states (Libman 2007; Libman & Vinokurov 2010; Vinokurov et al. 2009;).⁷

Lastly, the reader should be aware that recent political developments in the GUAM states—notably Ukraine—could only be followed until the beginning of 2014.

1.4 Structure of the Dissertation

This dissertation begins with a look at the state of the art, which serves as an introduction to post-Soviet regionalism (ch.2). It also highlights the characteristics and predispositions of PSS, forming an important backdrop for the subsequent analysis. The following chapter (ch. 3) introduces the research subject, which may be unknown to some readers. It recounts GUAM's institutional development and objectives as formulated in its official documents. The short performance review in this section is the starting point for the subsequent analysis of the state of GUAM within the framework of development and sovereignty. At this early stage of research, I eschew the term *failure* to characterise the performance of GUAM, because using it might overlook accomplishments between the lines which may have arisen as an epiphenomenon.

Next, I embark on the two major sections of analysis: The chapter

⁷ E. g. the export from Ukraine to Russia is estimated differently in Russian and Ukrainian national statistics (Libman & Vinokurov 2010: 8). Ambiguous owner structures in the private sector, shadow economy, inconsistencies (in methodologies and along years even within one state) add to the difficult statistical situation (Libman 2007: 402; 407).

on GUAM's economic dimension (ch. 4) examines the explanatory power of the development concept for the genesis of GUAM and surveys conditional variables such as mutual trust, state capacity and demand calculations in the foreign trade sector, to explain the current state of GUAM. The last chapter examines the emergence of GUAM as a sovereignty strategy (ch. 5). It also reveals how the objective of strengthening sovereignty leads to inconsistencies in the development of GUAM itself. Chapter four and five each begin with theoretical considerations and then turn to explanations for the origination of GUAM and continue by expounding the current state. Lastly, I sum up the major conclusions (ch. 6) and illustrate how they can contribute to our understanding of GUAM and how they might affect our knowledge of post-Soviet regionalism and regionalism studies in general.

Chapter 2

GUAM and post-Soviet Regionalism

2.1 Conceptualising the Research Subject

The first part of this chapter conceptualises the research subject. I will illustrate that GUAM can be regarded as a regional integration project and, thus, as a subject of regionalism studies. Subsequently, I will explain how I employ the term of PSS. GUAM members are and their characteristics will assist in understanding the peculiarities of post-Soviet regionalism in general and GUAM in particular. Thus, we can determine how GUAM fits into previous conclusions on regionalism. The second part of this chapter reviews current research on post-Soviet regionalism and also reflects on what scholars already do know about GUAM. Thus, I present a starting point for my argument and explain how this study assists in closing voids in current research on GUAM.

2.1.1 GUAM and Regional Integration

Referring to a basic definition of integration as a process¹ between at least two states who deepen their mutual cooperation in such a manner

¹ There is a continuing debate on integration describing either a precondition, a process or a result (Bieling & Lerch 2006a; Meyers 2008b: 506).

that they form joint rules and procedures which take effect in joint institutions (Haas 1958), GUAM can be regarded as an integration project. GUAM is, thus, more than interstate cooperation, although such cooperation can be a starting point of an integration process (Goltermann et al. 2012: 4).² As a subcategory of cooperation between states integration shares central characteristics which have been brought forward by Robert Axelrod & Robert Keohane (1986; 1993) and Helen Milner (1992). Accordingly, integration can be discerned as goal-oriented behaviour of states, who take measures to elevate their mutual dependence in aspiration of mutual benefits (cf. also Cohen Orantes 1981; Haas & Schmitter 1981). Submitting to a joint set of rules and procedures allows states to form stable expectations about each other's behaviour (cf. Krasner 1982).

A major criterion for distinguishing integration from cooperation is the forming of institutions. The quality of competences that are granted by nation-states to an institution alludes to the level of integration. Such competences can refer to a collective decision-making process (Lindberg 1971: 48) or even to juridical competences (cf. Haas 1958: 16). Integration means opening up national processes to the influence of the partner (cf. Hoffmann 2007: 100) and therefore is commonly related to a loss of national sovereignty (Kühnhardt 2008; Kössler & Zimmek 2008a). Such institutions represent a new governance level that forms and executes decisions and, thus, obtains actor quality (cf. De Lombaerde & van Langenhove 2007: 1; Galtung 1981: 132; Mattli 1999). The new governance level can be grasped as 'a new centre, whose institutions possess or demand jurisdiction over the preexisting national states' (Haas 1958: 16). Notwithstanding, a transfer of competences or *authority* (cf. Lindberg 1971: 48) from the national level to the new established entity may come along only at the end of an integration process (Mattli 1999: 41; Zimmerling 1991: 42). The creation of such a new regional or international actor could also serve as a significant criterion to distinguish integration (understood

² Such a wide definition would embrace regional organisations as well as preferential trade agreements. Regionalism as an interdisciplinary research field tries to embrace political as well as economic regional phenomena.

as a result) from regional cooperation—although regional cooperation can be regarded as a starting point of integration (understood as a process). Furthermore, integration entails a dynamic character. More and more issues can be addressed by shared regulations and the number or scope of physical supporting structures can increase as well as decrease.

Starting with policy coordination around the CFE-treaty negotiations at the beginning of the 1990s, GUAM's *Washington Declaration* (1999) already reflects the creation of a shared code of conduct. The *Yalta Charter* (2001) initiated the transformation from a regime to a full-fledged regional organisation and can be recognised as a first level of integration, where territorial entities give a mandate to a common body to govern the areas of collaboration (cf. Slocum-Bradley 2008: 241). Understanding integration as a process allows us to term GUAM as an integration project, even though the implementation of accorded integration goals is lagging behind and existing institutions like GUAM's Secretariat maintain weak authority over the participating states. I opt for a wider definition of integration which also embraces joint institutions with a weak mandate. Shallow forms of regional integration are still prevalent (cf. Börzel 2012b: 256). This allows us to focus on how and why states initiate integration projects as well as on obstacles for implementing integration projects. GUAM embraces economic and political objectives as well as cultural and scientific objectives. Whereas Nye (1968: 858) distinguishes *types* of integration, this dissertation considers GUAM to be a 'multidimensional' as well as a 'complex' integration process as suggested by adherents to the *New Regionalism* (NR) school (cf. De Lombaerde et al. 2008: 149).

As a *regional* integration project GUAM states form common policies and create common institutions that are situated above the national level but below the systemic level (cf. Buzan & Weaver 2003: 28, De Lombaerde & van Langenhove 2007: 1). They form a delimitable sub-system of the international system (Hettne 2000:

xviii; Kern 2002: 18), also dubbed as *supra-national* or *macro-regional* level (cf. De Lombaerde & van Langenhove 2007: 1; Hettne 2007: 1021). Regional integration corresponds to the term of regionalism in a narrower sense (Hurrell 1995: 39; Söderbaum 2008: 1; Telo 2001c: 90), yet, without elaborating on a particular institutional form (Fawcett & Hurrell 1995b: 3). In a broad sense, regionalism can be grasped as the sum of all inter-state relations in a geographical region (Rinke 2008: 445).³ The territorial parameter is often applied as a minimal definition for *regional* integration projects, describing a number of states linked together by a geographical relationship—or ‘alleged geographical proximity’ (Slocum-Bradley 2008: 242; cf. also Goltermann et al. 2012: 4). Taking into account maritime borders, GUAM indeed forms a territorially related space. GUAM has also been discerned as a *sub-regional* integration project, either of the post-Soviet space or the Black Sea region (Libman 2007; Robinson 2004; Tsantoulis 2009). Considering Björn Hettne’s core-periphery dichotomy (2007: 1022), GUAM can also be interpreted as a *peripheral* regional integration project, presuming it to be ‘politically more turbulent and economically more stagnant’ (Hettne 2000: xx) but also ‘fragile and ineffective’ (ib.). Of course, such categories are objects of change, since regions are dynamic (cf. Gebhard 2007: 34). Regarding the degree of regionalisation, GUAM’s *regionness* (Hettne & Söderbaum 2002) and consequently its *actorness* (Hettne 2005: 270) is rather low. In addition to the territorial parameter, a regional project implies some degree of mutual interdependence

³ Regionalism can also be grasped as a strategy to organise world order in a multipolar way, as well as a project of forming regions (Fawcett 2005: 24; Farrell 2005: 8f). Hettne & Söderbaum (2002: 34) see this difference as regionalism and regionalisation, with the latter relating to the process of implementing regionalism (Gebhard 2007: 38; Fawcett 2005: 25; Hettne & Söderbaum 2002: 34), discerning a process of social transformation ‘whereby the regional level is becoming a relevant space for many aspects of human behaviour and activities’ (de Lombaerde & van Langenhove 2007: 1). It should not be confused with the usage by economists who delineate regionalisation as bottom-up integration that arises rather spontaneously from increased social and economic interactions of market actors (Breslin et al. 2002: 14; cf. Goltermann et al. 2012: 4).

between participating states (Fawcett 2008: 17; Goltermann et al. 2012: 4; Hettne & Söderbaum 2002: 38; Veitl 1981: 25). Although GUAM members share a post-Soviet identity (Molchanov 2002) and Georgia and Azerbaijan may be associated with a South-Caucasian identity (Eyvazov 2007), GUAM should not be considered as a region that is based on or has formed a distinct regional identity.⁴ I will discuss the issue of interdependence and traces of a common identity among GUAM member states in more detail in ch.4.

GUAM as a regional or sub-regional integration project can also be termed *restricted* regional integration. GUAM is restricted in two ways. Firstly, GUAM is limited by the preponderance of national authority. Even rejecting Etzioni's idea of a political community as the final outcome of integration (1962: 44ff), a process definition demands that some form of regional entity with a certain degree of authority is being formed. However, GUAM's present institutional set-up focuses more on *coordinating* national policies than on *adjusting* preferences. Participants are not (yet) prepared to shift competences to the regional level. I will return to that point in ch. 3.3.1 and 5.3.3. Secondly, GUAM's integration can be regarded as restricted by the dualism of GUAM integration and Euro-Atlantic integration. Over the long haul, GUAM members strive for stronger integration into the European Union and NATO. Full membership is not the immediate objective, but may be the aim of a longer process. Hence, GUAM is conceived as a stepping stone towards another existing—macro-regional—integration project, which would eventually make GUAM obsolete eventually. This is a peculiarity of GUAM.

⁴ It is undisputed that region building may be employed as a way of identity construction, similar to the construction of national identity (Solioz & Stubbs 2009: 4; cf. Ciuta 2008: 140; cf. Slocum-Bradley 2008: 241), making a region a cognitive product (Schmitt-Egner 2002: 181). However, identity formation is not the object of this dissertation. Social constructivism perceives regions as 'socially constructed, spatial ideas, which follow concepts of community and society' (Goltermann et al. 20012: 4).

Integration as a research subject has gained importance among IR scholars with the phenomenon of European integration (cf. Schieder 2012: 83; cf. Goltermann et al. 2012: 6), which to this day remains unique in its scope and format. With the EU as their pet project, regionalism scholars embrace European integration theories as well as theories from Political Economy forming the two major schools of theory within RS (cf. Börzel 2012b: 258f; Goltermann et al. 2012: 5; Väyrynen 2003: 25). Integration theories have been strongly influenced by the great debates of IR theory (Schieder 2012: 83). The two main schools of thought of European integration theories—intergovernmentalism⁵ and neofunctionalism (supranationalism)⁶—still characterise the research field (Goltermann et al. 2012: 5; Schieder 2012: 83; Schimmelpfennig 2012: 394). Adherents of liberal institutionalism contributed to what has been termed *liberal intergovernmentalism* (Moravszik 1998), emphasising the role of international institutions for facilitating trust between states and for compliance of participants with joint rules, but also the role of *relative* power in the international system (Schieder 2012: 84). State interests are also influenced by interests of societal actors (ib.). In contrast, adherents to a *realist* intergovernmentalism highlight the influence of geopolitics on the formation of state interests (ib.).

Neofunctionalism also believes in the transformative power of international institutions (Schieder 2012: 85). *Rational* neofunctionalism borrows from intergovernmentalism the cost calculus, but underscores that interstate negotiations are a result of and not a cause for integration (Schieder 2012: 87). Schimmelpfennig (2012: 411) highlights the sequencing in employing both analytical schools:

⁵ Intergovernmentalism explains the integration as the result of a bargaining process between governments, thus, determining states as the relevant actors (Schieder 2012: 83; Goltermann et al. 2012: 5; Schimmelpfennig 2012: 410f). Their decisions follow a cost-calculus and are also influenced by exogenous factors such as increasing interdependence or economic shocks (Schieder 2012: 87).

⁶ Neofunctionalism discerns elites and transnational organisations as relevant actors (Goltermann et al. 2012: 5). But integration also stems from endogenous preferences, spill-over effects and path dependency (Schimmelpfennig 2012: 410f).

While intergovernmentalism may explain the emergence of European integration, neofunctionalism is better suited to explain the present state of the European project.

Social constructivism as another theoretical branch has been either regarded as an independent school of thought that emphasises the process of identity formation for the European integration project (Schimmelpfennig 2012: 411) or as a sub-category of neofunctionalism (social-constructivist supranationalism) (Schieder 2012: 87).⁷ Sociologists underscore the role of the people and how they affect and are affected by the European integration process.⁸ Other scholars underscore the utility of a federalist approach in understanding European integration.⁹ The Political Economy approach as the second major theoretical school in RS will be addressed separately in ch. 4.1.1.

Today, the European Union is by far not the only regional project. Although the number of deep integration projects remains scarce (Börzel 2012b: 256), forms of regional integration have skyrocketed in the last decades (cf. Baccini & Dür 2012: 57). Regional projects of developing countries are emerging (Jurcic et al. 2013: 1; Sbragia & Söderbaum 2010: 563; Shaw et al. 2011: 10), but also other formal and informal regional projects by non-state-actors, so called micro-regionalism (Börzel 2012b: 256; Shaw et al. 2011: 4; Väyrynen

⁷ Further integration would depend on the identification with European ideas within the member states and on how much Europeanisation corresponds to the existing political ideas within the member states (Schieder 2012: 86).

⁸ See Eig Müller, Monika (2010): Integration trotz Desintegration. Entwicklungstendenzen der EU. In Soeffner, Hans-Georg (ed.): *Transnationale Vergesellschaftungen: Verhandlungen des 35. Kongresses der Deutschen Gesellschaft für Soziologie* Frankfurt/M, Bd. 1 u. 2. See also the impact of interest groups for policy making and the role of civil society and the question of legitimacy: Knodt, Michele and Corcaci, Andreas (2012): Europäische Integration. Anleitung zur theoriegeleiteten Analyse. Konstanz.

⁹ See Benson, David & Jordan, Andrew (2011): Exploring the Tool-Kit of European Integration Theory: What Role for Cooperative Federalism? *Journal of European Integration* V.33, pp. 1-17. Further approaches to scrutinise European integration come from multi-level governance or from Neo-Gramscian and Critical analysis, see Knodt, Michele and Corcaci, Andreas (2012): Europäische Integration. Anleitung zur theoriegeleiteten Analyse. Konstanz.

2003: 44). Such integration attempts by non-state actors have been primarily observed in the economic area, and dubbed as ‘marketization from below’ or as ‘regionalisation’ (Spindler 2002: 25; Väyrynen 2003: 44). At the same time, existing regional projects experience deepening (Börzel 2012b: 256; Burfisher et al. 2004: 4). Moreover, exogenous factors like uneven globalisation or the proliferation of (weak) states created a new environment for regional projects (Shaw et al. 2011: 5). As a consequence, the focus of RS shifted from integration projects between Western states towards a growing number of multifaceted regional groupings initiated by non-Western states and non-state actors (Acharya & Johnston 2007b: 13; Börzel 2012b: 256; Fawcett & Hurrell 1995b: 2), including also interactions between regional groupings (inter-regionalism) and other actors of the international system and their effect on world order (cf. Hettne 2005; cf. Hettne & Söderbaum 2002; cf. Fawcett & Hurrell 1995b; Shaw et al. 2011: 4; Väyrynen 2003: 44). This turn towards new research issues has been frequently termed ‘New Regionalism’ (cf. Warleigh-Lack & Rosamond 2010: 993).

However, a review of recent studies revealed that analyses with a state and Eurocentric perspective continue (Shaw et al. 2011: 4; Söderbaum 2013: 9); as a result, scholars advise their academic peers to make greater efforts to integrate those changes into analysis, embrace comparative regionalism and pay more attention to the social construction of regions as well as the nexus between market, state and non-state actors (Söderbaum 2013: 9; cf. Warleigh-Lack & Rosamond 2010: 993; cf. Shaw et al. 2011: 4). Nonetheless, there is neither a methodological nor a theoretically clear concept of NR (De Lombaerde et al. 2010a: 731; cf. Lovering 1998). Perceptions of phases of RS vary and it remains unclear what exactly differs, thus, giving rise to a ‘fragmented’ research area (Söderbaum & De Lombaerde 2010: xvii; Väyrynen 2003: 25).¹⁰ The essence may be grasped with the advice

¹⁰ Some scholars link NR to the end of bipolarity and the decline of American hegemony (Söderbaum & De Lombaerde 2013: xvii; Hettne 2007: 1021; cf. also Hettne & Söderbaum 2002 and Hettne 2005: 270), making NR a new concept to analyse IR since regional institutions are the new actors among states (Joffé 2001: xiv), while others date the ‘new turn’ to the 2010s or the

not to remain focused on a state-centric and EU-oriented research field. As such, GUAM is both sticking to the old state-led regionalism, while simultaneously opening up to new forms of regionalism beyond Europe.¹¹

Asking why states form regional groupings, the genesis, growth and institutional design of regional integration projects have been leading research interest (Goltermann et al. 2012: 3).¹² The power variable and economic factors (interdependence and externalities) have been the two major explanatory variables (Börzel 2012b: 259). Scientists later turned to the conditions for success of regional integration (Farrell 2005). The impact of domestic factors gained importance (Goltermann et al. 2012: 3). The reciprocal effect of regionalism on its members is another research direction (ib.), driven primarily by the Europeanisation concept.¹³ Scholars perceive major differences for projects between small states (Börzel 2012b: 259) or projects between developing states (Jurcic et al. 2013; Shaw et al. 2011; Söderbaum & Sbragia 2010; Väyrynen 2003).

work of Acharya & Johnston 2007a (Shaw et al. 2011: 5). NR has also been associated with an economic turn in analysis of regional groupings, the growing importance of the global market (Baccini & Dür 2012: 57; Robson 1993: 330; Gebhard 2007: 42; cf. Mansfield & Milner 1997b: 2; Väyrynen 2003: 44). Some scholars regard the emergence of regional projects between non-state actors as major feature of NR (Spindler 2002: 2; Börzel 2012b: 256). For Burfisher et al. (2004: i) NR is associated with new methods of analysis.

¹¹ Tanja A. Börzel (2012b: 262) demands more studies on the repercussions of integration on member states, whereas Sbragia & Söderbaum (2010: 563) and Jurcic et al. (2013: 1) pledge for a focus on other cases of regionalism. Also, other actors should be included and, thus, attention should turn towards the nexus between market, state and non-state actors (Söderbaum 2013: 9).

¹² See Acharya & Johnston (2007b) for questions of legitimacy of institutions and their design, or De Lombaerde & Schulz (2009), Fawcett (2005), Acharya & Johnston (2007c) for the role of sovereignty and the influence of external factors on regional processes.

¹³ Europeanisation focuses on the consequences European politics have on national states. Diffusion can be grasped as a sub-category of Europeanisation (Schieder 2012: 88f). See also Börzel (2011) or Börzel, Tanja A./Risse, Thomas (2012): From Europeanization to Diffusion *Special Issue of West European Politics V*: 35: 1.

Concluding, GUAM will be employed in this dissertation as a restricted regional integration project. Regional integration shall be understood as cooperative behaviour (a), between at least two states (b), on more than one issue (multidimensional) (c), that produces a new institutional structure above the national level and below the systemic level (d), to which participants gradually shift competences that traditionally belonged at the national level (e). Integration is restricted in the sense that it does not aim at the creation of a new governance level above the nation-state with considerable authority. Instead, it envisages a low level of institutionalisation with the emphasis on issue-oriented interstate cooperation (harmonising policies).

2.1.2 Characteristics of post-Soviet States

This section addresses the challenges PSS¹⁴ face and how they differ from other post-communist states, suggesting diverging assumptions on their behaviour in regional integration projects.

The dissolution of the USSR posed various problems: the demarcation of new borders, the establishment of clear citizenship, the division of the Soviet army and its armaments while maintaining security among all former republics. Furthermore, the financial difficulty of budget and debt division, the establishment of separate

¹⁴ In absence of an adequate term, in this dissertation PSS comprise all former SU republics except for the three Baltic states of Lithuania, Latvia and Estonia (cf. Robinson 2004), which are commonly not included in studies on post-Soviet space. Due to their different economic, political and historic development in the 20th century as well as their different status within the SU, they are perceived as *in between* states, fitting neither in the *Commonwealth of Independent States* (CIS) category nor with the other post-communist states in Eastern Europe (cf. Kaczinski 2004). Russia is a difficult subject due to its dominant role within the SU and its past as a Tsarist Empire. Where appropriate, I indicate that an assumption does not hold true for Russia. Dmitri Trenin (2011) and Alexander Nikitin (2008) object correctly that the common Soviet past is less determining today, but fail to provide an alternative term. Since the withdrawal of Georgia and due to the ambiguous legal structure of the CIS, the term *CIS states* would also be ill-conceived. The term *Eurasian states* (Molchanov 2009; Way & Levitsky 2007) reiterates the controversial issue of the Baltic and Russia and the general question of who is *European* and who is *Asian*.

functioning market economies and monetary systems for all former republics (safeguarding resource and energy supply), the establishment of functioning independent infrastructure or telecommunication, and then also the issue of inherited ecological problems. Finally, the whole process of state and nation building for all the new independent states, some of which had no prior experience—neither with independence nor with democracy nor even with being a nation. All these challenges were to be managed with the same communist elite and bureaucracy and the inherited political and economic institutions of the Soviet past (Ergun 2011: 51ff). The dissolution of the USSR happened so fast without time nor previous patterns to prepare for it (cf. Aslund et al. 1999: 1; cf. Astrov & Havlik 2007: 128ff; Odom & Dujarric 1997: 8). Those challenges offer both prerequisites and obstacles for regional integration attempts as I will demonstrate in the course of my study. Particularly the sudden exposure to the international system of post-bipolarity as new independent states and their lack of capacities (financial and institutional) will prove to be relevant for the subsequent analysis of GUAM.

PSS are assumed to develop along a different path than other post-communist states in Europe.¹⁵ Taras Kuzio's (2007: 25) *quadruple transition* concept emphasises the demands of institution building on the one hand, and nation building and identity construction on the other, since PSS—with the exception of Russia and the Baltic—did not previously exist as independent states. Moreover, whereas transition in Central and Southeast European states has been motivated and pressured by the European Union as well as the United States, the *Western leverage* (Way & Levitsky 2007: 48) was absent in the case of the former Soviet republics. Today countries from post-Soviet space are recognised to be managing political and economical transition less successfully (Holmes 2004: 235; Mickiewicz 2005: 197). Thus, scholars

¹⁵ Post-communist states differ in their trajectories from previous transition countries in Latin America and Africa by the simultaneity of change (Offe 1991), characterising it as a 'threefold transition process' (Szczerbiak 2004: 1223; cf. Holmes 2004: 232).

tend to avoid the concept of ‘transition’ for PSS, since those states may indeed neither head towards democratisation nor capitalism, but towards pre-Soviet standards where ‘feudal institutions structured the societies’ (Stefes & Wooden 2009: 5).¹⁶ Even though PSS are not homogenous, they are regarded as a distinct sub-category of post-communist states in this dissertation.¹⁷

The low level of democratisation as well as of market reform exemplify the post-communist divide (Way & Levitsky 2007: 48; cf. Mickiewicz 2005: 197). In contrast to the previous third wave of democratisation, communist states converted into democracies *and* dictatorships (McFaul 2002: 213; cf. Croissant & Merkel 2000; cf. Diamond & Morlino 2005; Stefes & Wooden 2009: 6). The former Soviet states (save the Baltic) have shifted towards authoritarianism, usually combined with a low level of domestic and transnational trust. They ‘often lack political legitimacy, and have little capacity to pursue domestic change or international association’ (Robinson 2004: 191). PSS keep being hybrid regimes at best (Freedom House 2014). Moreover, instead of a civil society scholars observe atomised society with lacking interest in self-organisation, combined with a strengthening of paternalistic traditions (cf. Grinberg 2003: 340).¹⁸ Domestic agents of change are hard to discern. NGOs in PSS function rather as research institutions than as representatives of their members, since membership is low (Ergun 2011: 55). Moreover, they are kept alive by

¹⁶ Understanding democratic transition with Linz & Stepan (1996: 3) the process is finished for PSS, although the final objective of a democratic state on market economic terms similar to Western European democracies has not been reached. All four GUAM states continue to struggle with the outcomes of transition. Only Azerbaijan could be regarded as a consolidated state.

¹⁷ Differentiation among PSS can be made along endemic factors, like a weak tradition of statehood, in relation to their linkage with European organisations, or in their reaction to Russia’s role in the neighbourhood (Bremmer & Bailes 1998: 139). They can also be categorised by their adherence to transformation or consolidation (Holmes 2004: 235).

¹⁸ Molchanov & Molchanova (2010: 6) speak of a ‘relative immaturity of civil societies’ and poor social capital (cf. also Ergun 2011: 54). For civil society in PSS cf. Howard, M.M. (2003): *The Weakness of Civil Society in Post-Communist Europe*. Cambridge.

foreign support in the first place (ib.), making them easy targets for restrictive measures by their governments. Yet, the colour revolutions have indicated a turn towards more bottom-up initiatives (Stefes & Wooden 2009: 9).¹⁹

Azerbaijan is a typical autocratic regime (cf. Linz & Stepan 1996; Freedom House 2014) while the other three states can be characterised as hybrid regimes at best which more or less successfully mimic Western democracies (Kuzio 2009; Musayev 2010; Munteanu 2005; Freedom House 2014).²⁰ Although Ukraine, Moldova and Georgia have been leading the ranking of political democratisation in the CIS-area for a long time, in international comparison they are only in the middle field (BTI Regional Report 2012: 2). The so-called ‘colour revolutions’ have lost their steam and have partly even reversed direction (table 2.1 below lists countries and level of democratic progress). Autocratic elements are consolidating (Donner 2010: 2; BTI 2010 brochure: 15; BTI regional report 2012: 2). Azerbaijan, in contrast, maintains the lower ranks both among CIS-states and internationally (ib.).

	1999/2000	2005	2010	2013	2014
Azerbaijan	5.58	5.86	6.39	6.64	6.68
Georgia	4.17	4.96	4.93	4.82	4.68
Moldova	4.25	5.07	5.14	4.79	4.86
Ukraine	4.63	4.50	4.39	4.86	4.93

Table 2.1: Freedom House Democracy Score 1999/2000 – 2014, from 1 to 7 with 1 as the highest level of democratic progress (*Source*: Freedom House).

¹⁹ At least for the hydrocarbon exporting countries like Azerbaijan this hope may be ahead of time, since such states strengthen patron-client relations by smart distribution of revenues among agents (Wooden & Stefes 2009b: 253; Franke et al. 2009: 133).

²⁰ There is a wide discussion about the term of hybrid regimes (and other adjective democracies), for example Köhler & Warkotsch (2010), Linz & Stepan (1996), Croissant & Merkel (2004), Diamond & Morlino (2005).

From the economic vantage point, almost all post-communist states aimed at the completion of a free market economy (Mickiewicz 2005: 197). Being PSS, GUAM members had to transform their planned economy into a market economy, and at the same time to disintegrate from an economic union state into independent national economies. Economic transformation demands appropriate legislation providing the space and the boundaries for economic activity, as well as the necessary regulatory institutions. This ‘economic constitution’ and its corresponding institutions are still in the making in Azerbaijan, Georgia, Moldova and Ukraine.

Several PSS can be characterised as rentier states, e. g. GUAM member Azerbaijan (Franke 2009: 19; cf. Kakharov 2007: 111). They are not yet fully developed market economies—and may remain on that level for years to come (EBRD Transition Report 2010: 4)—or even turn into ‘failed economies’ (Popescu & Wilson 2009: 17). Since the mid 2000s economic reform has stagnated in all four GUAM states (EBRD Transition Report 2013: 4). They have been deeply affected by the 2008 financial crisis, and have not yet returned to pre-crisis economic growth (EBRD Transition Report 2013: 11).

All four GUAM economies are ‘at about the same stage of economic liberalization’ (Muzaffarli 2008: 33). A coherent understanding of market principles appears still to be missing. Ronald Chilcote (2004: 629) and Ruslan Grinberg (2003: 340) nowadays perceive a mixture of capitalism and central planning similar to developing states. A strong command-and-control style in economic regulation is still evident.²¹ Comparing the economic systems of all GUAM participants, the *Global Competitiveness Report* has for many years characterised GUAM members as ‘countries in transition from a factor driven economy to an efficiency driven economy’, except for Moldova which remains a ‘factor driven economy’ (GCR 2010-11: 88; 162; 240;

²¹ Molchanov & Molchanova (2010: 7) perceive a dichotomy between individual businesses on market economy terms and governmental enterprises which are still centrally planned from above as in the communist past. In addition, among PSS the political and economic elite are overlapping, implying that political decision-makers follow their individual instead of the national economic interest.

334).²² However, Georgia and Ukraine could improve their status and are categorised as efficiency driven economies in the last GCR study (GCR 12-13: 182; 356). According to the *EBRD Transition Report* (2013: 4), the improvement of economic institutions can be delineated as the major challenge for all four states in order to push economic growth and advance the transition process. Table 2.2 shows how the four GUAM states coped with political and economic transition as estimated by the Bertelsmann Transformation Index (BTI).

However, the term *developing state*, which is frequently applied by regionalism scholars, has its limits. The concept is strongly oriented on economic variables (Halperin 2007: 220; Chilcote 2004: 628), primarily considering indicators of economic performance like growth rates or per capita GNI. While performance indicators place post-communist states close to developing economies, structural indicators show their likeness to industrialised states, e. g. by their higher developed health and education sector or their higher degree of industrialisation and infrastructure development (Nohlen 1997: 17; Gros & Suhrcke 2000: 18; Grigoriev & Salikhov 2007: 10). Economists have hesitated to categorize post-communist states. In the first years after 1991, they were put in an *in between* category.²³ Today, Azerbaijan is characterised as an ‘upper middle income’ state and the other three GUAM members as ‘lower middle income’ states according to the Worldbank system (Worldbank Doing Business Report 2012).²⁴ Nevertheless, from a purely economic perspective they have more in common with developing rather than with advanced industrialised economies.

²² The GCR determines three development stages of economies, based on twelve socio-economic categories. The lowest level is a factor driven economy, followed by an efficiency driven economy and finally an innovation driven economy.

²³ The OECD formed the special category of ‘more advanced developing and Eastern European countries’.

²⁴ The OECD returned to the Worldbank categorizing system in 2005. Lower middle income states show a GNI per capita between 1006 and 3975 USD. Upper middle income states show a GNI per capita between 3976 and 12,275 USD. For alternative dimensions of a development concept cf. Nohlen & Schultze (2010) and Halperin (2007).

	2003		2006		2008		2010		2012		2014	
	Pol- tical T.	Eco- nomic T.	Pol- tical T.	Eco- nomic T.	Pol- tical T.	Eco- nomic T.	Pol- tical T.	Eco- nomic T.	Pol- tical T.	Eco- nomic T.	Pol- tical T.	Eco- nomic T.
Azerbaijan	1.80	2.60	3.80	5.21	3.80	5.21	3.92	5.79	4.02	5.68	3.90	5.50
Georgia	2.20	1.90	6.10	5.36	6.85	6.36	6.05	6.00	6.15	5.61	6.50	5.80
Moldova	2.20	1.90	5.40	4.71	6.85	5.00	6.65	4.93	7.05	5.43	7.20	5.50
Ukraine	3.20	2.70	7.10	6.82	7.35	6.50	7.00	6.11	6.10	5.82	6.10	5.70

Table 2.2: Scores of political and economic transformation according to the Bertelsmann Transformation Index (BTI) (*Source*: Bertelsmann Foundation).

Scale: 1 (lowest) to 10 (highest). The BTI has been estimated since 2003 every two years for 128 countries.

Summing up, as PSS the four GUAM members faced a greater scope of challenges than other post-Communist European countries since they had to cope with disintegration from the SU, that is to say, forming individual states and economies from scratch. In general, PSS have turned into states with authoritarian governance and various economy types. Those characteristics can be assumed to affect their expectations and management of regional integration.

2.2 Concepts and Voids in Current Research

The following two chapters draw on present assumptions on regional integration projects in post-Soviet space²⁵ and display the state of the art on GUAM research. A closer look at general research on post-Soviet integration projects is indispensable, since thorough analyses of the GUAM case are rare. This allows us to form a starting point for the subsequent analysis.

2.2.1 Post-Soviet Regionalism

Studies on integration projects in post-Soviet space are underrepresented in regionalism studies (RS). Ikboljon Qoraboyev (2010: 206) remarks that scholars of RS and scholars of post-Soviet studies have conducted research in relative ignorance of each other. In this small research area native scholars dominate with the CIS as the focal point of analysis (Malfliet et al. 2007; Klimin 2009). Mikhail Molchanov (2009) issued one of the rare comprehensive works on integration in the region, and the detailed analysis from Aslund et al. (1999) remains fundamental to understanding the emergence of regional cooperation among PSS. Therefore, scrutinising the GUAM case adds to studies

²⁵ Nine cooperation projects dominate post-Soviet space: The Customs Union, the CIS, the Single Economic Space (also translated as ‘Common Economic Space’), the Eurasian Economic Community, the Union State project between Russia and Belarus, GUAM ODED and the Collective Security Treaty Organisation (CSTO). The Shanghai Cooperation Organisation (SCO) and the Community of Democratic Choice (CDC) are hybrid constructs of PSS and their European-Asian neighbours.

of post-Soviet regionalism and contributes to general conclusions on regional integration.

Although the majority of scholars consent that regional integration efforts in post-Soviet space share many characteristics with previous regional projects initiated by developing states, they shy away from equating those integration projects with each other (cf. Safaeva 2007: 129; Molchanov & Molchanova 2010: 1;6).²⁶ Regionalism between PSS is still state-led, representing ‘old’ regionalism (Börzel 2012b: 256). Mikhail Molchanov’s concept of *Eurasian Regionalism* attempts to integrate the knowledge on post-Soviet regional integration projects into the larger research field of RS and advance the formulation of general conclusions. He highlights that regional integration projects in post-Soviet space transcend economic development, ‘invoking numerous political, cultural, ecological, and traditional and nontraditional security motifs’ (Molchanov 2009: 328; cf. also Skripka 2011: 18). Mikhail Molchanov (2009: 328) argues that Eurasian regionalism cannot be termed as either ‘old’ or ‘new’, either ‘core’ or ‘peripheral’ regionalism. It rather is an ‘eclectic combination’ of opposites. He also rejects the view of regional integration projects in post-Soviet space being just Russian ‘neo-imperialism’ (2009: 329). Especially for the GUAM case this would not apply. In contrast, Evgeny Vinokurov & Alexander Libman (2010; 2012) focus on economic integration in post-Soviet space and refer to concepts of Political Economy in RS. They coined the term *Eurasian Integration* that should be understood as regionalisation processes that can be found on the Europe-Asia continent, which are characterised by overlapping and competing projects like the European Economic Union and the Eurasian Economic Union; such processes should not be confused with intergovernmental projects.

²⁶ Major characteristics of projects among developing states are a hesitation to pool sovereignty, a state-led approach (Pevehouse 2005), a focus on economic integration (Dangerfield 2000; Ethier 1998, Glania & Matthes 2005; Beretta 2008) and a low level of implementation (Kösler & Zimmek 2008a; Mattli 1999).

In contrast to Molchanov's *Eurasian Regionalism* concept or Vinokurov & Libman's *Eurasian Integration*, this dissertation employs the term of *post-Soviet regionalism* (PSR) which encompasses regional groupings formed exclusively by post-Soviet states. This narrower term avoids the thorny definition of what is *Eurasian*. Hence, integration projects which transcend post-Soviet space, e. g. the Shanghai Cooperation, the BSEC and the Organisation of the Baltic Sea States, are omitted. This allows to form assumptions about the uniqueness of the post-Soviet space. Moreover, PSR centres on intergovernmental integration.

Scholars primarily draw on the emergence of PSR. Although they frequently demand a combined approach for studying PSR (cf. Molchanov 2009; cf. Molchanov & Molchanova 2010; cf. Malfiet et al. 2007), scholars hold on to the realism perspective, focusing on security issues and the power variable.²⁷ Almost all projects have been initiated by the most powerful country in the region: Russia. CACO and GUAM have been the only exceptions. Arguing with the concept of power distribution, Russia as well as Kazakhstan and Ukraine are assumed to strive for buttressing its regional power status (Molchanov & Yevdokimov 2005: 194; Molchanov 2009: 328). For Alexander Libman (2007: 411) Russia is powerful enough to still be perceived as a threat in the region, while simultaneously being too weak to actually change politics in its neighbouring post-Soviet states.²⁸ This assertion has to be reassessed after the annexation of the Crimea in 2014. Notwithstanding, existing approaches of power and interdependence could not explain why some PSS avoided regional

²⁷ Some studies also address the issue of identity construction to explain the emergence of PSR (Mayer 2007; Kulick & Yakobashvili 2008; Molchanov & Molchanova 2010; Nygren 2008) or examine the influence of European integration on PSR (Libman 2007; Molchanov & Molchanova 2010).

²⁸ Scholars are divided whether to consider Russia as a benevolent or a malign hegemon. Theorists like Kathleen Hancock (2009) and Malfiet et al. (2007) consider Russia to be capable of providing the necessary, easily measurable short-term benefits for other participants to assure regional integration, whereas Stina Torjesen (2007) points out that Russia would not be able to finance such projects (cf. Molchanov & Molchanova 2010).

integration with Russia (Börzel 2012b: 259). The prevalent perception of PSS as pawns of Russian (or American) foreign policy should make way for a greater consideration of the individual policy agendas of all PSS when studying cooperation and discord in post-Soviet space (Pourchot 2008; Silaev 2006: 90f; cf. Libman 2007: 403).

Molchanov (2009: 345) also offers a systemic explanation for the emergence of PSR: The end of bipolarity would have endorsed the wish for alliance formation to address new economic and security challenges. Linking a realist approach with liberal concepts, Molchanov refers to Walter Mattli, explaining Eurasian Regionalism as a ‘defensive reaction to globalization’, referring to the lack of competitiveness of post-Soviet economies and their sudden exposure to global economic effects (cf. also Molchanov & Molchanova 2010: 2). The GUAM case will not offer such easy conclusions, since all members also pursued integration into international or macro-regional political-economic institutions.

Despite their disputed efficacy, integration policies continue (Libman 2007: 402), showing overlapping memberships (Skripka 2011: 17) and a simultaneity of integration and disintegration (Libman 2007: 401).²⁹ PSR has been widely assessed as a failure (Molchanov & Molchanova 2010: 1; Hancock 2009: 127), which in turn offers an explanation for the high number of such projects. Whereas Mikhail Molchanov & Vera Molchanova (2010: 7) could at least acknowledge certain success in the field of security, Alexander Libman (2007: 403) rejects the existence of any real security cooperation. Asymmetric Russian power has been frequently discerned as explanatory variable. Russian preponderance in almost all post-Soviet integration projects would meet suspicion and dismay among other participants and would

²⁹ Whereas Katharina Hoffmann (2007) speaks of a diffusion of post-Soviet regionalism, Mikhail Molchanov (2009) recognises polycentricity. Similar to the European concept of ‘concentric circles’, PSS would assemble in various ‘coalitions of the willing’ in order to implement at least a minimum. The Russian government seems to *consolidate* the different ‘coalitions’ (Zagorski 2011: 2). However, GUAM is at this moment no part of this consolidation tendency.

explain the reluctance to actually implement accorded agreements (Molchanov & Molchanova 2010: 5). The size and power of Russia would make effective punishment for its own defective behaviour difficult (Robinson 2004: 180). Bilateral agreements are favoured over multilateral solutions.³⁰ This argument should be reassessed for the GUAM case. The sovereignty variable, which had not been addressed in detail, promises more plausible results (cf. Coppieters 1998: 200; Robinson 2004: 180).

From an economic standpoint, post-Soviet regionalism is also widely perceived as failed integration (Libman 2007). Jahangir Kakharov (2007: 111) suggests that beneficial trade effects are unlikely due to the low level of trade complementarity among former Soviet republics (excluding Russia). Molchanov & Molchanova (2010: 6f) argue with insufficient reinforcement from market actors, whereas Libman (2007: 422) assumes that institutional weakness may offer a plausible explanation for the current state of post-Soviet regionalism. All in all, there are few empirical economic analyses; also, liberal theories like neo-functionalism and intergovernmentalism have been applied only to a small extent (Libman 2007: 402).

Stina Torjesen's study on CACO (2007) is one of the rare approaches to explain the failure of PSR with the idiosyncrasy of PSS. She links state weakness with political culture to explain the failure of cooperation in post-Soviet space. PSS would display a 'pseudo-democracy', a kind of 'façade-making' inherited from Soviet time when there was already a gap between ideological claims and actual practices (Torjesen 2007: 68f; 320). In addition, interest collision between political leaders and other political actors, especially in bureaucracy, would lead to a lack in state authority, seen for example in high corruption and rent seeking (Torjesen 2007: 67). Nevertheless, Torjesen admits that regional cooperation among former Soviet states displays

³⁰ Bilateralism has been raised as another explanation for the failure of PSR (Pearson 2010; cf. Nygren 2008). Bilateralism is believed to be more effective due to its greater flexibility and because it is well-known among PSS bureaucracies (Willerton & Beznosov 2007).

at least shared norms and ‘agreed procedures of state conduct’ (2007: 130), where previously only Soviet-imposed structures existed. These structures ‘might also be used to defuse crises and should at least unconsciously strengthen taboos against the use of force’ (Bremmer & Bailes 1998: 133). GUAM should be clearly decoupled from regional projects that are believed to promote democracy.³¹ Such regional projects would demand adequate role models among participants, something GUAM members cannot provide.

In contrast to the majority of studies that focus on security issues only, this dissertation may shed new light on PSR and advance general conclusions in regionalism studies (RS) by embracing both the development aspect of GUAM and the sovereignty dimension. Furthermore, the GUAM case adds a new actor perspective to the continuing Russian focus in PSR.

2.2.2 GUAM

The last part of this chapter reflects current research on GUAM and shows voids for further scrutiny. Only a number of studies have addressed GUAM as a research subject, with the more comprehensive works being ten years or older. So far the GUAM case has not been integrated into the regionalism research programme. Despite a dearth of monographs,³² there are relevant incollections in editions on broader topics, for example Jürgen Schmidt (2003; 2000) or Jennifer Moroney & Sergei Konoplyov (2002). However, they cover only the first years of GUAM before its transformation into a regional

³¹ Scholars studied how preferential trade agreements can be utilized to induce policy change among new participants, i.e. democratisation or market liberalisation in exchange for (regional) market access (Mansfield & Milner 1999: 606). Mansfield & Milner also suggest that states may use trade agreements to assist in achieving objectives that are met with national resistance. This is rather unlikely for GUAM countries.

³² Even the promising title of L.M. Grigoriev & M.P. Salikhov’s (2007) book ‘GUAM Ten years later’ (Original title: GUAM – Pyatnadsat’ let spustya. Sdvgi v ekonomike Azerbaydzhana, Grusii, Moldavii i Ukrainii, 1991-2006) shows to be a pure statistical foreign trade analysis without any linkage to the policies of the organisation.

organisation in 2007 (also Kuzio 2000). GUAM has been included in studies on strategic security dilemmas in the Caucasus and Central Asia (Allison 2003; 2004) and on individual member states (Fischer 2008; Alieva 2011). The most extensive examination of GUAM has been presented by a special issue of the journal *Central Asia and the Caucasus* (2008): GUAM: From a Tactical Alliance to Strategic Partnership. Unfortunately, the collection of various articles embraces no in-depth analyses either.

The major debate among scholars is about the emergence of GUAM. Particularly Russian scientists doubt the existence of common interests among GUAM members (Klimin 2009: 273; Grozin 2008: 217; Skakov 2008: 145). Alexander Skakov (2008: 145) at least recognises the free trade union as a common interest of all four participants. In contrast, other scholars do discern common interests (Norling & Nilsson 2008: 204; Muzaffarli 2008: 33f). Moroney & Konoplyov (2002: 186) identify the deepening of economic and political cooperation as a joint objective of the four states, for example with the establishment of a Caspian-European oil transportation corridor (cf. N.N 2006: 1). The development of a general Trans-Caucasian transportation corridor would be a major objective for the inception of GUAM (Pinzar 2008: 128), but also a joint position towards Russian policy in post-Soviet space would constitute a common interest (ib.). Some scholars (Dhaka 2008: 188, Kuzio 2000: 85; Norling & Nilsson 2008: 205) discern integration ambitions into European and trans-Atlantic structures as a further motive to form GUAM. Sergey Tolstov (2008: 38) even suggests that the present exclusion from the European integration process may have resulted in creating GUAM as a substitute for absent membership.

Various scholars underscore the security impact (cf. Eyvazov 2008; Norling & Nilsson 2008: 204; Schmidt 2003: 379). Silaev (2006: 64) emphasises the challenge of separatism in almost all member states as a joint concern (cf. Pinzar 2008: 128), while others view Russia as *the* security risk in the region (Japaridze 2007: 2; Aslund et al.

1999: 167). For many theorists (cf. Papava 2008b: 50) Russia is considered to have had the strongest impact on the decision to form an alternative integration model. Safeguarding independence (Schmidt 2003: 379; Moroney & Konoplyov 2002: 180f) and balancing Russian power (Tsantoulis 2009: 247; cf. also Oles Donij in N.N. 2006: 1) have been brought forward as principal motivations to form GUAM, but have been scarcely substantiated with existing theoretical concepts. Sergey Tolstov (2008: 38) understands security to be the major issue of GUAM's agenda, because GUAM members regard security as a prerequisite for GUAM's main goal: economic development. It is perceived as an icebreaker for many other reforms (cf. Munteanu 2005: 250). The dominant role of Russia within the CIS and the corresponding ineffectiveness of this cooperation format have also been identified as a motivation for the inception of GUAM (Grozin 2008: 211; Tolstov 2008: 45, Klimin 2009: 273).³³

Little attention has been paid to sustain assumptions on GUAM with existing theories of RS. Although the majority of scholars endorses multicausal explanations for the emergence of GUAM (Kuzio 2000: 85; Parakhonskiy 2008; Moroney & Konoplyov 2002; Tolstov 2008), most of them favour *either* an economic *or* a security perspective. This economic–security–divide is in line with assumptions on other regional projects in post-Soviet space. Yet, as adherents of a multifaceted approach suggest, there may be a close relationship between economic and security issues. As Felix Ciuta (2008: 124) recognised for the wider Black Sea region, cooperating states would ‘see economic cooperation as a source to security, and operate broadly on the basis of a paradigm of security that is linked to democracy, respect for human rights, and good governance’. It can be assumed that the economic–security–nexus will be of relevance for GUAM.

The assumptions on shared interests of the four states are juxtaposed with the perception of GUAM as an object of Russian or

³³ For analysis of CIS cf. Klimin 2009; Schwabecher 2005; Aslund et al. 1999; Coppieters et al. 1998.

American foreign policy. Rustem Zhanguzhin (2008: 66) claims the American proposal of a Trans-Caspian gas pipeline to be the reason for the inception of GUAM, degrading GUAM to an artifact of American foreign policy. Mikhail Pogrebinskiy suggests that the US would use GUAM as a counterweight to balance its relations with Russia (N.N. 2007: 1). Russian academics in particular criticise the American approach as a continuation of cold war thinking, intended to weaken Russia, without considering the danger of international terrorism (Manekin 2005: 3).³⁴ GUAM has also repeatedly been assessed as a ‘pinball’ between Russia and the United States (Getmanchuk 2007: 2; also Eyvazov 2008: 285). All of these hypotheses exhibit an understanding of the four participants as mere pawns on the great geopolitical chessboard—which calls for a different perspective.

The development of GUAM has been widely overlooked by researchers. Even the leadership concept has been employed only for initiating integration projects. Due to its size, Ukraine is commonly distinguished as the dominating force within GUAM (Tolipov 2008: 136, Kuzio 2000: 88; Schmidt 2003: 363; Malek 2002: 27)—at least until the end of Yushchenko’s government (Parakhonskiy 2008: 109). But also, Azerbaijan has been brought forward as a leader within GUAM (Schmidt 2000: 127; Getmanchuk 2007: 1); and also a tandem model with both of them as the drivers of integration (Polukhov 2008: 126).

Most scholars refer to the lack of implemented decisions when claiming GUAM to be a failure (Eyvazov 2008: 282; Tolstov 2008: 40; Grozin 2008: 217; Klimin 2009: 275). Yet, adherents of GUAM point to the institutional achievements, e. g. the observer status at the UN General assembly or the parliamentary assembly and the business council (Grigoryan 2011: 213). Nicklas Norling & Niklas Nilsson (2008: 204) underscore that GUAM ‘was symbolically important in constituting a cooperative effort among states of the region which

³⁴ Paul Goble (2008: 157) observes that there are scholars who perceive such a move as the American intention to ‘demontage [...] the post-Soviet world’ and ‘pluralize post-Soviet structures’.

was not imposed by any foreign or regional power, but was based on their common interests'. Georgeta Pourchot (2008: 110) and Sergey Tolstov (2008: 34; cf. also Japaridze 2008: 77) point to the useful consultative multilateral mechanism, based on equality and respect for each other's sovereignty.

Critical assessments of GUAM are linked to three analysis levels, but are not sustained with in-depth analyses of an empirical or theoretical profile. The first focus is on GUAM's institutional design, pointing out institutional shortcomings, such as the demand for more accountability and transparency (Rakhmatulina 2008: 223; Japaridze 2008: 97) or the lack of a consistent strategy (Kovalova 2007: 189; Kravchenko 2009: 1; cf. Skakov 2008: 147). The second group argues from the national level that is the participants, e. g. unstable political dynamics (Kovalova 2007: 189; cf. Norling & Nilsson 2008: 207; cf. Fischer 2008: 145) or low economic potential (Fesenko 2007: 1; Rakhmatulina 2008: 224). Last, exogenous factors on the systemic level have been brought forward, for example Russian opposition to GUAM (Kovalova 2007: 189; Kravchenko 2009: 2) or decreased American support (Kravchenko 2009: 2).

In summary, the dearth of in-depth analysis of GUAM and the void of theoretical substantiation offer a good starting point to more thoroughly examine the explanatory power of existing theories on regional integration and advance our understanding of GUAM as a non-Russian integration project in post-Soviet space.

2.3 Conclusion

PSS have been more affected than other post-communist states by the challenges of transition, because they were also disintegrating from a 'union state'—a collective economic, political and social system. The quadruple transition process of PSS suggests, on the one hand, a great degree of mutual interdependence, facilitating regional cooperation among GUAM states. On the other hand, the limited economic, polit-

ical and ideational capacities can be assumed to generate constraints on regional integration. Economically, the four states have more in common with developing states than with advanced industrialised economies, whereas from a democracy perspective, the four countries are hybrid regimes at best with deficient political and economic institutions. Those characteristics form an important backdrop and will guide the subsequent analysis.

Previous research on integration projects between post-Soviet states has focused on security issues and scarcely advanced knowledge on other cases than the CIS. General assumptions to classify PSR, and GUAM in particular, either as a new category of regional integration or just one more case of integration between developing states are missing. Instead, analysis should employ a generic actor perspective, rejecting the view of GUAM members as mere pawns on the great chess board of world politics.

Among the small number of studies on GUAM, there is a particular shortage of in-depth analyses (empirical and theoretical) and research on the grouping after its transformation into a regional organisation. Research has focused on the *emergence* of GUAM, viewed within either the realist tradition which characterises GUAM as a security organisation against a Russian threat or, from an institutional vantage point, assessing GUAM as just another failed integration project. Moreover, GUAM has also been perceived as a product of American foreign policy, rejecting the existence of common interests among GUAM members and not considering actual demand for integration. A minority of authors suggests a nexus between economic and security related objectives, but fails to specify the linkage. This offers an interesting starting point for a greater in-depth analysis. Moreover, the security reference should be reconsidered, examining Russia's role towards the four states. Such an examination should embrace the issue of sovereignty that has scarcely been examined as an explanatory variable and which can be assumed to be of particular relevance for newly formed states.

Existing approaches have failed to shed light on the longevity of GUAM. Any new analysis should entail a multidimensional approach, testing various assumptions from RS and advance the larger goal of contributing to PSR.

Chapter 3

GUAM – Facts and Figures

This chapter addresses the evolution of GUAM from a diplomatic initiative to the *Organization for Democracy and Economic Development – GUAM* (ch. 3.1). It recalls major objectives of the grouping according to its documents (ch. 3.2). The following chapter offers major facts on GUAM's institutional design and financing (ch. 3.3). Both aspects will be of relevance when it is about the state of GUAM. Subsequently, a short overview of GUAM's performance in the area of economics and sovereignty is presented (ch. 3.4) which forms the basis for proving the four principle assumptions of this dissertation. The chapter closes with a conclusion (ch. 3.5).

3.1 The Evolution of GUAM

This dissertation argues that GUAM is oriented along two major lines: development and sovereignty. This twofold approach is already reflected in the first years of GUAM's evolution. The evolution of GUAM can be delineated in three phases: the founding years (1997-2005), the dynamic years (2006-2008) and the shadow years (since 2008). As early as in 1993, Ukrainian President Kravchuk proposed to form a tripartite union between Azerbaijan, Georgia and Ukraine, which should focus on transporting Azerbaijani oil to the other two states and further on to Europe (Klimin 2009: 274). The so-called

‘Group of three’ can be regarded as the starting point for GUAM (Schmidt 2000: 123).

Four-party coordination between GUAM countries began in a piecemeal manner in 1995 on a diplomatic level within UNO, OSCE and the Council of Europe, but without any institutional framework (Tolstov 2008: 35). In 1996, dialogue intensified in the negotiation round for the *Treaty of Conventional Arms in Europe* (Schmidt 2003: 361; Japaridze 2008: 75). On initiative of Azerbaijan’s Deputy Minister of Foreign Affairs, Araz Azimov, the diplomatic staff of the four countries entered into informal discourse, exchanging and harmonising views, especially with respect to the deployment of Russian forces on their territory (Socor 2007a: 1; Japaridze 2007: 2).¹ Western diplomats coined the term ‘GUAM’ for this coordinated diplomatic approach of the four countries (Schmidt 2000: 124).

In 1997, the four countries published their first joint statement, the *Strasbourg Communiqué*, at the sidelines of a meeting of the Council of Europe in Strasbourg. Their declaration approved further quadrilateral consultations, yet, without any certain format or the mentioning of GUAM². The four states agreed to consult on issues of ‘mutual interest including bilateral and regional cooperation, European and regional security, political and economic contacts’ (Joint Communiqué of the Meeting of the Presidents of Azerbaijan, Georgia, Moldova and Ukraine, 10.10.1997). The establishment of a Eurasian, ‘Trans-Caucasus transportation corridor’, cooperation with ‘European and Trans-Atlantic structures’ and the effort to ‘combating aggressive nationalism, separatism, and international terrorism’ constitute key issues for cooperation and illustrate the nexus between economic objectives and stability. Even if the first document remains ambiguous on the clear direction of quadrilateral cooperation, until today the leaders of Georgia, Ukraine, Azerbaijan and Moldova adhere to their

¹ See Annexes of Ukraine, Georgia and Moldova to the *Final Document of the First Conference to Review the Operation of the Treaty on Conventional Armed Forces in Europe and the Concluding Act of the Negotiation on Personnel Strength*, 31.05.1995, www.osce.org.

statement that they do not intend to form a military alliance against Russia. GUAM members always stressed that their cooperation was not *against* Russia (Parakhonskiy 2008: 111), although, it can be said, it was *to exclude* Russia. Nevertheless, the principles of cooperation emphasised in the Strasbourg declaration unfold a strong reference to Russia, demanding ‘respect of sovereignty, territorial integrity, inviolability of state frontiers, [and] mutual respect’ (Joint Communiqué of the Meeting of the Presidents of Azerbaijan, Georgia, Moldova and Ukraine, 10.10.1997).

For a short period (1999-2005), Uzbekistan has also been a member of GUAM. Its membership has been rather symbolic and can be understood as a move to provoke Russia.² In fact, from 2000 till its final exit in 2005 Uzbekistan did not participate in any GUUAM-activities although it formally remained a member of GUAM’s free trade agreement of 2002.³ After Uzbekistan harmonised its relations with Russia and amid a growing engagement of GUAM NATO, Uzbekistan ceased working with GUAM. The membership of Uzbekistan is neglected in this work and the old abbreviation of ‘GUUAM’ eschewed, because Uzbekistan’s association was without any consequence for GUAM.

The subsequent *Yalta Charter*—the first legal agreement between the four countries—is equally short. It refers to other international documents and their principles: *UN-Charter*, *Helsinki Final Act*, *Paris Charter for a New Europe*, reflecting where GUAM and its members position themselves. The Charter specifies the structure of GUAM with its four main hierarchic councils for the first time. The attack on New York’s World Trade Center in 2001 put the fight

² It declared its membership at a NATO-summit in Washington. At the same time, it suspended its membership in the Tashkent Pact of 1992 (Tolstov 2008: 36).

³ Jason Strakes, Mikhail Molchanov & David Galbreath argue that Uzbekistan suspended its membership in 2001 and already left in 2004. In: Denemark, Robert A. (2010) (ed.): *The International Studies Encyclopedia*. Chichester. V. X, pp. 6629-6650.

1995-1996	Consultations between the diplomatic corps of Azerbaijan, Ukraine, Moldova and Georgia within UNO, OSCE and the Council of Europe.
1996	Ukraine, Georgia and Azerbaijan sign agreement on a Euro-Asian transport corridor.
1997	First official appearance of GUAM. The four states adopt a joint communiqué on the creation of a consultative forum at the Council of Europe summit in Strasbourg.
1999	Uzbekistan joins GUAM.
2001	First summit and first official agreement – the Yalta Charter.
2002	Agreement on forming a free trade area was signed (entry into force 2003).
2003	GUAM gains observer status in UN General Assembly.
2004	GUAM decides to create a Parliamentary assembly.
2004	First meeting of GUAM Economic Forum and GUAM Business Council in Kyiv.
2005	Uzbekistan leaves GUAM.
2006	A new Charter is signed at the Kyiv Summit including the decision to turn GUAM into an international organisation.
2006	Defense Ministers of GUAM (without Moldova) meet in Tbilisi to outline the contours of a joint peacekeeping unit.
2007	At the Energy'-Summit in Krakow the plan of a joint Balto-Black Sea-Caspian energy transit space is formulated.
2007	Inception of Sectoral Cooperation Development Plan which focuses on practical action in the field of economy and transport.
2007	First Secretary General of GUAM is elected and a Permanent International Secretariat is formalised.
2007	First informal meeting in Madrid with EU partners (Forum: Group of GUAM friends in EU)
2008	Last Summit takes place in Batumi.
2008	Statement of Representatives of the Foreign Ministries of the four member states and GUAM Secretary General on Georgian-Russian war: Conflicts should be solved according to international law and within existing territorial borders.
2013	Statement of Secretary General Chechelashvili on Ukraine: Conflicts should be solved according to international law and within existing territorial borders.
2014	The GUAM Council of National Coordinators emphasises the territorial integrity of all GUAM members and states that a referendum on autonomy such as in Eastern Ukraine or on Crimea have to be in line with the Constitution of the respective state.

against terrorism to the top of GUAM's agenda. The *Agreement on Cooperation Among the Governments of GUAM Participating States in the Field of Combat against Terrorism, Organized Crime and Other Dangerous Types of Crimes* (2002) added a new theme to GUAM's work and formed a greater interest of the United States for the grouping (Goble 2008: 157, documents of GUAM US, e. g. statement of 2005 Chisinau summit). In 2003 GUAM received observer status at the UN general assembly.⁴ The US supported various GUAM activities that advanced the American larger goal of increasing global security. Those activities were coupled with economic initiatives. In 2002 the four states signed an agreement to create a free trade area that entered into force in 2003. In 2004 an economic forum, a business council as well as a parliamentary assembly were established to strengthen economic cooperation.

The reviewed Charter of 2006 marks the transformation into a 'full-fledged' regional organisation and its relaunch as *Organization for Democracy and Economic Development – GUAM* (ODED-GUAM). The Charter followed the *Chisinau Summit Declaration* (2005), but is often referred to as *Kyiv Charter*, because it was signed at the Kyiv Summit in 2006.⁵ The *Yalta Charter* did not cease to be valid, neither is the *Kyiv Charter* a substitute for the former, but if GUAM today speaks of its charter, it usually refers to the 2006 document. As the *Yalta Charter* before, the document recalls 'norms and principles of international law for maintaining peace, security, the development of good neighbourly and friendly relations among states' and makes references to the same international legal documents. The *Kyiv Charter* is a constitutive document detailing all entities and functions of GUAM.

⁴ Cf. resolution A/RES/58/85 (09.12.2003). After signing the *Kyiv Charter*, GUAM registered at the United Nations as a regional organisation.

⁵ Georgia and Azerbaijan ratified the charter in 2006. In Ukraine and Moldova, the ratification process is due in the respective parliaments (<http://bit.ly/1UCyi71>; last: 22.04.2014). However, the charter is temporarily valid until its final ratification (*Kyiv Charter*, 2006, art. 19).

The *Baku Declaration* (2007) marks the 10th anniversary of the organisation and summarises its results. It celebrates the success of an increased cooperation and remarks that GUAM is now an ‘international regional organisation’ (www.guam.org.ua). The year 2007 was characterised by new initiatives. Energy was the focal point of a meeting in Krakov (Poland), proposing a joint energy transit space from the Caspian to the Baltic Sea. Economic integration has been spurred with the *Sectoral Cooperation Development Plan* and the *Agreement on International Multimodal Transportation of Goods* which specifies transport and economic projects for cooperation. Notwithstanding, with the free trade agreement being still in limbo, the emphasis is clearly more on coordination than on true integration. 2007 was also the year when the GUAM secretariat under its representative Valeri Chechelashvili started working and first informal meetings with EU-partners were initiated.

Under Georgian chairmanship in 2008, GUAM presidents met for the last time and approved the *Batumi Declaration* that represents the latest official document signed by the Presidents of GUAM. Despite the usual concern over the protracted conflicts, economic issues dominated the debate. Just a few weeks later the Georgian-Russian war put an end to high level meetings. Since then regular meetings of the foreign ministers represent the highest level of interstate contact. Activity retreated to the level of working groups. Cooperation took a functional turn, focusing on building networks of technical experts, exchanging expertise and harmonising procedures and standards. The emphasis is put on low politics such as combating cross-border crime, trade and transport facilitation or tourism and youth exchanges.⁶ Another area of increased activity is cooperation with other regional and international organisations: to exchange expertise of regional cooperation but also to establish GUAM as a regional actor.

⁶ Since 2006, cooperation takes place in various working groups and sub-working groups: WG on Combating Terrorism, Organized Crime and Drug Trafficking; WG on Emergencies; WG on Culture and Tourism; WG on Economy and Trade; WG on Energy; WG on Transport; WG on Law Statistics; Steering Committee on the Trade and Transport Facilitation Project.

3.2 Objectives

This chapter expands on the objectives of GUAM as described in official documents of the grouping. Economic development and sovereignty are of particular relevance and substantiate the focus of this dissertation. I will also elaborate on two more objectives expressed in GUAM documents: integration in trans-Atlantic and European structures as well as democratisation.

‘... promoting social and economic development; strengthening and expanding trade and economic relations; development and effective use in the interest of GUAM states of the transport and communication arteries with its corresponding infrastructure located in their territories; strengthening of the regional security; developing relations in science and culture and in the humanitarian sphere; interacting in international organizations; combating international terrorism, organized crime and drug trafficking’⁷

This is how GUAM summarises the purpose of its organisation. The ample approach to cooperation is a pertinent feature of GUAM and other regional integration projects in post-Soviet space. The catch-all character enables the participants to utilize the grouping for any possible issue. Despite all broadness, GUAM documents reflect an emphasis on both economic and sovereignty issues. Even though one theme may sometimes dominate the agenda, both issues have always been present.

Economic development is one of two focal points in GUAM documents. The member states are convinced that cooperation would help their national economies become strong and independent competitors in world economy (cf. 1997, 2005). Transport, trade and energy are dominant themes of economic collaboration. The establishment of a transport corridor has already been prominently mentioned in the

⁷ <http://www.guam.org/about>, previous website, 07.07.2009.

Strasbourg Communiqué (1997) and reiterated in all following documents (Chisinau, Baku and Batumi Declaration). This corridor is supposed to link the European market with Central Asia and facilitate the transport of commodities, namely hydrocarbons. Energy supply has always been an issue both of economic and security policies and explains why GUAM has been conceived as either an economic or security organisation. In 2001 Ukrainian Foreign Minister Anatoli Zlenko dubbed GUAM in 2001 a grouping dedicated to economic issues in the first place, particularly ensuring transport of energy sources.⁸

In a special *Statement on Development of the GUAM Transportation Corridor* from 2008, GUAM encourages its members to present explicit proposals for transportation projects. While the statement focuses on modernising existing transport routes, the *Agreement on International Multimodal Transportation of Goods* (2007) strives to increase efficiency by ‘ensuring traffic safety, harmonising requirements and legal rules as well as creating equal conditions for the competition’ (art. 3, sentence 1). The document also invites other states to participate without an obligatory membership in GUAM. The formation of a functioning transportation corridor is tightly linked to hydrocarbons. GUAM members perceive themselves as part of a global energy security project (cf. Baku Declaration, 2007). They strive to become a reliable supplier and transit partner for hydrocarbons from the Caspian and Central Asian region to Europe as well as from Russia (in case of Ukraine). This would provide them with a considerable income. In addition, they seek to diversify their own energy supply and loosen their pronounced dependence on Russian hydrocarbons and electricity:

‘7. [the head of states] notify the unacceptability of economic pressure and monopolization of the energy market, and highlight the necessity to mobilise strengths with

⁸ Interview with Yulia Mostovaya in *Zerkalo Nedeli*, Nr. 3, 19.–26.01.2001, <http://zn.ua> .

the aim of safeguarding of energy security by the way of diversifying transport routes for energy sources from the Central Asian and Caspic region to the European market.

8. *support the maximum use of GUAM's international transit potential, especially for safeguarding a stable supply of energy sources.'* (Kyiv Declaration, 2006)

More than any declaration before, the *GUAM Sectoral Cooperation Development Strategy* (2007) identifies fields of economic cooperation. Trade, transport, energy and information technologies are discerned as major areas of interest. Nevertheless, the strategy fails to propose definite steps. The *Sectoral Cooperation and Development Strategy* urges the implementation of the free trade zone that has already been agreed to in 2002. This would entail:

'...elimination of customs duties, quantitative limitations in State-to-State trade; elimination of other obstacles to free flow of goods and services; setting up and developing an efficient system of mutual settlements and payments in the field of trade and other transactions.' (Sectoral Cooperation and Development Strategy, 2007, part I, ch.1)

The agreement also underscores the harmonisation of legislation in foreign trade according to EU-legislation. Customs and customs policy play an important role in that respect. Another ambition is the free movement of services, capital and labour (similar to the four freedoms of the European common market).

Taking a closer look at political objectives, the main reference objects are the domestic conflicts within the member states, primarily the secessionist movements in Georgia, Azerbaijan and Moldova. The tonality of the documents has become stronger and more restrictive in the last few years (cf. Batumi Declaration, 2008). From 'deep concern' (Washington Declaration, 1999) in the first documents and intense discussion on conflict settlement (Kyiv Communiqué, 2006) to active diplomacy within OSCE and UN. The *Joint Declaration of*

the Heads of State of the Organization for Democracy and Economic Development – GUAM on the Issue of Conflict Settlement (2006) demands international assistance in solving the secessionist conflicts within the member states and rebuilding the effected zones. GUAM members make clear that a conflict resolution will only be possible, if sovereignty, territorial integrity and internationally recognised borders are respected. That means a domestic solution within the present borders, including

‘... return of displaced persons to the places of their permanent residence, restoration of transport communications and ensuring the peaceful co-existence and cooperation between the communities in these territories as having no alternative and being just and lasting’ (Baku Declaration, 2007)

The four states pledge for international observers under UN or OSCE auspices and demand a demilitarisation of the conflict zones (Joint Declaration on Conflict Settlement, 2006). European and trans-Atlantic institutions are being recognised as vital partners for the peace process in the region and as substantial security providers.

In their declaration *GUAM – Uniting Europe’s East*, signed at the Batumi summit in July 2008, GUAM members again identify the resolution of the protracted conflicts and the affirmation of their territorial integrity as principle objectives. They pledge to increase activity within the existing multilateral fora for conflict resolution, but they do not refer to GUAM as a new platform for those negotiations. Although Russia was never explicitly mentioned in relation with domestic conflicts in the first years, it is obvious that sovereignty violations such as ‘external interference’ and ‘military occupation of territory’ refer to Moscow. Only when it comes to deployments, the four states explicitly demand the withdrawal of *Russian* troops and putting an end to *Russian* interference.⁹

⁹ Comment of the Representative of Georgia on discussing the resolution draft (Records of the General Assembly GA/11109).

GUAM documents denote a nexus between promoting economic development and strengthening sovereignty. Energy is one example: The development of the trans-Caucasian transport corridor shall reduce dependence on Russia and, thus, increase the national sovereignty of GUAM members. In addition, the settlement of protracted conflicts is an important objective of GUAM and assessed as a precondition for a prosperous economic and democratic development:

'It was emphasized that these threats [international terrorism, aggressive separatism and extremism, and transnational organized crime], as well as unresolved conflicts and illegal presence of foreign troops and armaments in GUAM States are recognized as main obstacles on the way to full-scale democratic transformations and economic development in the region.' (GUAM Summit Declaration, Kyiv, 2006)

GUAM entails a clear Western orientation (Strasbourg Communiqué, 1997; Chisinau Declaration, 2005; Batumi Declaration, 2008). Integration in European and Trans-Atlantic structures has been mentioned throughout all GUAM documents, but without speaking of 'membership'. GUAM documents do not allude to the depth of integration. The *Batumi Declaration* (2008) pointedly recognises the individuality for each member on that path:

'9. [The Council of Heads of State] Expresses support for deepening European integration of the GUAM Member States and developing closer relations with the EU with due account of individual particularities and aspirations of each GUAM Member State, taking into consideration the new concept of EU relations with Eastern neighbors – 'Eastern Partnership'. (Batumi Declaration, 2008, pt. 9)

The reference to European and Trans-Atlantic structures should be understood as a commitment, particularly in the first years of GUAM. GUAM countries see their future tightly interwoven with Europe and

its ideological, economic and political conception. It can be grasped as a commitment to the principles of democratic governance, market economy and the respect of human rights.¹⁰

NATO-membership is never mentioned explicitly. Instead, NATO is consistently referred to as an important partner for security on a bilateral basis, e. g. within the framework of the *Partnership for Peace Programme* (Kyiv Summit Communiqué, 2006; Baku Declaration, 2007).¹¹ Yet, the *Baku Declaration* (2007) aims at intensifying cooperation with NATO. This shall be realised by reports and briefings of GUAM members to NATO about GUAM developments (McDermott & Morozov 2008: 243). Efforts are aimed primarily on establishing transparency and best practice support for GUAM. EU and NATO are regarded as security providers for GUAM states, as guardians of their sovereignty, ‘the process of integration into Trans-Atlantic and European structures could to a considerable extent reduce [...] threats and risks [of regional and European security]’ (Joint Communiqué of the Meeting of the President of Azerbaijan, Georgia, Moldova and Ukraine, 10.10.1997). This may come across naturally, as Western states and institutions could be perceived as the ‘adversaries’ of Russia, who seems to represent the predominant hazard to the security of the four states. With its specific intention to integrate into a different (macro)regional structure in the medium term perspective—making GUAM an interim solution—GUAM differs from other regional integration projects.

Let us turn to the last prominent objective on GUAM’s agenda. In 2006, GUAM was restructured and redefined as *Organization for Economic Development and Democracy – GUAM*. Georgia, Ukraine, Azerbaijan and Moldova stressed their endeavor to adhere to demo-

¹⁰ The dedication to the Western model could also be understood as an attempt to link their identity to a European instead of a Russian or Eurasian value system.

¹¹ GUAM asked for a 19+5 format in 2000, but received a negative answer from NATO (Moroney & Konoplyov 2002: 189). NATO prefers continuing cooperation along the established bilateral structures (Moroney & Konoplyov 2002: 189).

cratic development and its accompanying values like rule of law and respect of human rights (Yalta Charter, 2001)¹², but despite the prominent place in the organisation's full title, no initiatives have been formulated to promote democracy. In fact, the tonality of official documents implies that GUAM members perceive themselves as democracies, which would only demand some minor improvements and consolidation (Kyiv Summit Communiqué, 2006; Batumi Declaration, 2008, pt. 1). The Kyiv summit declaration unfolds that GUAM states relate their low performance in democratisation and economic development to secessionist conflicts, transnational crime and international terrorism. Thus, responsibility for deficits in domestic reforms is shifted from the national government to exogenous factors. GUAM regularly sends an observer mission to parliamentary and presidential elections within the member states. In their reports they refrain from open criticism and declare 'the elections to have been free and fair' (Presidential elections in Azerbaijan on 9th October 2013) or at least found 'no critical remarks that could fundamentally impact on the voting result' (Parliamentary elections in Ukraine on 28th October 2012). Democracy remains an indistinct object in GUAM's documents, which would be achieved, by the by, when GUAM countries have gained complete sovereignty (Kyiv Summit Communiqué, 2006). Although democratisation has been presented as an objective since 2006, the grouping failed to provide any road map or actions to achieve this objective. The democratisation rationale on the GUAM agenda can be regarded as a product of its time when democratisation movements in Georgia (2003) and Ukraine (2004) took over and national reform governments utilised GUAM to strengthen their domestic regime change. Yet, Azerbaijan has always remained untouched by democratisation ambitions. Moreover, democratisation in Moldova in 2009 has been propelled by domestic opposition and not by GUAM policies. Whereas in Ukraine and Georgia the first democratisation

¹² Regional organisations can be studied as advocates for good governance (Börzel et al. 2013). This usually refers to developed-developing constellations of integration members. The absence of an established democracy among GUAM members that could function as a role model allows to discard that dimension for GUAM.

wave has been quickly revoked. Therefore, this dissertation neglects a closer examination of the democracy idea as well as cooperation in culture and science. Sub-chapter 3.4 will take a closer look at GUAM's performance on the key areas development and sovereignty.

3.3 Institutional Design and Financing

The *Yalta Charter* (2001) is the first document specifying institutions of GUAM, but it is the *Kyiv Charter* (2006) that elaborates on the structure and functions of different institutional bodies of the reformed ODED – GUAM. Additional regulations on each institution, e. g. the *Rules of Procedure of the Organization for Democracy and Economic Development – GUAM* (2006) or *Provisions on Personnel*, describe tasks and competences. The first part of this chapter will address the structure of GUAM, giving information on tasks, procedures and responsibilities. The second part turns to the financing of GUAM.¹³

3.3.1 Institutional Design

The main structure of GUAM is characterised by councils on different government levels: the Council of Head of States, the Council of Foreign Ministers, the Council of National Coordinators and the Council of Permanent Representatives (figure 3.1). Decisions within all four bodies are based on consensus (Kyiv Charter, 2006, ch. 3, art. 12).

In 2007, the GUAM secretariat started working. It evolved from the GUAM Information Office, which had been opened in Kyiv in 2002. The creation of the secretariat marks GUAM's ambition to transform into a 'full fledged' international organisation as agreed in the *Kyiv Summit Decision* (2006). The secretariat is headed by a secretary general, who represents GUAM and is determined by a rotating principle (Regulation of ODED-GUAM, art. 8; Provision on personnel, art. 6). The tenure of the secretary general is four

¹³ For different approaches to study institutional design see Goltermann et al. 2012: 6f, Acharya & Johnston 2007b.

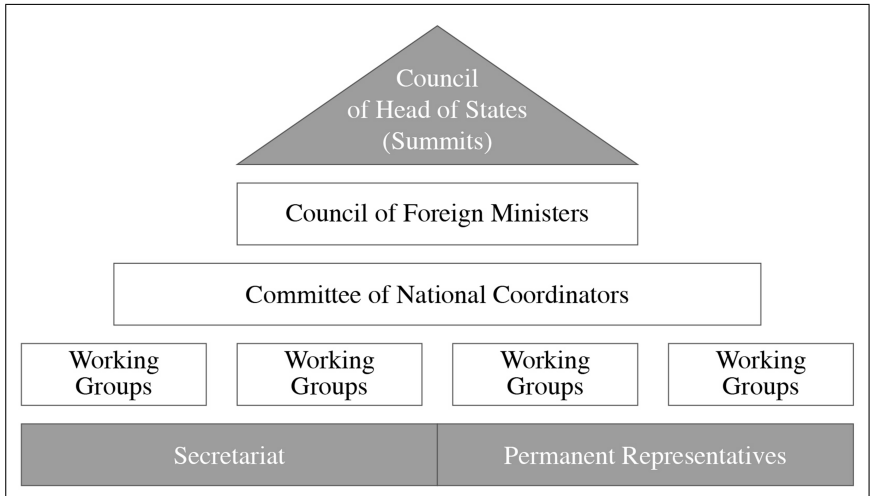


Figure 3.1: Main bodies of GUAM in hierarchical order (*Source: author's design*).

years (Provision on the Personnel of GUAM secretariat, art. 6). Nevertheless, the first secretary general, Georgian diplomat Valeri Chechelashvili, served two tenures. This can be interpreted as a lack of interest in GUAM among the member states.

The key mandate of the secretariat is to provide organisational and technical support to GUAM activities (Provision on the Secretariat of ODED-GUAM, art. 2). Another important task is the dissemination of reports and decisions for internal and external use (Kyiv Charter, 2006, art. 8; Provision on the Secretariat of ODED-GUAM, art. 2). The secretary general also prepares the budget (Financial Provisions, art. 3).¹⁴

¹⁴ To assist the secretary general with his duties, three programme coordinators (international staff) are delegated by GUAM member states in rotating principle for three to four years (Provisions on the Secretariat, art. 3). In addition, administrative-technical staff can be employed by the secretary general on a contractual basis (Provisions of the Secretariat, art. 3). The secretary general may apply for additional staff if justified (Provisions on personnel, art. 8

Yet, the secretariat's authority is limited to supporting and producing suggestions to the various GUAM councils. It is the annual meeting (summit) of head of states that represents the highest body of GUAM. According to the *Yalta* and *Kyiv Charters*, the Council of Head of States forms joint positions on international issues of mutual interest, decides on the institutional structure of GUAM and takes major decisions and gives directions to political and economic cooperation (ib.). It is the final authority of GUAM to approve decisions and to determine general directions of GUAM's policy. Starting in 2001, summits usually took place once a year, except for 2004 (Kyiv Charter, 2006, art. 4 (2)). However, the last summit was organised in Batumi (Georgia) in 2008—just a month before the Russian-Georgian tensions resulted in a military conflict. The council of head of states adheres strictly to the principle of equality. The rotating chairmanship lasts from one summit to the next, usually one year (Kyiv Charter, 2006, art. 4 (2)).¹⁵ Decisions are made unanimously. Summits primarily fulfil a representative task. Yet, national leaders of the member states have to consent on new directions or issue areas to allow GUAM to advance.

The foreign ministers meeting is the executive body of GUAM, coordinating cooperation between the summits (Regulations on the Council of the Foreign Minister of GUAM Member States, Yalta, 2002, Nr. 7). Representatives from USA and OSCE have already participated as observers in open sessions of the council (Protocol of the meeting in Chisinau, 2005). Principle tasks are the adoption of the budget, the preparation of summits with regard to agenda, contents and supervision of the summit proposals (chapter 2, art.5, Kyiv Charter). The council coordinates and controls the execution of tasks by minor bodies. Again, decisions are made by consensus.¹⁶ It is the council and not the secretariat that can establish working groups or other assisting entities (Regulations on the Council of the

¹⁵ The Republic of Moldova holds the chairmanship for 2014.

¹⁶ Only decisions concerning procedures are handled with simple majority (Regulations on the Council of the Foreign Minister of GUAM Member States, 2002, Nr.16).

Foreign Minister of GUAM Member States, 2002, Nr. 15). The working groups are the most active part of GUAM, even if their work concentrates on reporting national progress and discussing initiatives.

The documents do not elaborate on sanctioning mechanisms. Neither the secretariat nor the Council of Foreign Ministers have means to pressure for implementation of decisions. Cooperation remains completely voluntary. Members are even able to opt out of single projects. It is unclear what happens if deadlines for reports or proposals as well as for implementation of projects are not met. It could not be ascertained whether time frames for certain projects do exist. It can be assumed that this is one reason among other for the low implementation level.

It is important to note that the initiative for proposals does not come from the secretariat, but from within the national governments of GUAM member states, i. e. their foreign ministries, which are represented by the Council of National Coordinators (CNC) on the one side and the Council of Foreign Ministers on the other. While the foreign ministers introduce proposals on behalf of the government (national leader), the CNC can also propose on behalf of the results of a study or the working groups' outcome. The CNC consists of one representative delegated from the foreign ministry of each GUAM member (art. 6). Except for procedural questions decisions within the CNC are also taken unanimously, (Regulations on the Council of National Representatives of the GUAM Member States, Nr. 20). GUAM does not curtail the sovereignty of its members in any way. It can be suggested that consensus in decision making allows GUAM to develop only according to the speed of the slowest partner. The CNC decides on all issues that do not lie exclusively in the competence of the head of states or the foreign ministers. Therefore it can be described as the real working body of GUAM (Regulations on the Council of National Representatives of the GUAM Member States, Nr. 5)¹⁷.

¹⁷ The document was probably put in force in 2005. No clear date given.

GUAM has extended its institutional structure in a step-by-step approach. In 2004 parliamentary cooperation was initiated (Parakhonskiy 2008: 110).¹⁸ The business council was supposed to target business opportunities among members and also attract third countries to GUAM markets, with the transport and energy sector as the foci of its agenda, reflecting the importance given to economic development. GUAM's institutional structure resembles other international institutions, e. g. the EU and particularly the Black Sea Economic Council. However, it follows a clear state-led-approach, creating institutional bodies first and assigning them tasks second. Today GUAM comprises plenty of small bodies and sub-committees addressing a broad scope of issues. GUAM's distinct intergovernmental structure avoids the transfer of significant power to a supranational body, preserving the national authority of each participant. For an organisation that only recently started GUAM's structure can be described as unnecessarily complex for its actual workload. It is quite the opposite of the form follows function principle. However, in contrast to other regional integration projects in post-Soviet space, namely the CIS, GUAM is equipped with few full-time personnel. The majority of personnel is delegated by the respective national ministries.

3.3.2 Financing

GUAM disposes of its own budget as approved by the Council of Ministers (Financial Provisions of GUAM, art. 3). Compared to the budget of other regional organisations the amount is rather small. The budget of 2007, for example, was marked with 252,862.54 USD (Protocol Foreign Ministers Meeting, 2006; Decision on the Approval on the Secretariat's budget for 2007, point 1). GUAM adheres to the strict principle of equal burden-sharing (in absolute figures), neglecting the actual capabilities of each participant. Every year the member

¹⁸ According to its documents, the Parliamentary Assembly is interested in establishing relations with other parliamentary assemblies, for example from EU, OSCE, NATO or Council of Europe. It is aimed at creating networks, exchange experience and enhance good governance.

states decide on the amount of the membership fee and, hence, how much power they want to transfer to GUAM.

The limited financial power of GUAM is reflected in various ambitions to reduce costs. For example, employees of the secretariat, which are announced by quota, are paid by their home country (Regulations of Secretariat). Expenses for organising summit meetings have to be paid by the country who holds the current chairmanship. The delegations participating in the summit must pay for their travel and maintenance costs (Rules of Procedure, art. 8). The same rule applies for sessions of the Council of Foreign Ministers. Governments try to coincide ministers' meetings or ambassadors' meetings with international gatherings, for example when the UN General assembly opens its sessions, in order to reduce costs and save time. GUAM developed a system of keeping a considerable part of expenses 'in house', reducing the necessity of spending valuta or 'real' money abroad. Member states are either unwilling or unable to spend much money on the secretariat.

The documents do not provide any information on how individual GUAM projects are financed. It can be assumed that each project has to be financed nationally. Member states appear to be very cautious. They try to allocate as little money as possible for joint usage to the intergovernmental institution, which may be related to a certain distrust to joint bureaucratic (and often corrupt) institutions.

In contrast to the BSEC or the *Eurasian Economic Community*, GUAM does not dispose of its own investment bank or other loan giving institutions which could contribute financially to regional development projects. Therefore, GUAM is trying to attract funding from other institutions and states, e. g. EU or USA. Despite the ambition to promote regional integration projects, the European Union seems to shy away from open cooperation with GUAM. The EU offers financial support to GUAM participants only on a bilateral basis within the *Eastern Partnership*.¹⁹

¹⁹ For example, the EU gives financial support to prepare the transport corridor of Caspian oil to the European market. Beginning 2007, Ukraine received 494

In contrast, the US financed GUAM directly for several years.²⁰ At the beginning the US-interest was primarily driven by energy security (Getmanchuk 2006: 1). The US supported the construction of energy transport routes for Caspian hydrocarbons, bypassing Russia. GUAM was envisaged to play a role in securing those energy transports and in tapping new hydrocarbon resources (Goble 2008: 157). Yet, in the first years after GUAM's foundation, assigned American money has never been transferred due to a lack of eligible projects (Socor 2007a: 1f, Schmidt 2003: 370).²¹ After 9/11, American support continuously addressed GUAM as a pillar in the war against global terrorism (Goble 2008: 158; Statement of 2005 Chisinau Summit). A GUAM office for fighting terrorism was outlined to be opened in Baku (Getmanchuk 2007: 1). The US-GUAM framework agreement of 2002 identifies two main areas of American support: first, the *Virtual Law Enforcement Center* (VLEC) and second, the *Trade and Transport Facilitation project* (TTF) (US Dep. of State 2007: 12).²² The choice of selected projects unfolds that the US perceived GUAM both as an economic and a security project. In 2007 USAid also supported the opening of the GUAM secretariat in Kyiv and paid trainings for officials within the VLEC and TTF (US Dep. of State 2008: 2). The US state department stopped funding GUAM within the USAid programme in 2009.²³ The US continue to finance individual GUAM projects

million, Moldova 209 million, Georgia 120 million and Azerbaijan 92 million Euros (Memo on Eastern Partnership, MEMO/09/217, 05.05.2009).

²⁰ The United States government offers financial support to former Soviet states 'encouraging interstate cooperation and strengthening democratic practices to make permanent their transition to market-based democracies (US Department of State 2007: 1). Most funding is spent in bilateral projects (US Department of State 2008: 1).

²¹ In 2001, US-Congress decided to fund GUAM projects with about 45 million USD. The funds were supposed to finance the structure of GUAM and economic projects (Socor 2007a: 1f, Japaridze 2008: 83). According to Schmidt, GUAM plus Armenia were to receive US-Congress funds also for defence and security projects (Defence and Security Assistance Act 2000, cp. Schmidt 2003: 370).

²² In 2006, the US government financed the VLEC and TTF with 590.000 USD (US Department of State 2007: 12 (linked table)).

²³ The Georgian-Russian war very likely caused a return to the bilateral approach of American assistance. Furthermore, the financial and economic crisis resulted

such as workshops for exchanging expertise.²⁴ They will also support the extension of the VLEC technically and financially (GUAM US Joint Statement, 26.10.13, [guam-organization.org](http://www.guam-organization.org)). American funding makes it difficult to assess who is the driver for such network projects. It can be assumed that without American funding GUAM would not have advanced that fast in those issue areas.

3.4 Performance Review

This chapter gives a general overview on GUAM's performance. Not even ten years have past since GUAM became a full-fledged regional organisation, allowing only preliminary conclusions on its performance.²⁵ The review concentrates on the main issue areas of GUAM: economics and security cooperation. Advances towards European and trans-Atlantic integration are neglected, because the EU as well as NATO prefer a bilateral track of convergence (Astrov & Havlik 2008: 137; cf. Moroney & Konoplyov 2002: 189). Regarding the advancement of integration into European and trans-Atlantic structures GUAM functions as a commitment and exchange network rather than an enforcement mechanism.

3.4.1 Economic Cooperation

Economic projects centre on three themes: tariff reduction, transport infrastructure and energy delivery. There are mixed results among

in a general cutdown of American aid.

²⁴ For example the 'Workshop on Anti Money Laundering' in Chisinau, 1-3.10.2013 has been co-financed by the UN Office in Drugs and Crime and the US (<http://www.guam-organization.org>).

²⁵ The author of this dissertation is aware of the danger of applying a eurocentric view. For developing states, especially where sovereignty is a rather new phenomenon, the EU model may not be appropriate (Acharya & Johnston 2007c: 245, cf. Coleman & Underhill 1998b: 11). Also, there are general methodological difficulties of defining and measuring failure and success of integration projects (Acharya & Johnston 2007b: 14; Kössler & Zimmek 2008b: 6; De Lombaerde & van Langenhove 2006: 17).

those three vectors.²⁶ GUAM pursues a twofold trade strategy, stimulating intra-regional trade on the one hand and transregional trade on the other. The main problem is the discrepancy between promising ideas and tangible results. The first initiative for tariff reduction agreed on a free trade area. Yet, its national implementation is still in limbo (<http://www.guam-organization.org>). With the *Economic Forum* and the *GUAM Business Council* two institutions have been established that are supposed to single out joint cooperation projects and attract foreign investment. Other proposals followed, for example the *Sectoral Cooperation Development Plan*, accorded in 2007 (Japaridze 2008: 89) or the *Protocol on the Country of Origin of Goods Regulation*, added in 2006.²⁷ In 2003, the four states signed the *Agreement on Mutual Assistance and Cooperation in Customs Matters*. Ukraine suggested a joint customs service (Ivshenko 2006b: 1), which should be supported by an electronic customs control system (Ragimova 2011: 1). The system is not yet implemented. The *Coordination Committee of the Chambers of Commerce* is another promising initiative. Moreover, at the meeting of the CNC in 2010 it was decided on taking further steps to complete the free mobility of workers, capital and services.²⁸ One of these further steps is the cooperation agreement in the banking sector (N. N. 2009: 2). In 2010 the *Central Eurasian Banking Federation* was formed among GUAM states, also including other states from Central Asia, Central Europe and Central Caucasus.²⁹ To sum up, there are various ideas and initiatives to facilitate trade. However, implementation into national legislation proceeds very slowly or is lacking completely (cf. Japaridze 2008: 82). As the chapter on GUAM's institutional design shows the

²⁶ Economic integration progress appears easy to measure only on first sight. Yet, in reality numbers can differ immensely. Distinct accounting systems on the one side and inaccurate figures on the other make economic analysis outside OECD difficult. Various scholars from PSS hinted to the problems of data availability and data validity (Lippert 2007: 402; Libman & Vinokurov 2010: 8; Torjesen 2007).

²⁷ Cf. <http://bit.ly/1UCyi71>; 22.04.2014.

²⁸ Cf. <http://bit.ly/1PPwKIX>; 22.04.2014.

²⁹ Cf. <http://bit.ly/1PPwOZj>; 22.04.2014.

GUAM secretariat has no means to press for national implementation of proposals or sanction defective behaviour. At least dialogue continues, working groups proceed with initiatives and urge implementation (cf. Ragimova 2011: 1), but projects seem to lack sufficient financing.

Statistics show high transaction costs at the beginning of GUAM cooperation (cf. Babetskii et al. 2003: 1; cf. Robson 1993: 334). Table 3.1 illustrates export and import costs for the year 2002 (Founding year of GUAM free trade area), 2006 (year of new GUAM Charter) and 2012 (latest figures) among GUAM participants. A lot of tariff and non-tariff trade barriers are still in place, e. g. fees, long customs procedures, poor payment systems and difficulties in financing (cf. UNECE 2006: 8; Aslund et al. 1999: 56; Hallaert et al. 2011: 61). Georgia sticks out as the best performer whereas Azerbaijan has even increased its trade barriers (EBRD Transition Report 2010: 71). Regional or WTO-trade agreements seem to have affected tariff barriers among the four only to a certain extent, using non-tariff barriers as a backdoor to return to protectionism (cf. Hallaert et al. 2011:61). Georgia was the first member to reform its customs code and, thus, ease customs procedure. In Ukraine, the new customs code came into force in June 2012 and it remains to be seen how it is enforced (EBRD Transition Report 2012: 157).

Suffice it to say that the present economic cooperation among GUAM countries is below its potential. Only Georgia realises about 20% of its total exports within the GUAM area (cf. ch. 4.3.3 on demand). The free movement of goods has not been completed yet. The four states mostly trade with non-GUAM members, e. g. with Russia or the EU (cf. chapter 4.3.3 on demand). Scrutinising microeconomic ties between GUAM states supports the predominance of bilateral relations (Grinberg 2005: 14).

High transaction costs are closely related to unsolved transport problems, which have been pertinent during the first years of independence of the GUAM members. Therefore, the development of the

	Time to export (days)			Time to import (days)			Costs to export (USD per container)			Costs to import (USD per container)		
	2006	2010	2014	2006	2010	2014	2006	2010	2014	2006	2010	2014
Azerbaijan	69	46	28	79	50	25	2 278	2 980	3 540	2 575	3 480	3 560
Georgia	13	10	9	15	13	10	1 370	1 270	1 355	1 370	1 250	1 595
Moldova	33	32	32	35	35	35	1 185	1 815	1 545	1 285	1 945	1 870
Ukraine	33	31	29	46	36	28	1 009	1 230	1 930	1 025	1 430	2 505
Germany	6	7	9	6	7	7	731	872	905	750	937	940
Turkey	20	14	13	25	15	14	513	990	990	735	1 063	1 235

Table 3.1: Costs for cross-border trade among GUAM states compared to strong exporters Germany and Turkey (Source: Worldbank Doing Business Report. Estimated since 2006).

transport corridor has been a crucial vector of GUAM's economic programme from the start. Infrastructure had to be modernised, including communication networks and power grids. One measure to enhance transport within the GUAM territory is the *Agreement on International Multimodal Transportation of Goods* (2007). In addition, at the Baku conference 'GUAM Transit' in 2008 the member states agreed to modernise and extend existing routes through the South Caucasus, for example the railroad project Baku (AZ)-Tbilisi (GE)-Ahalkalaki (GE)-Kars (TUR) and Baku (AZ)-Tbilisi (GE)-Poti (GE).³⁰ Other projects like the Poti/Batumi (GE)-Kerch (UA) ferry service or the modernisation of the railway route between Basarabiaska (MO) and Berezino (UA) shall be embarked on (cf. Tolstov 2008: 42). However, key transport interconnections between the four states are still missing or in bad shape. Neither time frames nor comments on financing could be found.³¹ Yet, the pessimistic assessment of the Eurasian Development Bank about the competitiveness of the Transcaucasian corridor from Europe to Asia in comparison to the Europe-Asian-Transport-Corridor through Russia can be regarded as premature, since it does not take the intra-regional perspective into account.³² In 2013, GUAM presented a detailed concept for the development of the GUAM transport corridor. The improvement of transport is also a question of sufficient funding. As was indicated above, financing is one of the great handicaps of the GUAM project. Some transport projects have been addressed and co-financed by the TRACECA-project.³³ Executing those projects is mainly a national

³⁰ The latter route shall be extended to Aktau (TUK) and Almati (KA) specifically for container transport (cf. *Statement by the Heads of State of the Organization for Democracy and Economic Development – GUAM on development of the GUAM transportation corridor*, 2008).

³¹ The railway route Baku-Tbilisi-Kars is financed by SOFAZ, the Azerbaijani state oil fund (Bayramov 2010: 7).

³² The Eurasian Development Bank argues that the high number of necessary transshipments (Baku-Turkmenbashi; Varna/Odessa-Poti/Batumi) makes the Trans-Caucasian corridor highly capital intensive (Vinokurov et al. 2009: 2).

³³ The *Transport Corridor Europe-Caucasus-Asia* programme (TRACECA) originates in the 1990s. Five Central Asian republics and three Caucasian republics together with the EU agreed to develop a transport corridor from Europe across

issue. GUAM is limited to a coordination structure which only prioritises projects of regional concern.

Energy is the third vector of GUAM's economic strategy. One of the principal objectives of GUAM was to develop alternative transit routes and to gain access to Caspian hydrocarbon resources and, thus, decrease energy dependence on Russia (Polukhov 2008: 125; Piroshkov & Parakhonskiy 1999: 4; Molchanov 2009: 329). Improving extraction and transit of hydrocarbons as well as electricity supply are not only crucial for developing GUAM economies, but also decisive for gaining independence from a dominant supplier: Russia (Kyiv Declaration on Principles of Global Energy Security, Energy Summit in Kyiv in 2008). Azerbaijan is presently the only alternative supplier for hydrocarbons within the GUAM area (cf. Papava 2008b: 51). Although Azerbaijan has satisfied Georgia's gas demand almost entirely since 2007 (Vinhas de Souza 2008: 76), the greatest share of Azerbaijan's energy exports is directed to the European market.

At various summits and gatherings pipeline projects, transport routes and energy sources have been discussed (figure 3.2 and 3.3). Various pipeline projects via the Caucasus have been completed.³⁴ An extension of the Caucasus pipelines to Ukraine or Moldova is still theory (cf. Mamedov 2006: 1; Withmore 2007: 2; Simonyan & Gamova 2007: 1), mainly because these initiatives compete with alternative routes via Turkey and other Russian projects across the

the Black Sea via the Caucasus and the Caspian Sea to Central Asia (European Commission 2007: 11). In 1996 Ukraine and Moldova joined TRACECA and were followed by Bulgaria, Romania and Turkey in 2002. The programme is financed by the EU and others (Kulick & Yakobashvili 2008: 26). Their ideas have partly already been implemented, e. g. the BTC and the South Caucasus pipeline (Piehl 2007: 2).

³⁴ The first oil pipeline (Baku-Supsa) was built in 1999 (Astrov & Havlik 2008: 165). The Baku-Tbilissi-Ceyhan oil pipeline (BTC) opened in 2006 (Astrov & Havlik 2008: 165). Oil from Azerbaijan to Georgian ports at the Black Sea has also been transported by rail (Kulick & Yakobashvili 2008: 25). The Baku-Tbilisi-Erzurum gas pipeline (also named *South Caucasus pipeline*), was commissioned in 2007 (Mangott & Westphal 2008: 162).

Black Sea (Tolstov 2008: 42; Patronym & Zhovkva 2010: 35).³⁵ In 2013 Azerbaijan finally decided to refrain from *Nabucco* in favour of the TAP-route to Italy (Hosp 2013; Meister 2014).³⁶

Although Rakhmatulina (2008: 223) hails energy cooperation as a successful field of GUAM cooperation, GUAM can hardly be accounted for the creation of the Caucasus pipelines, because most projects have been realised outside the GUAM framework, either nationally, bilaterally (Azerbaijan-Georgia, Ukraine-Moldova) or in cooperation with non-GUAM members. For example, neither the successful implementation of the railway project Kars-Tbilisi-Baku nor the BTC pipeline can be called GUAM projects despite GUAM documents identifying those interconnections as key projects (cf. Preyger 2008: 66). Moreover, electricity is still a national issue (or a bilateral one with Russia as partner). At least, some small-sized cross-border power grids have been realised, e.g. between Georgia and Turkey or Georgia and Armenia (Chomakhidze 2011: 3). Nonetheless, bilateral energy trade flows dominate between GUAM members or include non-members like Turkey and Russia (Soghomonyan 2007: 9). Real quadrolateral projects do not exist and respective demand

³⁵ One example is the GUEU. Another example is the *Danube Energy Bridge*, which was proposed by the Ukrainian government in 2005. It is a transportation corridor for oil and gas, crossing Azerbaijan, Turkey, Romania, Bulgaria, Kazakhstan, Turkmenistan, Uzbekistan and Russia. It is supposed to improve energy security for Europe and GUAM countries (Preyger 2008: 64). Furthermore, the Odessa-Brody oil pipeline project was pushed by the consortium 'Samartia', with its members Georgia, Azerbaijan, Ukraine, Poland and Lithuania, founded in 2007 (Astrov & Havlik 2008: 166; Tolstov 2008: 41). The pipeline already exists and reverse its transport direction (Tomberg 2007: 43). The pipeline is planned to be extended to Plozk (Poland) and be connected to the existing Plozk-Gdansk pipeline (Astrov & Havlik 2008: 166; Tolstov 2008: 41). However, Azerbaijani oil is not even filling the existing two pipelines via Georgia to full capacity (Astrov & Havlik 2008: 165; Tomberg 2007: 39). In order to also fill the Odessa-Brody pipeline additional Kazach oil would be needed (Astrov & Havlik 2008: 166; Tomberg 2007: 44).

³⁶ In summer 2011 Azerbaijan's state oil company, SOCAR, started the selection process for a new gas pipeline project. Four scenarios have been short listed (Eurasian Monitor 2011, V.8 Nr. 202).

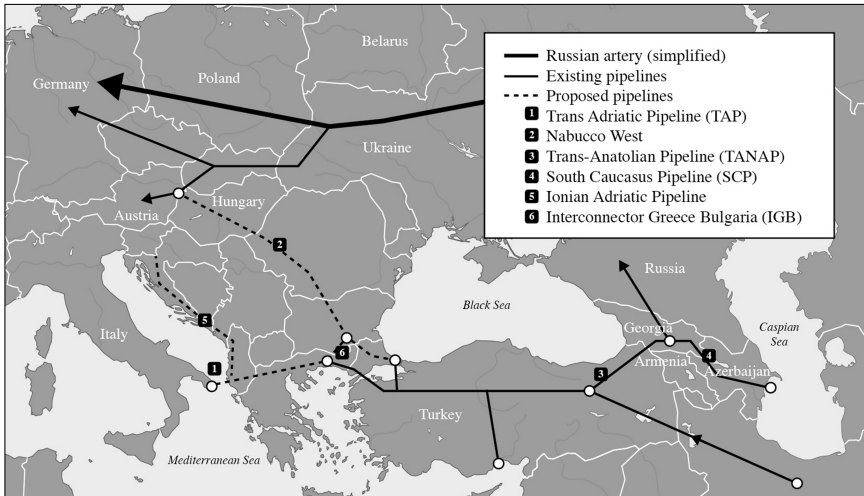


Figure 3.2: Major gas pipelines in the GUAM area (*Source: author's design*).

from bottom-up is difficult to detect. Nevertheless, GUAM offered a discussion platform for those projects, but there is no sufficient proof to determine how final decisions on pipeline projects have been taken and by whom.

Looking at investment flows in the GUAM area, capital flows between GUAM members and GUAM outsiders dominate, e. g. Turkish investment in Georgia, Russian and Kazakh investment in all four countries (cf. Grinberg 2005: 6). Mutual investment which could be interpreted as a bottom-up indicator for integration has not increased within the GUAM framework. Among PSS there are hardly any other investors than Russia and Kazakhstan. Although Alexander Libman (2007: 409) conceives integration tendencies between PSS from bottom-up, his numbers show mainly *Russian* investment and *Russian* business activity (ib.; cf. also Munteanu 2005: 108). His data analysis indicates an integration of PSS into the Russian economic system instead of growing *interdependence* and the formation of new macro-regional entities above the state level. Considering labour

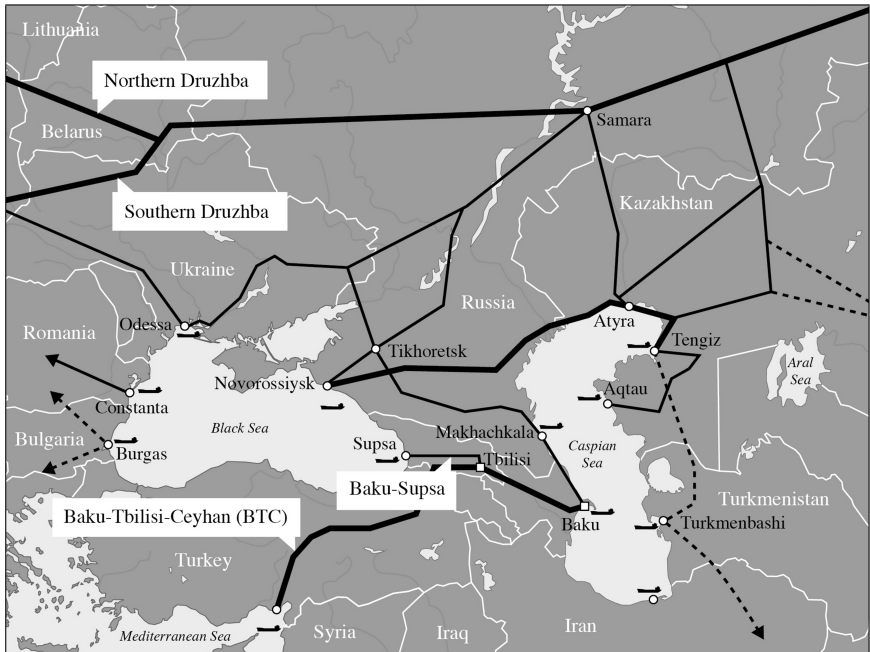


Figure 3.3: Major oil pipelines in the GUAM area (*Source: author's design*).

flows, labour migration is typical for the South Caucasian states Moldova and—to less extent—Ukraine. Labour migrants are primarily employed in the construction sector, but also in retail and markets, doing mainly unskilled work. Russia and Kazakhstan are the top destinations for migrant worker due to higher wages, higher economic growth and cultural or personal bonds.

3.4.2 Political Cooperation

Political cooperation within GUAM has been frequently described as security cooperation and, thus, GUAM is characterised as a security organisation; I will dwell on the differentiation in ch. 5.2.1. Issues of political cooperation have been the withdrawal of Russian troops from GUAM territories (a), and the ending of Russian interference in national issues, which is closely linked to the resolution of domestic conflicts within the GUAM states (b). In addition, there have been a number of domestic security initiatives (c). There are no military advances to realise political cooperation.³⁷ GUAM practices an approach of policy coordination to achieve the withdrawal of Russian troops and to put an end to Russian interference. National Coordinators meet regularly to discuss concerted diplomatic approaches.³⁸

The first point addresses the withdrawal of Russian troops (a) which were partly remainders of Soviet military bases and are partly deployments under a CIS-peacekeeping mandate (cf. Molchanov & Yevdokimov 2005: 194). The four states have been dissatisfied with the solution within the CIS-framework. They began to coordinate their positions at the consultations over the *Treaty of Conventional Weapons and Arms in Europe* in 1995/1996, which was one of the first occasions for cooperation within the GUAM format (Tolstov 2008: 35; Japaridze 2008: 75; Schmidt 2003: 361). In spite of this, the

³⁷ Military cooperation existed only bilaterally between GUAM members, as between Georgia and Azerbaijan and was primarily concerned with disaster relief.

³⁸ For example, in September 2009 the National Coordinators met to discuss joint approaches in the UN, OSCE and other international organisations (<http://bit.ly/1PPwKIX>; 22.04.2014).

formal resolution of the troop question in Ukraine and Azerbaijan has been achieved on a bilateral basis, and in the case of Azerbaijan already in 1993. This again exemplifies that political issues were not the only basis for the inception of GUAM. Both countries signed agreements on the presence of Russian soldiers on certain rented bases (Dubovyk 2010: 2; Nygren 2008: 111); while in Azerbaijan Russian troops officially had withdrawn until 1993 (Human Rights Watch 1994: 176), Ukraine held long negotiations over the presence of the Russian Black Sea fleet on the Crimea (cf. Spillman et al. 1999: 330; Felgenhauer 1999: 3f). Georgia and Moldova made advances at the OSCE meetings and bilateral negotiations, but experienced drawbacks due to secessionist conflicts in both countries (Klimin 2009: 274; cf. Gorincioi & Tcaci 2005: 238f; Devdariani 2005: 190ff) (for more details cf. ch. 5.3.2). Although the joint position of GUAM states helped to keep the issue high on the international agenda and raised international awareness, it did not speed up the actual withdrawal.

One measurement to disengage from those Russian troops, which resided under a peacekeeping mandate, was to replace them with non-Russian peacekeepers. Russia peacekeepers are blamed for being biased; they were to be replaced with peacekeeping mandates from the UN or the OSCE. GUAM even discussed the idea of a joint peacekeeping battalion. In the *Chisinau Declaration* (2005) the participants express their firm determination to make a joint contribution to sustaining peace and stability, affirm their intention to establish military and political cooperation, including peacekeeping operations'. However, no document specifies how such a cooperation should be modeled or implemented.³⁹ Scholars remain divided, whether GUAM rejected the idea of using its peacekeepers on their territory (Socor 2007b: 2) or approved of it (Tolstov 2008: 44). GUAM clearly stated that their particular peacekeeping force would—as others—act only under the auspices of international institutions like the OSCE, NATO or the UN, making its deployment on GUAM territory even more

³⁹ The idea of a joint force first appeared on the agenda in connection with the effort to protect the pipeline system in 1999 (Tolstov 2008: 37; Kuzio 2000: 87; Getmanchuk 2006: 1). This initiative changed later to a peacekeeping unit.

unlikely as this would require Russia's consent for the annulment of the present CIS-mandate (Fesenko 2007: 1f, Tolstov 2008: 44). A joint peacekeeping unit should also be considered as a part of GUAM's ambition to comply with the obligations of established sovereign states and international organisations.

The planned joint peacekeeping battalion is still not in action and probably never will be, because it lacks consensus among the member states (cf. Japaridze 2008: 89; Tolstov 2008: 44).⁴⁰

Closely associated with the withdrawal of Russian troops is the resolution of domestic conflicts (b); Russia is regarded as the primal reason for their resilience. GUAM does not propose military actions to stop Russian interference in the conflict zones, but aims at activating existing international fora, such as the *Minsk Group*, and at raising international awareness for Russian sovereignty violations. Raising international awareness has been approached primarily by the introduction of joint resolutions in the UN-General Assembly. Since 2006 a resolution draft concerning the displaced persons and refugees in Abkhazia and South Ossetia has been presented annually to the General Assembly, where it has been habitually approved by a slight majority and accompanied by Russian criticism.⁴¹ In its resolutions the general assembly accepts the right of refugees on the Georgian territory to return to their homes and the protection of

⁴⁰ The idea first came up in 1999 at the GUAM defence ministers' meeting (Tolstov 2008: 37). In the same year, the first joint military exercise—without Moldova—took place in Georgia (Tolstov 2008: 37). Only in 2006, under Ukrainian chairmanship, GUAM defence ministers (except for Moldova) made another effort (Zakareishvili 2008: 307). One year later a preliminary agreement was reached to create a joint GUAM peacekeeping battalion, which was proposed to replace 'the Russian military contingents that operate under the U.N. or CIS mandate or in compliance with regional agreements in the conflict zone' (Tolstov 2008: 44). Moldova rejected this idea completely and referred to its neutral status (Japaridze 2008: 89; pf. Socor 2007b: 2). The Baku Summit (2007) postponed the project indefinitely (Socor 2007b: 2; Zakareishvili 2008: 308).

⁴¹ As an example resolution A/62/L.45 from May 2008 (62th session of the UN-General Assembly) or resolution A/65/L.74 from 2010 (65th session).

their property. It also urges to intensify efforts of the *Geneva Group*, which regularly meets to solve the disagreement resulting from the Georgian-Russian war in 2008. In 2007, the four states introduced a joint draft on *Protracted conflicts in the GUAM area and their implications for international peace, security and development*, which underpins the dangers of the conflicts and urges for international assistance in conflict resolution (UN resolution A/62/L.45). The document has been reintroduced every following session, but has been continuously postponed. The same happened to drafts demanding the withdrawal of Armenian forces from Nagorno Karabakh (62th session of UN-general assembly). With Azerbaijan taking over a seat in the UN Security Council (2012-13) the topic remained high on the agenda. Although the UN General Assembly supports the resolution on the refugee question, it is no indicator for the success of GUAM's coordinated diplomacy; those resolutions have not contributed to conflict resolution. Moreover, GUAM itself is no adequate forum for negotiations, because it does not include all involved parties.

The Russian-Georgian war in 2008 and Russian interference in Ukraine in 2014 reflect that the sovereignty of the four states did not improve considerably. As a non-military organisation GUAM could not prevent intervention and could do nothing more than condemn Russia's violation of international law.

Practical results have been achieved mainly in the area of domestic security (c). The *Virtual Law Enforcement Center* and the *GUAM Interstate Information Management System* have been launched to help fight against organised crime. Joint projects focus on establishing networks for data exchange that will help to pursue and prevent transnational crime, such as trafficking in narcotics, weapons, human beings, but also money laundering and tax evasion (*Agreement on Cooperation among the Governments of GUUAM Participating States in the Field of Combat Against Terrorism, Organized Crime and Other Dangerous Types of Crimes*, 2004). They have been pushed and funded by the US government since its worldwide fight against terrorism

(Chechelashvili 2008: 13; US Dep. of State 2007: 12).⁴² Fighting transnational crime is conceived as a contribution to international security and stability. American technical and financial support indicates that success in implementation is closely linked to the contribution of financial means and expertise. Since 2006, various joint operations between the four states took place, which are envisioned as strengthening cooperation in the areas of customs control, border control and law enforcement.

To sum up, there has been limited progress in political cooperation. However, on a positive note, collaboration between the law enforcement bodies of the four member states has improved. Yet, the issue of secessionist conflicts as a source of unconsolidated sovereignty remains unsolved—despite maintaining successfully international awareness for the conflicts, no progress in conflict resolution has been achieved.

3.5 Conclusion

This chapter expanded on the evolution of GUAM, its structure and objectives and closed with a short performance review.

GUAM has been described as a regional project, which evolved from a diplomatic initiative around the CFE Treaty negotiations in the 1990s. Although the demand for the withdrawal of Russian troops was one of GUAM's major concerns, consultations have been flanked by economic interests right from the beginning. Only four

⁴² After 2001 the security term has been amplified, including also terrorist insurgents and organised crime. The fight against international terrorism and organised crime gained momentum for three reasons: One is the increasing US-interest in that issue, and second, that the GUAM states have strived to comply with EU-demands for a safer neighbourhood. Last, there is an actual demand within the member states for ramping up in the fight on terror. For instance, Azerbaijan has to deal with growing Islamist extremism and influence from countries like Iran or Afghanistan. During the second Russian-Chechen war Georgia was accused by Russia of giving shelter to Chechen terrorists. Moldova and Ukraine have an increasing problem with organised crime, particularly human and drug trafficking. In addition, the Southern Caucasus is a popular transit route for drugs from the Far East to Western Europe.

years after its first appearance, GUAM produced a charter, which was the beginning of a fast institutionalisation process (1997-2005). Starting with the opening of its Secretariat in 2007, GUAM can be termed a regional organisation, characterising its phase of intense activity (2006-2008). The Georgian-Russian war in 2008 put an end to high-level meetings of participants and GUAM's shadow years began. The downsizing of cooperation was also due to changed national power realities. Nevertheless, consultations continue.

Although GUAM's institutional design today is very sophisticated with various councils and working groups, the emphasis is still on policy coordination instead of policy harmonisation. The Secretariat functions as an information hub, which coordinates but can neither enforce action nor sanction inactivity. The structure, the voting principle of unanimity and also the equal division of costs reflect the high attention GUAM members pay to the principle of equality. Whereas the strict interpretation of sovereignty is unequaled among post-Soviet integration projects, the avoidance of sovereignty pooling is a pertinent feature among PSS and developing states in general. Moreover, GUAM disposes of limited financial means and had to be supported with American funding for several years.

GUAM embraces a broad scope of issues, with an emphasis on economic development and sovereignty. Trade facilitation and the diversification of energy distributors are the major ideas to spur development; the grouping also aims at undertaking cross-border infrastructure projects and modernise their communication networks. Strengthening sovereignty shall be attained by solving domestic conflicts and consolidating territorial integrity. Economic and political objectives are intertwined, and conflict resolution is regarded as the principal obstacle for economic prosperity. The EU and NATO are understood as the guardians for the security of the four states.

Looking at GUAM's record, tangible results are scarce. Despite valuable project proposals for facilitating trade, implementation lags

behind. Moreover, advances in energy security and transport modernisation have been achieved only in Azerbaijan and Georgia and outside the GUAM framework. Concerning sovereignty, GUAM's joint diplomatic approach in international organisations like the UN did maintain international awareness, but failed to mobilise additional support. The exchange of Russian peacekeepers and the resolution of domestic separatist conflicts remain in limbo. To sum up, GUAM is still limited to policy coordination. When cooperation measures demand greater efforts—financially and administratively—deadlock dominates.

Chapter 4

The Development Strategy

Since its beginning GUAM cooperation has vacillated between an economic and a sovereignty emphasis. This chapter focuses on the economic dimension of cooperation within the GUAM framework, scrutinising two of the four leading assumptions of this dissertation.

The first assumption argues that GUAM was conceptualised as a development strategy: GUAM members are assumed to employ economic integration to enhance economic growth and by doing this raise their national welfare level. The welfare increase is supposed to close the development gap between GUAM members and Western industrialised states. This assumption conceives of the emergence of GUAM as the explanandum and development as explanans. To this purpose, I will show why development is of particular importance to GUAM member states. Referring to theories of RS, I will then demonstrate the development argument by utilising GUAM documents and activities.

The second assumption argues that GUAM as a development strategy is bound to fail. There is an abundance of both favourable and restrictive conditions to explain the advance or stalemate of regional integration projects. This dissertation will concentrate on three core variables: mutual trust, state capacity and demand for regional integration. The chapter will show that thwarting factors dominate over conducive factors. GUAM participants can be regarded

as ill-prepared for the chosen economic integration format, because they lack the necessary state capacity. Moreover, the composition of participants can be regarded as ill-advised, since it does not allow for compensation of individual deficiencies among participants. It also does not consider the aspect of sufficient demand for integration among participants. GUAM's current state is conceived as explanandum; that is, there is no single isolated explanans causing one certain effect, and there is a synthesis of differing variables at work that can moderate or even exacerbate the impact of each other. The overall plethora of factors in RS make a clear-cut differentiation between causal and intervening variables difficult.

This chapter can be divided into four main sub-chapters. The first part (4.1) exhibits how GUAM can be regarded as an example of economic integration. It also conceptualises welfare and development. The second sub-chapter (4.2) buttresses the development strategy of GUAM along three major explanations for development: modernisation, disintegration and transformation. It refers to documents and activities to substantiate GUAM as a development strategy and, thus, proves the first assumption. In the following sub-chapter (4.3), I analyse GUAM along three conditional variables, which shed light on the current state of GUAM. Thereby I present substantial ground for my second assumption that GUAM's development strategy is bound to fail. I close with a summary of my conclusions (4.4).

4.1 The Setting

Regional groupings have been studied by economists as well as political scientists. Their methods and conclusions have been incorporated in the extensive research field of RS. In this section economic considerations form an important backdrop for analysis. Firstly (4.1.1), I delineate how economists conceive regional integration and explicate that GUAM can be examined as an example of economic integration, allowing us to employ economic assumptions on regional integration. It will also be shown that economic and political integration are inter-

related and should not be regarded as isolated processes. Applying an interdisciplinary approach, both perspectives are included in this analysis. In the second step (4.1.2), I draw on the motivation of states to pursue economic integration, linking welfare and development to economic integration.

4.1.1 Economic Integration

Although GUAM has already been conceptualised as a regional integration project in chapter 2.1.1, I come back to the term ‘integration’ to take into account the economic perspective. This chapter illustrates that GUAM can also be studied as an example of regional integration from the vantage point of economic sciences. The first part draws on how economists interpret economic integration, then, the concept of integration will be employed for the GUAM case. Lastly, it will be briefly delineated how International Political Economy (IPE) has embraced regionalism as a research area. Regional integration, economic integration, regionalism and preferential trade agreements (PTA) are used synonymously.

Economists define regional integration as a phenomenon of economic cooperation between two or more states based on formal agreements. In most cases those agreements define mutual preferential trade conditions, which have been the principal drivers for increased economic flows between states in a region (Glania & Matthes 2005: 4; Mansfield & Milner 1999: 591). Free trade endeavours such as GUAM’s *Free Trade Agreement*, can be regarded as the nucleus of economic integration, and integration may spread to other economic issues throughout the process. In that context, *regional* refers to a limited number of partners in a geographically specified area in contrast to a *global* form of economic integration, for example within the WTO-framework. The first stages of dismantling interstate trade barriers may occur in a unilateral approach (cf. Underhill 1997). The advanced phases of economic integration—embracing more and more issues like joint regulations for services, capital or labour—are understood to demand the establishment of joint institutions that

coordinate integration activity and/or the allocation of rising costs and benefits (Mytelka 1979: 10ff; cf. Haas & Schmitter 1981: 164f; cf. Choi & Caporaso 2002: 486; Langhammer 2003: 250).

Economists determine seven phases for integration, which often intermingle in practice: The starting point is a) a *preferential trade zone*. It is followed by b) a *free trade zone*, c) a *customs union*, d) a *common economic area*, e) a *common market*, f) a *monetary union*, g) a *political union* (Glania & Matthes 2005: 4f, Woll 2008: 381; Gröske & Schneider 2003: 240). Thus, in contrast to political scientists, economists envisage a clear final objective for integration (Gröske & Schneider 2003: 240; Woll 2008: 381; Arentzen 1992: 1645).¹ A free trade area can be regarded as the most common model of regionalism (Börzel 2012b: 256).² It reflects a global trend of increasing regional trade agreements (cf. Baccini & Dür 2012: 57; Glania & Matthes 2005: 6; Beretta 2008: 75). While *regionalism* can be grasped as state-promoted integration (cf. Hurrell 1995: 44), as for example GUAM, *regionalisation* is characterised as a bottom-up integration process, arising rather tacitly among private economic actors (Goltermann et al. 2012: 4; Vinokurov & Libman 2012: 3; Breslin et al. 2002: 14).

GUAM can be characterised as an economic integration project in the form of a free trade agreement. Economic cooperation is reiterated in all GUAM documents. First references were related to energy transport (Strasbourg Declaration, 1997; Washington Declaration, 1999). The *Yalta Charter* (2001) vividly describes the economic concept of GUAM:

‘1. Objectives of cooperation of the GUUAM: promoting social and economic development; strengthening and expanding trade and economic links; development and effective use in the interest of GUUAM states of the trans-

¹ While pure trade effects dominate at the beginning, higher integration levels emphasise overall welfare effects (cf. Gröske & Schneider 2003: 240).

² Such regionalism could also be dubbed as *negative* integration (reduction of trade barriers in contrast to *positive* integration by establishing a joint economic policy) (Grinberg 2003: 343).

port and communication arteries with its corresponding infrastructure situated in their territories [...]

3. Directions of cooperation of the GUAM: economy, science, technology and environment; transport, energy and telecommunication infrastructure; joint investment and financial projects; humanitarian sphere, culture, education, mass media, tourism, youth exchange; other directions of mutual interest.’ (Yalta Charter, 2001, sentence 1 and 3)

GUAM represents a low level of economic integration. The *Free Trade Agreement* (2002) has been flanked by further documents aimed at harmonising regional trade, such as the *Agreement on International Multimodal Transportation of Goods* (2007), the *GUAM Sectoral Cooperation Development Strategy* (2007) or the *Decision on GUAM Sectoral Cooperation* (2008). GUAM has not yet reached the level of a customs union, even though efforts to facilitate and standardise customs procedures have been embarked upon. With all its ambitious agreements GUAM could be termed a ‘Free Trade Area–PLUS’. GUAM’s economic integration is a state-led process initiated and manoeuvred by the participating governments of GUAM, representing a case of regionalism. However, GUAM embraces other cooperation areas which have not arisen as a consequence of deeper economic integration and, thus, weaken the spill-over concept of neofunctionalism (Colman & Underhill 1998b: 10; Gamble & Payne 1996: 252f; Haas & Schmitter 1981: 163; Kössler & Zimmek 2008b: 6).³ Still,

³ The link between economic and political integration, especially concerning causality, is still not sufficiently explained (Mansfield & Milner 1997b: 11; Mansfield & Milner 1999: 590; Mattli 1999: 31). There is no automatism between the two. Economic and political integration habitually coincide and can be regarded as a ‘continuum’ (Haas & Schmitter 1981: 164). Their linkage—or at least a vision of it—can also be understood as a criterion for integration (Mattli 1999: 190). In general, the differentiation is difficult since economic integration also demands certain accompanying political measures to proceed (Etzioni 2001: xxxvi). On the one hand, there must be political mechanisms to negotiate and implement economic integration steps. On the other hand, economic integration also demands the political will to further economic integration (Zimmerling 1991: 114; cf. Langhammer 2003: 252); in

since economic integration is a substantial part of the GUAM project, assumptions on economic integration can be included in this analysis.

Economic integration projects have been scrutinised primarily by scholars from IPE, the second major branch of theory in RS. Scholars observe a rising number of PTA between states (Mansfield & Milner 1999: 589; Baccini & Dür 2012: 57). Even states which are assumed to have difficulties benefitting from economic integration such as developing states or ‘imperfect’ trading partners, continue to pursue regional integration (Mansfield & Milner 1999: 610; cf. Heyden & Woolcock 2012: 535). Economic integration still is primarily shallow integration on the level of trade preferences, with few agreements being implemented (Börzel 2012b: 256). Political economists follow a similar research agenda to their colleagues from political science; the focal point is a triangle of a) the reasons for states to form PTA, b) the effects those PTA have on members, non-members and the global economy and c) the conditions for PTA to prove effective in reference to Mattli’s (1999) demand-and-supply factors. There is still no consensus on all three dimensions.

Looking at the motivation for states to seek economic integration, explanations vary between the domestic and global perspectives. Generating economic growth can be conceived as the principal driving factor. On the one hand, states are assumed to pursue regional integration when national attempts of trade or market liberalisation fail (Mansfield & Milner 1999: 605). On the other hand, domestic factors such as the preferences of policy-makers and interest groups as well as the strength of domestic institutions are assumed to influence a state’s decision to integrate (Mansfield & Milner 1999: 605). From a global perspective, regional integration can be conceived as a reaction to externalities or economic interdependence⁴ or—with reference to the power variable—as an instrument to increase a state’s

that sense, economic integration and every attempt for economic cooperation can be grasped as a result of political decisions (Langhammer 2003: 252).

⁴ Baccini & Dür (2012: 57) suggest that the increase in PTA is a result of competition for market access.

power position in the international system (Börzel 2012b: 258f; cf. Mattli 1999: 190).⁵ It has been suggested that most PTA have been initiated for political reasons (cf. Mansfield & Milner 1999: 610).⁶ Studying the effects of regionalism, the great debates on regionalism versus globalism and on trade diversion versus trade creation continue (Heydon & Woolcock 2012: 534; Ruiz Estrada 2009: 1; Hnat 2013: 1; Carrere et al. 2012: 1).⁷ Since PTA discriminate non-members (Mansfield & Milner 1999: 602), scholars focus also on the effects on excluded states (Mattli 1999: 192; Laursen 2004: 18; cf. Baccini & Dür 2012: 1).

Recent studies focus on general welfare effects and on effects of policy change (transforming weaker member states in a regional project), taking into account the nexus between regionalism and democratisation/market liberalisation (Mansfield & Milner 1999: 606; Baccini 2012: 455; Ladewig 2010: 7073). Various assumptions have been brought forward to explain why some regional projects are more effective than others. Generally, developing countries are assumed to have more difficulties in reaping advantages from regional integration (Krapohl & Fink 2013: 473; Heydon & Woolcock 2012: 534; Ladewig 2010: 7073). Pokorna & Smutka (2010: 60) suggest that trade expansion through PTAs depends on the development level of participants and their export goods. For Ladewig (2010: 7073) it is the developing states' limited access to capital that would expose

⁵ Political allies tend to cooperate also economically (Mansfield & Milner 1999: 610). Stronger members of an agreement may employ trade agreements to increase their power over smaller members (Mansfield & Milner 1999: 611). In contrast, smaller states may aim at binding their stronger partner by regional integration, although studies indicate that this results in even greater vulnerability (Börzel 2012b: 259). Perju (2009: 1) suggests various 'geopolitical factors' to explain the emergence of PTA, such as bilateral trade, sharing a common language or cultural heritage or having been colonies under the same coloniser.

⁶ For Väyrynen (2003: 25) the two logics of 'geopolitics' and 'capitalism' are 'analytically separable but empirically intertwined'.

⁷ Scholars are still divided on how to assess the interrelation between regional and global trade liberalisation processes (Brkic & Efendic 2013; Beretta 2008; UNCTAD 2007; Gavin 2007; Mittelmann 2000).

them more strongly to economic shocks—caused by their incorporation into international markets—and, thus, benefit them less from integration projects. Jurcic et al (2013: 1) explain differences in integration between industrialised and developing states with the diverging objectives. Piatek et al. (2013) relate economic growth to political and economic freedom, concluding that economic freedom has a direct positive effect on economic growth, while political freedom may improve as a consequence of higher economic growth. As has been mentioned in ch. 2.1.1, RS have been confronted with region building below the state level as spontaneous projects initiated from non-state actors, for example global business actors, frequently termed as ‘regionalisation’ or ‘marketisation’ (Spindler 2002: 2). Such forms of regionalism are increasing and gaining more attention from RS scholars. However, GUAM as a state-led project and, thus, classical project of trade integration as a result of agreements between various governments, allows us to leave regionalisation processes within the four concerned states aside.⁸

4.1.2 Welfare and Development

The previous chapter explained why GUAM can be regarded as a case of economic regional integration. Moreover, it has been shown that political and economic integration are tightly interwoven. This chapter illustrates, how development has been linked to economic integration—those insights form an important backdrop for proving the first assumption that GUAM functions as a development strategy. For this purpose, it will be outlined how welfare and development can be delineated as a motive for state action. Then it will be shown that development is primarily achieved through economic growth.

There is no general rule that explains why states initiate regional integration projects (Sampson 2003: 14), nor any proven causality.

⁸ ‘New’ can also be associated with methods, for example Burfisher et al. (2004: i, 4; 37) associate a new trade theory with NR that transcends the traditional trade theory of goods. See also The ch. 2.1.1 for NR

The majority of cases in RS has been explained with the welfare rationale. In reference to liberal institutionalism states can be delineated as rational actors, behaving in a goal-oriented manner, weighing the costs and gains of their behaviours (Gamble & Payne 1996: 250; Lipson 1993). States are perceived as being always interested in increasing their own welfare position, careless of the welfare of other states (Keohane 1993: 274; Milner 1992: 470).

Welfare can be understood as ‘the state of doing well especially in respect to good fortune, happiness, well-being, or prosperity’.⁹ This definition demonstrates that welfare comprises material as well as immaterial elements. There is no explicit, comprehensive welfare concept that could be applied to all states in the same manner (Geue 1997: 4467). Economic prosperity has always been a central element of welfare, exemplified in GNP per capita; it can be termed as welfare in the narrow sense. The Western understanding of welfare embraces socio-political categories like health care and education services or an intact environment, but also values like freedom or equality, which are believed to be guaranteed best under democratic governance. While welfare is a static category, welfare *levels* imply a variation in degree, with the welfare level of industrialised economies usually as the yardstick.¹⁰

States may employ regional integration, on the one hand, to *increase* their relative welfare level. On the other hand, states may be interested in *maintaining* their current welfare level. While increasing the welfare level can be seen as the *active* element of economic integration, the ambition to maintain current welfare levels can be understood as the *re-active* or defensive element, often circumscribed as reaction to externalities (Börzel 2012b: 258). Similar to welfare, development can be grasped in both a narrow and a broad sense. Development in the broad sense can be equated with the process of raising the welfare level. In the narrow sense, development has been

⁹ Merriam-Webster Dictionary, <http://bit.ly/1qygiwK>; 22.04.2014.

¹⁰ Scholars acknowledge methodological problems in evaluating welfare increase (Glania & Matthes 2005: 20ff.).

delineated as economic growth, due to its easy measurability and to its ability to expand welfare in the broad sense (cf. Glania & Matthes 2005: 16f; UNCTAD 2007: 19; Fawcett 2008: 26). While welfare and development in the narrow sense primarily are economic concepts (economic prosperity and economic growth), their wider concepts both encompass socio-political factors such as health care, education, ecology or participation (Chilcote 2004: 628; Nohlen & Schultze 2010: 206ff). Industrialised economies are believed to strive for marginal welfare increases in form of additional investment creation, increased administrative efficiency, decreased transaction costs or better policy coordination (Robson 1993: 332). Developing economies are instead assumed to be endeavouring towards a considerable rise of their welfare levels in order to close the *development gap* between them and the industrialised economies (Riegel 1995: 349f). While some measures to achieve development are a national issue, others could be accomplished by regional integration. Thus, most developing economies are assumed to employ regional integration as general *development strategy* to bring their national economies more in line with the Western industrialised economies (Belassa & Stoutsjesdijk 1981: 285; cf. Halperin 2007: 221).

To develop is usually understood as modernising along the market economic model from an agrarian economy to an industrialised economy, and to pursue political stability in the form of democracy (Halperin 2007: 220). The measure of choice in achieving development in the narrow sense has been to increase investments (Halperin 2007: 220). Despite vital discourse within development research, modernisation theorists still dominate. They proscribe trade liberalisation and the strengthening of the bottom-up initiative through market liberalisation, privatisation of state assets and, last but not least, opening economies to attain economic growth (Halperin 2007: 223). Other approaches such as dependency theories demand to break up old dependency relationships, even though they do not provide a blueprint for closing the development gap (Halperin 2007: 222). Yet to be debated is the third pillar for achieving development: technology and the transfer of knowledge (Halperin 2007: 220).

To sum up, increasing one's welfare level can be seen as the long-term objective of states when pursuing economic integration. For the majority of developing economies, development represents the mid-term objective in an integration process. Economic growth is commonly regarded as the key to attain development and, thus, a higher welfare level. Assuming that GUAM member states have more in common with developing rather than with industrialised economies, and that they aim at closing the development gap towards Western states, I suggest that GUAM has been formed as part of a development strategy.

4.1.3 Summary

In reference to GUAM documents, particularly the *Free Trade Agreement*, this paper has already shown that GUAM should be understood as a case of economic integration. Nevertheless, economic integration is just one part of GUAM's multidimensional integration process. This chapter has also illustrated that political and economic integration are tightly interwoven. GUAM integration has been initiated from the respective governments. As it is a state project, both political and economic considerations have to be included into analysis.

States aim at increasing their welfare level when they pursue integration. Development in the narrow sense can be equated with economic growth; it is supposed to enable development in other socio-political areas as well. Particularly developing economies employ economic integration as an instrument to spur development. Due to the similarity of GUAM members' economies to those of developing economies and the development gap between GUAM states and their Western European neighbours, it can be assumed that GUAM states also employ integration as a development strategy. The next chapter will provide proof for this assumption and, thus, contribute to substantiate the first assumption of this dissertation—that GUAM is designed as a development strategy.

4.2 Explaining the Emergence of GUAM

In ch. 4.1.1 it has been established that GUAM can be regarded as a case of economic integration. Chapter 4.1.2 determined that overall welfare can be grasped as a long-term objective of integration participants, whereas development (in the wide sense) can be understood as a midterm objective particularly of developing economies. Those conclusions suggest a development strategy for the GUAM case. In this section I want to demonstrate my first assumption stating that economic GUAM integration indeed is based on a development concept. I follow a two-fold approach: Firstly, I will reveal the development concept of GUAM member states, which employs a wider understanding of development as is the case with other developing economies (ch. 4.2.1). Secondly, in reference to IPE theories, I will provide GUAM documents and activities that substantiate my assumption of GUAM as a development strategy (ch. 4.2.2). I close with a summary of my findings (ch. 4.2.3).

4.2.1 The Development Concept

This sub-chapter specifies the development concept of GUAM. It will be reified that GUAM's development concept surpasses the traditional meaning of modernisation (a), which has been employed by non-Soviet developing economies.¹¹ GUAM's development concept also encompasses disintegration (b) and transformation (c). All three are related to the past of GUAM participants as Soviet states (cf. ch. 2). In the following I will elaborate on all three elements.

Let us begin with the first motive: modernisation (a). Modernisation is comprised of economic growth as well as of the transfer of technology and knowledge that is necessary to raise national produc-

¹¹ Jurcic et al. (2013: 1) suggests that economic integration between developing states differs from integration pursued by industrialised states concerning their objectives: The former pursue with regional integration not only industrialization and poverty reduction, but also non-economic goals like peace, political liberalisation or food safety (ib.)

	1993	1995	1997	1999	2001	2003	2005	2007	2009	2011	2013
Azerbaijan	177	319	512	579	704	880	1 568	3 818	4 978	7 114	7 900
Georgia	n/a	396	784	627	728	919	1 484	2 315	2 455	3 230	3 604
Moldova	252	332	447	321	407	547	830	1 229	1 524	1 971	2 229
Ukraine	653	721	995	637	781	1 048	1 830	3 072	2 551	3 584	3 919

Table 4.1: GDP per capita in current USD (*Source: IMF World Economic Outlook data*).

tion to present international standards and thereby lift the general welfare level of the four states. Before 1990 the overall welfare level of the Socialist Soviet Republics was relatively high, although welfare in the narrow sense, in GDP per capita, was considerably lower than in Western states (see table 4.1). The collapse of the SU was followed by a great decline in welfare levels—both in the narrow and the broader senses. PSS were characterised by low national income and per capita income levels as well as negative growth rates (see table 4.2). GUAM states became developing economies (Sewin 2008: 282). Table 4.3 shows the steep decline of real GDP compared to the 1989 situation for the four GUAM states. Only Azerbaijan managed to regain and surpass its GDP level from 1989—thanks to revenues from oil sales after the opening of the Baku-Tbilisi-Ceyhan pipeline. The other three states have not even reached two-thirds of their 1989 GDP-level, even though 20 years have passed since disintegration started (EBRD Transition Report 2010: 103; 117; 129; 153).

Poverty became momentous after the dissolution of the USSR. Even the health care and education sector, which have always been a feature distinguishing Communist states from developing countries, suffered greatly, reducing the overall welfare level. GUAM members had to grapple with securing the basic needs of their population whilst simultaneously transforming their national economies into productive and leading market economies, not to mention also the transformation of their political and social structures (cf. quadruple transition concept, ch. 2.1.2).

Another reason for the steep decline of overall welfare levels were domestic conflicts, which were unleashed at the beginning of the 1990s, and were compounded by the ensuing migration flows. For Azerbaijan, Moldova and Georgia the problem of refugees raised the level of poverty considerably (cf. Lunev 2006: 19). GUAM member states discern those conflicts as a major reason for their underdevelopment¹²:

¹² Since GUAM states also agree that Russia is the primary source for the ongoing

	1993	1995	1997	1999	2001	2003	2005	2007	2009	2011	2013
Azerbaijan	-23.1	-13.0	8.8	11.4	6.5	10.5	26.4	25.0	9.3	0.1	5.8
Georgia	n/a	2.6	10.6	2.9	4.7	11.1	9.6	12.3	-3.8	7.1	3.2
Moldova	-1.2	-1.4	1.6	-3.4	6.1	6.6	7.5	3.0	-6.0	6.8	8.9
Ukraine	-14.8	-12.1	-3.2	-0.2	9.2	9.5	3.0	7.6	-14.8	5.2	0.1

Table 4.2: Growth rates of GDP, constant prices in USD. Data available since 1993 (*Source: IMF World Economic Outlook data*).

	1990	1995	2000	2005	2010
Azerbaijan	89	38	53	100	210
Georgia	88	27	34	49	61
Moldova	98	39	34	48	53
Ukraine	96	45	40	59	61

Table 4.3: Real GDP development (1989=100) (*Source*: EBRD Transition Report 2010).

‘It was emphasized that these threats, as well as unresolved conflicts and illegal presence of foreign troops and armaments in GUAM States are recognized as main obstacles on the way to full-scale democratic transformations and economic development in the region.’ (GUAM Kyiv Summit Communique, 23rd May 2006)

Modernisation was essential in the energy sector; in the 1990s, it was mandatory to ensure stable access to electricity for enterprises and private households. With energy being indispensable for production and welfare (cf. Hallaert et al. 2011: 20), securing energy supply has become a key objective. Apart from ensuring energy supply for economic production, the four states had to solve the problem of the energy shortage for domestic consumption. After the collapse of the SU, domestic energy production in the four states almost came to a standstill and then, only recovered slowly. Even Azerbaijan had to invest in its petroleum sector before it could satisfy domestic demand with domestic production. Ukraine, Moldova and Georgia are energy importers (cf. EBRD Transition Report 2010)—even though analyses for Ukraine and Georgia suggest, that they could be self-sufficient energy producers and even turn into energy exporters (Patronyk & Zhovkva 2010; Chomakhidze 2011). Moreover, energy usage is still characterised by high inefficiency due to the old production equipment dating back to the SU that reckoned an abundance of resources. Yet, in the wake of the dissolution of the SU, GUAM states did not dispose

conflicts, the four states shift the responsibility for their own underdevelopment to this external actor, Russia.

of sufficient financial means to purchase energy from abroad. To address modernisation, adequate investments were needed.

Disintegration (b) has been presented as the second element of a wider development strategy. Disintegration describes the process of splitting from the SU to form a new independent state. This entailed decoupling from a single politico-economic system, generating national competence centres which have previously been located in Moscow. On the one hand, the four GUAM states had to create their own institutions from scratch, such as a foreign ministry and a national bank. On the other hand, they had to build their own processes and cycles, like establishing an independent tax system to generate a state budget and form more independent production cycles.

The Soviet system had not only embraced central planning for all economic sectors, but also ‘dependence on inter-republic fiscal transfers for investment and consumption in the satellites; [...] dependence on a mono-bank system and wide circulation of Russian currency’ (Robson 2006: x). There were taxes which the Soviet republics collected directly, taxes which were collected by the central state (based in Moscow) and allocated to the republics and a transfer system among the Soviet republics. In addition, most Southern Soviet republics such as Azerbaijan and Georgia have been receivers of subsidisation (Lunev 2006: 17); as a result, the new national governments were not able to finance the state budget independently, because the costs were too high and because their budgets lacked the necessary revenues from their own national economies.

Additionally, the USSR was constructed as an entity with intertwined transport and communication systems, highly diffused production chains, interdependent trade relations and an unbalanced dependency on the Russian Socialist Republic with Moscow as the pivot of the union. Apart from the Russian republic, ‘there was virtually no sector with a closed cycle, starting with raw materials and ending with finished goods for domestic production or for ex-

port' (Hawrylyshyn 2005: 121). All economies had to face the same problems: sudden appearance of customs borders, the loss of formerly guaranteed demand and supply, interrupted delivery chains, etc. (cf. Hishow 2002: 7; UNECE 2006: 11). Particularly for small states like the Caucasian countries or Moldova the disruption of traditional trade relations was difficult (cf. Astrov & Havlik 2008: 125). Only Russia, Belarus, Ukraine and, to some extent, Kazakhstan, disposed of a sufficiently diversified and industrialised economic structure enabling them to recover more rapidly than other PSS (Robinson 2004: 176; cf. Muzaffarli 2008: 23). The less diversified an economy was, the more it suffered from the collapse (Grigoriev & Salikhov 2007: 6; cf. UNECE 2006: 11). Scholars claim that the decay of the Soviet integrated economic complex has been decisive for the presently poor economic situations in most PSS and distinguishes them from other post-communist states in Europe (Grinberg 2005: 1; Astrov & Havlik 2008: 125).

The legacy of the former union state was particularly pronounced in infrastructures. After the collapse of the SU, no PSS (except Russia) disposed of the necessary infrastructure (transport, water, communication, energy, etc.) to run a market economy or independent state (Robinson 2004: 173). Apart from modernising old equipment new *independent* infrastructure had to be set up. That entailed reducing dependence on the previous centre Russia, on the one hand, and improving connections between PSS, on the other hand. I will come back to the constraints on disintegration at the end of this chapter.

Let us turn to the third major challenge for GUAM states which pledges for a wider development strategy: transformation (c). At the beginning of their new statehood all four GUAM states declared their ambition for systemic change, i. e. turning into market economies and democratic states. Whether the four countries emulated Western models of market economies and democratic forms of governance or had other concepts in mind, should be debated at another place and time. Still, they clearly intended to leave the previous planned economy and Socialist state behind. The parallelism of transformation and

disintegration has been described as particularly challenging before in chapter 2.1.2, distinguishing PSS from other post-communist states in Eastern Europe. Systemic change also promised positive effects that could propel development. For example, the status as a market economy, which has been granted to Ukraine, Georgia and Moldova by the European Union, allows access to preferential trade agreements with leading Western economies and their markets.

These three tasks—modernisation, disintegration and transformation—should be understood as a wider development strategy that suggests a plausible motive for GUAM states to pursue economic integration; in order to succeed a development strategy would demand investments (1), the transfer of technology and expertise (2), and the management of (inter)dependencies (3). Regional integration is generally believed to address these challenges, making it a convincing development strategy among national approaches. I will expound on these three constraints in more detail.

Investments are vital to embark on modernisation, disintegration and transformation (1) (cf. Robson 2006: xii; cf. Sewin 2008: 282; cf. Astrov & Havlik 2007: 128). Financing has been particularly difficult, firstly, because in the SU dependence on inter-republic fiscal transfers for investment and consumption was typical (Robson 2006: x; 7). After the collapse of the SU, PSS lacked a clear budget and debt division (cf. Aslund et al. 1999: 1). Moreover, during the 1990s, Russia decreased its contributions to other post-Soviet economies due to its own crisis (Robson 2006: xi). Secondly, the collapse of the SU and the subsequent economic crisis led to insufficient tax income and, thus, low state budgets. Thirdly, with the local banking sector still looming (IMF World Economic Outlook 2010: 69), and distrust among market actors, domestic investment creation was close to zero. Finally, domestic conflicts in the Caucasus not only created additional expenditures, but also contributed to an insecure investment climate and raised transport insecurities that caused low cross-border trade and hampered economic development (Astrov & Havlik 2008: 126). The new states had to solve the double task of establishing new income sources

on the one hand, and financing the creation of the new structures and processes on the other. Hence, investment had to come primarily from foreign investors or lenders; until today, the four states much depend on FDI, and they experienced a considerable decrease of FDI inflows after the 2008 Financial Crisis (cf. EBRD Transition Report 2010: 116; UNCTAD Investment Report 2013: 216). Economists consider regional integration as one method to achieve this goal along with unilateral or international approaches. Hence, as an economic integration project GUAM would offer the advantage of a greater regional market and be more attractive to foreign investors (Gavin & de Lombaerde 2005: 74; Robson 1993: 332). Furthermore, regional integration is assumed to entice mutual investments from participants and saving costs for regional solutions instead of national approaches (UNCTAD 2007:18). Yet, investment decisions are also based on complementary policies. Participation in a regional integration project may be less relevant than the economic characteristics of the investing and the host countries (Sapsford et al. 2002: 460). Ch. 4.3.2 will address this issue.

Creating new independent institutions and processes is also a question of expertise (2). The new states were left with little human capital (experienced politicians, economists, technocrats, officials, etc.), since most processes (e. g. monetary and trade issues) had been managed from Moscow (Hawrylyshyn 2005: 121). Moreover, they all lacked experience with market economies and democratic governance. In addition, market actors as well as scientists or engineers were only marginally acquainted with the technological standards of leading industrialised economies. Even if the old communist elite had stepped down at the beginning of the 1990s, the young generation would still have needed to close the knowledge gap; regional integration is believed to pool resources as well as know-how among its participants (cf. Halperin 2007: 221; Gavin & De Lombaerde 2005: 71f; Robson 1993: 332), and a regional integration project like GUAM is widely assumed to contribute to sharing expertise. I will return to the limits of shared financing and know-how for the GUAM case in ch. 3.

	2001-02	2004-05	2007-08	2010-11	2013-14
Azerbaijan	n/a	n/a	3.6	3.7	4.1
Georgia	n/a	2.2	2.9	3.8	4.3
Moldova	n/a	n/a	2.5	3.2	3.6
Ukraine	3.4	3.2	3.1	3.8	4.1
Russian Federation	2.6	3.3	3.5	4.5	4.6
Germany	6.8	6.4	6.7	6.4	6.2

Table 4.4: Evaluating quality and availability of infrastructure on a rank from 1 to 7, with 7 as best grade (*Source*: Global Competitiveness Reports).

Turning into a sovereign state also demanded the management of continuing or lost (inter)dependencies (3). The collapse of the SU not only jeopardised desired interdependence—for example interrupted Soviet trade or production flows—but continued interdependencies and dependencies that were not wished for, like a dependency on Russia as the only energy supplier. Mutual dependencies are particularly high amongst direct neighbours as between Azerbaijan and Georgia or Ukraine and Moldova. Yet, most dependencies continue towards Russia, the former centre of the union state (Robinson 2004: 178). In that context, namely transport routes and energy are vital (cf. UNECE 2006: 31; Pinzar 2008: 128). The inherited Soviet transport infrastructure was a manifestation of the Soviet flow of goods: From the Russian Soviet republic to all other Soviet republics with Moscow as its linchpin. In contrast, connections between the other Soviet republics or to countries outside the SU were scarce. In the 1990s, Russia allowed other states the use of its pipelines for their energy export only to a small extent (Aslund et al. 1999: 53). Infrastructure deficits are still prevalent among GUAM states today (EBRD Transition Report 2010: 4, see also table 4.4).

Energy dependence is a crucial issue for the four states. Due to the inherited Soviet transport facilities for oil, gas and electricity, energy trade (especially for gas) is strongly monopolised and largely

controlled by Russia (Aslund et al. 1999: 52).¹³ Notwithstanding, Ukraine, Georgia and Moldova all benefitted economically from low prices or barter trades for Russian hydrocarbons and electricity; from an economic vantage point, this dependency had its merits. Obviously, other factors have to be added to an economic calculus: The membership of Azerbaijan offers an alternative energy supplier and possible dividends from energy transit to Europe. Regional integration is supposed to reduce dependence on a large and powerful neighbouring market (Glania & Matthes 2005: 16f). Trade agreements discriminate against third parties (Mansfield & Milner 1999: 602): Excluding Russia can be regarded as an attempt to reduce dependence on the dominant and powerful trading partner Russia.

In order to guarantee economic continuity and address the three challenges of investments, expertise and interdependence, a cooperative approach like regional integration was and still is advisable for PSS, specifically for direct neighbours or very high degrees of dependence. Mutual dependence plays a significant role in integration studies. Functionalism emphasises the growing complexity and increase of technical problems that transcend national borders (Viotti & Kauppi 1993: 241), the ‘proliferation of channels of communication’ and the growth of ‘complex cause-and-effect linkages between issues’ (Haas 1980: 35f), which would result in increased mutual dependence and, thus, the demand for integration schemes instead of unilateral welfare strategies. Interdependence has been understood either as an additional structural variable for explaining integration (Mitrany 1943), as a *result* of integration (Haas) or as a component of the globalisation argument.¹⁴ Interdependence has also been a crucial concept for other schools of theory: Keohane & Nye (1977: 8) conceive interdependence as an issue that creates ‘reciprocal effects among countries or among actors in different countries’. Nevertheless, exist-

¹³ The quality of oil, for example, necessitates certain refining facilities and makes switching to other types of oil from alternative suppliers difficult.

¹⁴ Globalisation should not be misunderstood as a hotchpotch for all kind of externalities (Padoan 2001: 56). For concepts of globalisation cf. Kern 2002: 20.

ing interdependence does not *cause* unavoidable cooperation (Wolf & Zürn 1986: 215; Viotti & Kauppi 1993: 56; cf. Pollins 2008: 196).¹⁵ Regionalism is frequently explained as a reaction to various structural factors such as interdependence. Both the origin and the solution of such structural factors are beyond the national level and therefore they have also been termed *de-nationalised* problems by political scientists (Zürn 2005: 9) or *externalities* by IPE scholars (Mattli 1999: 190). Inactivity as well as national solutions would bring ineffective or second best solutions and therefore adversely affect the national welfare levels of states (De Lombaerde & van Langenhove 2007: 1; Hettne & Söderbaum 2002: 46).¹⁶ Although functionalism contributed to the significance of interdependence for the emergence of regionalism, GUAM is a state-led project contradicting the bottom-up genesis initiated by non-state actors.

There is a number of other explanatory hypotheses for regional integration such as regionalism as protection from negative globalisation effects¹⁷, regionalism as reaction to existing regional projects¹⁸

¹⁵ Interdependence should be conceived of as an intervening variable—only when states have no other remedy than to cooperate, could they be seen as independent variables in a causal relationship.

¹⁶ Thus, regionalism could also be understood as an answer to a ‘crisis of governance’ (Zürn 2005: 11) or, as economists point out, as a ‘necessity due to economic crisis’ (Mansfield & Milner 1997b: 13f).

¹⁷ Cf. Farrell 2005: 2, Telo 2001b: 6; Mittelman 2000: 128; Nesadurai 2005: 100. Developing economies may employ regionalism as a protective measure from marginalisation or investment loss (Nesadurai 2005: 168; Glania & Matthes 2005: 14f; Bowles 2002: 100). Molchanov (2009a: 345) conceives of PSR as a reaction to the sudden exposure of PSS to globalisation effects. Yet, GUAM is no isolated strategy, but accompanied by WTO and European integration, is thus, seeking even more exposure to the global market.

¹⁸ Forming new integration projects could reduce the negative effects of exclusion of existing regional projects (Mattli 1999: 15f; Laursen 2004: 18). GUAM could indeed be understood as a reaction to an EU membership that is beyond reach (cf. Molchanov & Molchanova 2010: 2). Yet, this seems not very plausible for the inception of GUAM, since the four states were only marginally participating in international trade with the EU when GUAM was initiated and therefore may have suffered from exclusion only to a limited extent at that time.

or regionalism as result of hegemonic leadership¹⁹. They have to remain outside the focus of this dissertation, either due to their limited significance or to the limited scope of this dissertation.

4.2.2 Substantiating the Development Thesis

The previous sub-chapter explained why development can be understood as a plausible strategy for the four GUAM participants; it has also been shown that they employ a wider development concept, which goes beyond modernisation embracing disintegration and transformation as pertinent issues of PSS. Regional integration has further been presented as an instrument to address constraints on development such as necessary investments, transfer of expertise and technology and management of inherited interdependencies. This chapter shall substantiate the development assumption by presenting examples from GUAM documents and activities; they are endorsed with previous insights from RS. I will turn to development in general, which has been reiterated in various GUAM documents. Subsequently, I will attend to modernisation, disintegration and transformation respectively, showing how they can be traced in GUAM policies.

4.2.2.1 Overall Development

Economic issues form a cornerstone of GUAM cooperation. Development is described as a key objective in almost all GUAM documents. In the Preamble of the *Yalta Charter* the member states acknowledge ‘that regional cooperation [...] [may] improve well-being of their people’ (Yalta Charter, 2001, Preamble). The Charter also recalls ‘promoting social and economic development’ as the first objective of GUAM cooperation (Yalta Charter, 2001). The *Free Trade Agreement* (2002) reifies the motives for the inception of GUAM:

¹⁹ A regional hegemon may initiate regional integration by offering incentives (Telo 2001a; Padoan 2001, Kühnhardt 2008: 273) or by coercion (Nye 1981: 209f; Etzioni 1962, Acharya & Johnston 2007b: 27). Yet, GUAM is no hegemonic project.

‘Striving to develop mutually beneficial trade and economic cooperation based on equality and mutual benefits, Forming the conditions for free movement of goods and services, Promoting the growth of economic potential of the States Parties on the basis of development of mutually beneficial cooperation ties and collaboration, Desirous to permanently increase the living standards of the population of their States...’ (Free Trade Agreement, 2002, Preamble)

Development has been laid out as the guiding principle of GUAM cooperation in the *Chisinau Declaration*, titled *‘In the name of democracy, stability and development’*. Its Preamble emphasises that regional cooperation ‘contributes to the development of democracy, aiming to strengthen security and stability, economic prosperity, cultural and social development’ (Chisinau Declaration of the GUUAM Heads of States, 2005). It details steps to reach that goal (point 8 and 9) and ends with the statement to set up GUAM as ‘a regional organization, which has the goal of development and democracy’ (Chisinau Declaration of the GUUAM Heads of States, 2005, point 11).

Regional cooperation shall help to ‘promote[s] [...] economic development, cultural and social prosperity’ (Kyiv Charter, 2006), referring to a wide welfare concept. The *Kyiv Charter* delineates development as a principle goal:

‘The main purposes of GUAM are: [...] ensuring sustainable development, [...] development of social and economic, transport, energy, scientific and technical, and humanitarian potential of the Parties.’ (Kyiv Charter, 2006, ch. 1, art.1)

In a speech at the 14th meeting of the OSCE Ministerial Council, the Ukrainian Head of Delegation, Volodymyr Yelchenko, reaffirmed the priorities of GUAM to ‘strengthening [...] economic development, [...] and achievement of sustainable development and well-being of their peoples’ (Statement by the Head of the Delegation of Ukraine at the

14th meeting of the OSCE Ministerial Council on behalf of GUAM, 2007). The *GUAM Sectoral Cooperation and Development Strategy* (2007) provides an overview of various areas of cooperation in order to boost development. Economy and trade, transport, energy and informational technologies are delineated as areas of economic activity. They are accompanied by proposals in the area of ‘legal order and security’ and an agenda for ‘humanitarian matters’—his underscores the wider concept of development pursued by GUAM members.

Modernisation, disintegration and transformation have been delineated above as subcategories of GUAM’s development strategy, and they can also be traced in several GUAM documents, which are duly presented below.

4.2.2.2 Modernisation

GUAM has been described as a broader development strategy to solve the tasks of modernisation, disintegration and transformation. Modernisation has been conceptualised to encompass economic growth as well as transfer of technology and knowledge. Referring to concepts of free trade, international division of labour and services and the theory of comparative cost advantages, economies focus on immediate quantitative trade effects to accelerate economic growth (Bowles 2002; also cf. Beretta 2008; Gamble & Payne 1996). Regional integration is conceived, on the one hand, as an instrument to secure exports from developing economies to industrialised states (Glania & Matthes 2005: 16ff.) and, on the other hand, to increase exports to integration participants. Integration projects are believed to be particularly suitable for regionally traded goods, such as transport and communication, education, research and public entities for energy and water (Belassa & Stoutjesdijk 1981: 295f).

As has been described above, Soviet economic relations did not consider borders of the Soviet Republics (Lunev 2006: 16). The SU acted as a regional trading bloc, which was not immediately substituted by new trade relations among PSS and beyond (Astrov & Havlik 2008: 130). As a consequence, trade during the 1990s de-

creased significantly among all PSS (Grinberg 2005: 3). Forming a post-Soviet regional market like GUAM takes into account the existing interdependencies among PSS; consumers know the producers and their products, whereas Western markets have never been approached directly (except by Russia) and demanded more competitive products. Measures of trade facilitation within the GUAM framework can be assumed to spur intra-regional trade as well as trade relations to industrialised states, namely to Western Europe. Propelling exports would also be an adequate measurement to counter the trade deficit of GUAM members (EBRD Transition Report 2010: 68).²⁰

From the beginning, GUAM pursued steps to facilitate trade among participants. The objective of trade expansion has been formulated in GUAM's first Charter: 'Objectives of cooperation of the GUUAM: [...] strengthening and expanding trade and economic links' (Yalta Charter, 2001, art. 1). The *Chisinau Declaration of the Heads of States* (2005) urges for rapid implementation of the agreed upon measures on free trade and energy cooperation, since they are of utmost importance for the member states (The Chisinau Declaration of the GUUAM Heads of States, 2005, point 8 and 9).

Trade facilitation can be achieved in various ways. Minimising transaction costs is the key approach to enhance cross-border trade by reducing or removing tariff and non-tariff trade barriers. Typical measures include eliminating quotas, fees or improving customs procedures and transport infrastructures. Table 3.1 in ch. 3.4.1 compares high transaction costs of the four member states compared to strong exporting nations like Germany or Turkey. GUAM countries, particularly the three small ones, are characterised by high transaction costs; on the one hand, the costs depend on the distance to the relevant European or Russian markets. On the other hand, they are affected by the changing modes of transport; for example, Georgian vine has to be transported by road from the vine producer to a Black Sea port,

²⁰ Analyses suggest that investment and export performance were the most important factors for growth among PSS in the 1990s (Robson 2006: 2).

and from there it either sets out to Ukraine, Romania or Istanbul by ship and changes again on road or even rail until it reaches the markets in Germany or France. Those transport routes have been underdeveloped in the small GUAM states. Their infrastructure originally was constructed to transport goods to and from Moscow.²¹ In addition, high transaction costs reflect expenses for necessary documentation, certificates, customs clearances or bribes.

In 2002, the agreement to form a free trade area was signed and entered into force in 2003. It pledges for the elimination of tariff-barriers (art. 3 and 4), the considerable reduction of non-tariff barriers (art. 3 and 5) and the harmonisation of customs procedures (art. 6). The agreement also envisages the creation of an efficient system of mutual settlements and payments for trade and other transactions (art. 1, s. 1). GUAM addressed the transport costs problem with a memorandum of understanding to form a 'steering committee for the purpose of joint supervision over implementation of the PTF' (GUUAM Project on Trade and Transportation Facilitation; Memorandum of Understanding GUUAM Participating States on Trade and Transportation Facilitation, 04.07.2003). The *Agreement on International Multimodal Transportation of Goods* (2007) has been particularly designed to tackle the issue of changing transportation methods and the related official certification of goods. Further agreements focus on trade facilitation by easing customs procedures, as in the *Kyiv Summit Communiqué* (2006) or the *GUAM Sectoral Cooperation Development Strategy* and cross border transport. The *Sectoral Cooperation and Development Strategy* (2007) reflects a clear European focus, stating that national legislation in foreign trade shall be harmonised among the partners in consistency with existing EU legislation. Emulating the European model, GUAM envisages the free movement of services, capital and labour (Sectoral Cooperation and Development Strategy, 2007, ch. I, part 1). In 2012, the four member states agreed to form a working body that is supposed to

²¹ Infrastructure used to be a problem during the first GUAM years though nowadays, it is less responsible for high transaction costs (Hallaert et al. 2011: 61).

coordinate the implementation process of the free trade agreement and propose additional measurements to improve trade cooperation.²²

The importance GUAM members attribute to trade expansion as a key to economic growth is also reflected in their three track approach, combining regional integration (sub-regional like GUAM or macro-regional like EU or CIS) with global (WTO) and bilateral integration (particularly with adjacent countries). Since their independence, the four GUAM states have pursued application for WTO membership²³, trade negotiations with EU²⁴ within the CIS-area²⁵ and bilateral accords such as free trade agreements between Ukraine and Moldova (2005), Ukraine and Georgia (1996), Ukraine and Azerbaijan (1998) or Georgia and Azerbaijan (1996). Keeping in mind that all four states had to build foreign trade relations from scratch after becoming independent, the three-track approach could be seen as activating all possible channels to boost their foreign trade and, thus, their economic prosperity. Even WTO-rules do not apply for all products and allow for a lot of provisos (cf. UNECE 2006: 31), pledging for complementary agreements. GUAM documents reveal that trade facilitation is also directed beyond the region. The *Sectoral*

²² Protocol on confirming the creation of a working body for the coordination of the establishment of a free trade area, WGET DOC(12)12-3 Final version, 16.03.2013

²³ Georgia entered WTO in 2000, Moldova followed in 2001 and Ukraine in 2008. Azerbaijan started negotiations in 1997 (WTO data base).

²⁴ All four states enjoy *Generalised Scheme of Preferences* (GSP). Moldova is the GUAM participant integrated strongest into the European market with GSP+, *Autonomous Trade Preferences*, a completely negotiated *Deep and Comprehensive Free Trade Area* (DCFTA) and CEFTA-membership. Georgia is also negotiating Association Agreements with the EU, including DCFTA. Ukraine has successfully completed negotiations for an Association Agreement with the EU, but halted the ratification process in November 2013. Azerbaijan lags behind due to its pending WTO-membership application (website EU trade).

²⁵ All GUAM members signed the CIS free trade agreement, which has not been implemented and was terminated in 2012. The subsequent free trade agreement took effect in 2012; it does not include Azerbaijan and Georgia (WTO database).

Cooperation and Development Agreement (2007) delineates that member states aim at enhancing their attractiveness for external markets, ‘integrating and building up economic potentials of Member-States in view of strengthening competitive capacity of their economies at external markets’ (ch. I, part 1).

Regional integration spurs trade expansion further by forming a bigger regional market (Heydon & Woolcock 2012: 534; Hallaert et al. 2011: 7; Beretta 2008: 78; Rapacki 2008: 96; Belassa & Stoutjesdijk 1981: 286). This propels production by offering economies of scale and scope to small states (Beretta 2008: 77f; Mittelman 2000: 117). Agreements between developing states may lead to more growth and diversification of the production process and attract industrialised countries to outsource their labour-intensive production. Namely for small and vulnerable countries like Georgia or Moldova but also for landlocked countries like Azerbaijan, a joint market is essential to propel economic growth. Ukraine clearly stands out regarding market size and diversification.²⁶ With a population of 46 million (GCR 2012-13: 354), Ukraine can be compared to Spain and spreads over a territory similar to France and almost twice as large as Germany, whereas Azerbaijan, Moldova and Georgia together amount only to a quarter of Ukraine’s population (GCR 2012-13: 98; 174; 258; 354). Ukraine serves as a pivot for integration if the smaller neighbours. Although the added effect of creating a bigger regional market may be rather marginal for Ukraine, it would promote diversification of Ukrainian export destinations and might promote trade beyond GUAM borders.

Important for the task of modernisation, but also for disintegration and transformation is foreign direct investment (FDI). Regional integration is assumed to have positive effects on foreign direct investment (Heydon & Woolcock 2012: 534; Glania & Matthes 2005: 14f; UNCTAD 2007: 18; Rapacki 2008: 96). Joint economic initiatives can boost FDI and hence facilitate development (Ismailov & Papava

²⁶ Georgia, Azerbaijan and Moldova together amount to only half the gross domestic product of Ukraine (WTO Trade Profiles).

2008: 292). Studies on customs unions suggest positive effects on FDI (Gavin & De Lombaerde 2005: 72) and allow us to expect similar effects for integration on the lower level of a free trade area like GUAM. Moreover, FDI entails spillover effects for technological capacities and managerial style (Berglof 2006: 19). Nonetheless, participating in regional integration is no sufficient condition to attract FDI; investment decisions also depend on national factors like business climate or the legal system and may prove to be even more relevant for investment decisions than aspirations from regional integration (cf. Kakharov 2007: 112; cf. Robson 2006: 20). This is an important point particularly for investors from outside the GUAM area. Attracting FDI has been an implicit but pertinent issue of GUAM cooperation; all four states need FDI to spur economic activity. The *Yalta Charter* delineated ‘joint investment and financial projects’ (art. 3) as its directions of GUAM cooperation. In its general provisions, the *Free Trade Agreement* makes explicit that the major idea of the contracting parties is to ensure:

‘Cooperation in conducting trade and economic policy to achieve the goals of this Agreement in the fields of industry, agriculture, transport, finance, investments, social sphere, as well as in development of fair competition etc.’
(Free Trade Agreement, 2002, art. 1)

The *Sectoral Cooperation and Development Agreement* (2007) also stresses the encouragement of investment ‘which ensures sustainable development of Member-States’ economies’ (ch. I, part 1); and the *Baku Declaration* (2007) emphasises the significance of GUAM to attract international investors (point 4).

4.2.2.3 Disintegration

Disintegration endeavours have always been present during GUAM’s inception. GUAM can be understood as a step towards establishing direct relations between now independent member states. The four heads of state ‘stressed the importance of the four nations cooperation

[...] [as the] foundation for fostering friendship and cooperation, good-neighboring relations and full utilisation of existing economic opportunities' (Strasbourg Communiqué, 1997). The importance of independent statehood and the management of inherited dependence relationships can be read between the lines of GUAM documents. GUAM documents make explicit that cooperative relations should never violate the autonomy of each participant within its borders:

'... the Parties shall develop mutually beneficial cooperation, guided by the principles of respect for sovereignty and territorial integrity of the states, inviolability of their internationally-recognized borders and non-interference in their internal affairs and other universally recognized principles and norms of international law.' (Kyiv Charter, 2006, ch. 1, art. 2)

Existing dependencies should not lead to a disregard of the principles of independent statehood. GUAM cooperation is supposed to avoid the creation of *strong* dependencies between participants. Documents indicate that building closer cooperative relations between the four states is meant to precipitate a reduction of dependencies from Russia. For example, a new transport corridor would not only facilitate trade expansion but would lessen dependence on the existing transport corridor through Russia. Although disintegration objectives are difficult to detect in GUAM documents by the letter they become more palpable in the distinct steps envisaged to achieve economic development. I will also draw on the issue of interdependence in ch. 5.

In general, trade facilitation through regional integration is believed to affect existing trade relations positively. Several scholars suggest (Bowles 2002: 100; Nesadurai 2005: 168) that regional integration may strengthen economic power against dominant trading partners. Russia was the most important trading partner for Georgia, Ukraine, Azerbaijan and Moldova during the 1990s (Sewin 2008: 285; Astrov & Havlik 2008: 134). Better trade conditions with Russia could assist in breaking up inherited dependency structures and,

thus, assist in advancing disintegration from the former central power. Regional economic integration is also understood to lead to import substitution—either by improved national production or by regional imports instead of global ones, thus, allowing for a proportional trade balance (UNCTAD 2008: 18; cf. Belassa & Stoutjesdijk 1981: 285). An integrated market may induce import substitution of Russian goods and services for GUAM members, thus, leveling their balance of trade. Therefore, GUAM could be understood as a mechanism to acquire a better negotiation position for trade issues with their major trading partner Russia, on the one hand, and strengthening their independent statehood towards their former power centre, on the other; thus how GUAM is serving the purpose of disintegration.

Transport infrastructure also plays a crucial role for trade facilitation. Infrastructure deficits, namely transportation problems, are a common constraint on trade expansion. Their availability is assumed to be more important than their quality (Hallaert et al. 2011: 7). Improving the infrastructure situation is also thought to have positive effects on the domestic production of services and goods and, thus, is a relevant factor for increasing economic prosperity in general (Mittelman 2000: 117; UNCTAD 2007: 19). Studies indicate that developing states also tend to employ regional integration as a framework to realise transnational infrastructure projects which they are not capable of approaching nationally (UNCTAD 2007: 19; Mittelman 2000: 117). For GUAM improving the transport infrastructure situation serves both goals: modernisation and disintegration.

Boosting transport infrastructure has been raised as an important issue since the beginning of GUAM cooperation. The *Agreement on Multimodal Transportation of Goods* (2007) recognises ‘that international transportation of goods is one of the means contributing to purposeful development of trade and economic relations among ODED–GUAM Member-States’ (Agreement on Multimodal Transportation of Goods, 2007, Preamble). Particularly the formation of a Europe-Caucasus transport corridor is envisaged to accomplish

economic growth. In their first public communique, the four states have already expressed their desire to cooperate in building up transportation infrastructure:

‘During the meeting, the Presidents stressed the importance of the four nations cooperation in establishing a Euroasian, Trans-Caucasus transportation corridor, considering joint actions taken in this direction a sound foundation for fostering friendship and cooperation, good-neighborly relations and full utilisation of existing economic opportunities.’ (Strasbourg Declaration, 1997)

The transport corridor is a vital element of GUAM’s strategy to raise economic prosperity. Not only the East-West transportation corridor across the South Caucasus should be considered, but also the North-South corridor from Russia to Iran (cf. Papava 2008a: 72). The transport corridor shall facilitate trade including energy among and via GUAM members. This objective has been reiterated in all key documents, including the *Washington Declaration* (1999), the *Yalta Charter* (2001), the *Kyiv Charter* (2006) and the *Baku Summit Declaration* (2008). The *Statement by the Heads of State of GUAM on Development of the GUAM Transportation Corridor* (2008) underscores the importance of modernising specific transport routes of the region, particularly the connections Baku (AZ) – Poti/Batumi (GE), Odessa (UA) – Chisinau (MO), and the railway ferry between the ports of Kerch (UA) – Poti/Batumi (GE) (pt. 2). Even the idea of a ‘combined Transportation Train ‘Viking’ ’ has been raised (ib.).²⁷ The document also urges that ‘proceeding to practical measures to stimulate international passenger traffic and freight services along the route following the historic Great Silk Road’ (ib.). The *Agreement on Multimodal Transportation of Goods* (2007) serves as one step towards facilitating cross-border transport of goods between GUAM member states. The agreement aims at increasing economic efficiency of transportation of goods and standardising requirements

²⁷ Proposals have been summarised under the umbrella of the Trade and Transport Facilitation Project (TTFP).



Figure 4.1: The Transport Corridor Europe-Caucasus-Asia (TRACECA) in the GUAM-area and the VIKING project (*Source: author's design*).

for multimodal transportation carriers and operators (Agreement on Multimodal Transportation of Goods, 2007, art. 3).

In 2013, the member states adopted the *Concept of the GUAM Transport Corridor*, which should further improve regional transport infrastructure. In their joint statement, representatives of the four states confirmed ‘the backbone role of transport in the region’s economic development’.²⁸

²⁸ Tbilisi Declaration of Heads of GUAM Member States’ institutions responsible for transport development, 13.02.2013, <http://guam-organization.org/en/node/1419>; 22.04.2014.

For GUAM, transport infrastructure and energy supply are closely interrelated; improving transport facilities for energy has been the first imperative on the transport infrastructure agenda (cf. Chechelashvili 2008: 11). Disintegration as well as modernisation themes are prevalent. RS scholars suggest that economic integration assists in gaining access and improving the availability of scarce resources (cf. Flemens 2007: 16); as such ensuring energy supply is essential for GUAM members. In addition, propelling energy transport through their territories would diversify their suppliers and generate new income from hydrocarbon sales for Azerbaijan and transit fees for Georgia and Ukraine (cf. Tolstov 2008: 41, Parakhonskiy 2008: 111; cf. EBRD Transition Report 2010: 152; Molchanov & Molchanova 2010: 2; Molchanov 2009: 329).²⁹ Nevertheless, GUAM's energy transport proposals are an issue of disintegration, since energy resources have been primarily supplied by and delivered through Russia—new transport facilities would reduce this dependence.

Transport cooperation commenced on the basis of the TRACECA and INOGATE programmes, financed by the European Union.³⁰ The *Chisinau Declaration of the GUUAM Heads of States* stresses

‘... the need for energy cooperation within GUUAM, in particular intensifying efforts to implement joint programs and projects, on the basis of their commercial profitability, to transport energy resources of the Caspian region to the European energy market, using of the territories of the

²⁹ For example, the Odessa-Brody Pipeline is supposed to participate in oil shipments from Azerbaijan via Georgia and the Black Sea to Ukraine.

³⁰ The *Transport Corridor Europe-Caucasus-Asia* programme (TRACECA) and the *Interstate Oil and Gas Transport to Europe* programme (INOGATE) originate in the 1990s. Five Central Asian republics and three Caucasian republics, together with the EU, agreed to develop a transport corridor on a West-East axis from Europe via the Black Sea through the Caucasus and the Caspian Sea to Central Asia (European Commission 2007: 11). In 1996, Ukraine and Moldova joined TRACECA. They were followed by Bulgaria, Romania and Turkey in 2002.

participating states.' (The Chisinau Declaration of the GUAM Heads of States, 2005, pt. 9)

GUAM members perceive themselves as part of a global energy security project and therefore are ready to contribute to exploiting new hydrocarbon resources and establishing safe transport routes through their territories (Baku Declaration, 2007, pt. 5). GUAM's *Sectoral Cooperation Development Strategy* (2007) pledges for optimising existing oil and gas transport routes and transport infrastructure and also aims at opening new efficient energy routes. The *Batumi Declaration* (2008, pt. 3) underscores the significance of the Eurasian transport corridor for energy supply.

Various pipeline projects have been proposed during the Yushchenko's government, like the amplification of the Baku-Supsa gas pipeline, the Odessa-Brody(-Plock) oil pipeline or the GUEU gas pipeline project (Simonyan & Gamova 2007; Whitmore 2007; Kozhukhar 2007). In 2010, Georgia began with the construction of the Black Sea Transmission Network, which 'should help establish a regional energy market' (EBRD Transition Report 2010: 117). The four states also desire to engage in the development of renewable energy sources as a further step towards reducing dependency on energy imports (Baku Declaration, 2007, pt. 5). Due to the emphasis on energy issues in the GUAM documents, some scholars like Kostya Bondarenko (N.N. 2006: 1) and Taras Kuzio (2000: 85) even think GUAM to be an energy alliance. However, project proposals have been implemented only to a limited extent and mainly outside the GUAM framework, as in the cases of the Baku-Tbilisi-Ceyhan pipeline (BTC) and the South Caucasus pipeline (Piehl 2007: 2).

4.2.2.4 Transformation

GUAM's documents centre on cooperation issues between the four states and express the autonomy of every member state to follow its own domestic agenda. Nevertheless, there are some examples which point to transformation as an element of a wider development concept for the GUAM project.

The *Yalta Charter* (2001) clearly identifies a market economy as the guiding principle for joint economic cooperation and development: ‘Being devoted to the principles of democracy, respect for fundamental human rights and freedoms, rule of law and market economy’ (*Yalta Charter*, 2001, Preamble). GUAM’s *Free Trade Agreement* (2002) as well as the *Sectoral Cooperation and Development Strategy* (2007) aim at strengthening the ‘competitiveness’ with respect to external markets and other leading economies which suggest their transformation into a market economy. The same can be said about the ambitions to integrate into European structures, which would entail economic transformation along European standards as the master key to such integration (cf. *Sectoral Cooperation and Development Strategy*, 2007, ch. I, part 1). Nevertheless, GUAM documents do not proscribe a certain path or final economic model; that remains the domain of domestic politics. There are no benchmarks for measuring or promoting progress of market reform. GUAM can be understood as one instrument among others to provide the necessary financial means, exchange expertise and share costs to proceed with economic transformation.

The quotation from the *Yalta Charter* (2001) above reflects the direction of political transformation: towards democracy. Democratisation ambitions have been more pronounced in later documents of GUAM. Democratisation became a key element of GUAM’s mission when GUAM transformed into a regional organisation and has been reiterated since in 2007. In its Preamble the *Kyiv Charter* (2006) recalls that GUAM is:

‘Aimed at implementing the provisions of the Chisinau Declaration ‘In the Name of Democracy, Stability and Development’ of 22 April 2005, [...] Reiterating adherence to the democratic norms and values and determination to further proceed on the path of European integration’ (*Kyiv Charter*, 2006, Preamble).

Despite the praise for the principle of democracy, GUAM documents do not elaborate on a distinct democratic model or on the question of how to achieve democratic governance. Apart from convictions to the rule of law and the protection of human rights, no decisive steps to achieve democracy have been suggested. References to democratic principles in GUAM documents suggest that democratic principles are not to be *achieved*, but to be *protected*, assuming that they already existed. The above mentioned quotation from the Preamble of the *Kyiv Charter* (2006) reflects that vividly. The *Batumi Declaration* (2008) also reiterates GUAM's determination 'to ensure respect for human rights and fundamental freedoms, to assert democratic values, the rule of law, to actively contribute to ensuring international peace, security and stability' (pt.1). Evaluating the democratisation process of the four participants would surely demand more attention than could be given in this dissertation, but are not the focus of this analysis.

4.2.3 Summary

Chapter 4.2 centred on explaining the emergence of GUAM in order to prove the first assumption of GUAM as a development strategy. In a first step (4.2.1), I outlined GUAM's development concept, claiming that participants conceive of a broader development strategy than developing economies, going beyond the task of modernisation. The four GUAM states also include disintegration (from an economic and political union) and transformation (into market economies and democracies) into their developmental concept. Regional integration as a state-led project is assumed to address also pending constraints such as demand for investment, expertise and the management of interdependencies. GUAM's strategy is seen as a panacea for a variety of problems, which all stem from the past as PSS. Economic integration within the GUAM framework is perceived as one strategy among others to attain development and, thus, increase the overall welfare level of the participants to catch up with the Western European states.

In a second step (4.2.2), GUAM documents and GUAM actions, as well as RS conclusions have been presented to substantiate the assumption of GUAM as a development strategy. It has been argued that GUAM members employ regional integration to attain economic growth through trade expansion in the first place, exemplified by various documents such as the *Free Trade Agreement* (2002) or the *Chisinau Declaration of the Heads of States* (2005). On the one hand, the four states draw on a reduction of tariff and non-tariff trade barriers (cf. GUAM Sectoral Cooperation Development Strategy, 2007). On the other hand, they address the improvement of their infrastructure (cf. Strasbourg Declaration, 1997, or Statement on Development of the GUAM Transportation Corridor, 2008). Attracting foreign investments and securing energy supply are other dividends aspired to by GUAM integration (cf. Yalta Charter, 2001, Baku Declaration, 2007). As such, GUAM's development rationale shares a common denominator with other regional integration projects initiated by developing economies. However, GUAM embraces a wider development agenda due to the Soviet past of its member states.

Having clarified the motives to form GUAM as an economic integration project, the following section scrutinises significant conditional variables to clarify why GUAM as a development strategy is bound to fail.

4.3 Explaining the State of GUAM

The second assumption of this dissertation claims that GUAM as a development strategy is bound to fail. Conditional variables on regional integration form the background of the second assumption. It has been mentioned at the beginning of chapter 4 that there is not one isolated variable that can explain the state of GUAM. Instead a set of variables entailing both positive as well as adverse effects is at work.

Despite convincing motives for initiating a regional integration project, integration may fail. Empirical results show that economic integration also produces negative effects amongst and within partic-

ipating states (Beretta 2008: 76; Padoan 2001: 44ff). Particularly in developing economies trade diversion may dominate over trade creation (cf. Glania & Matthes 2005: 52), even raising income disparities within participating states of integration projects (Rapacki 2008: 97).³¹ Crowding out of domestic producers (Beretta 2008: 76)³² or concentration processes of market actors (oligopolistic structures) have also been observed (Gavin & De Lombaerde 2005: 72). There is no automatism of positive welfare effects from trade liberalisation (Zimmerling 1991: 76; cf. Glania & Matthes 2005: 20ff); poverty may remain constant among developing states (UNCTAD 2007: 19; Bach 2005: 171).

Walter Mattli (1999) remarked that demand for economic integration may not be sufficient. Successful integration would also need a number of supply-factors to succeed.³³ In general, scholars assume that desired development impulses depend on the level of integration (Zimmerling 1991: 76; cf. Glania & Matthes 2005: 20ff) on the one hand, and on the way of addressing negative effects by flanking measures of the participating governments, on the other. Relevant factors within the member states may be the preferences of national policymakers and interest groups, but also the strength and nature of domestic institutions (Mansfield & Milner 1999: 589).³⁴

³¹ Ruth Zimmerling (1991: 77f) hints at several case studies which reveal that integration efforts in the third world display neither trade creation nor trade diversion effects. Gavin & De Lombaerde (2005: 71) stress that trade diversion and trade creation may occur even simultaneously, a fact most static analyses hide (cf. also UNCTAD 2007: 18).

³² The reduction of competitors is assumed to entail negative effects for consumers, because it leads to a reduction of product variety (Gavin & De Lombaerde 2005: 72).

³³ Scholars have analysed background and process conditions (Haas & Schmitter 1981: 163ff), structural (Nye 1981) and also external (Zimmerling 1991: 55ff) conditions (cf. also Russett 1967; Deutsch et al. 1968).

³⁴ This underscores that economic conditions cannot be completely separated from political conditions (Kühnhardt 2008: 266; Mattli 1999: 190; Deutsch et al. 1968; cf. Gavin & De Lombaerde 2005: 72; Mansfield & Millner 1999: 589).

This dissertation suggests clustering domestic conditional variables with regard to *individual* preparedness of participants and *collective* preparedness of all the participants of an integration project, i. e. their mutual suitability. For the GUAM case the focus is on three core variables: mutual trust, state capacity and demand for trade integration. While mutual trust and demand centre on the collective preparedness of GUAM member states, state capacity draws on the individual preparedness of each participant of GUAM. I argue that unfavourable effects dominate for the GUAM case, and demonstrate that GUAM participants are individually ill-prepared to succeed in the chosen integration format they have chosen. They are also collectively ill-prepared, indicating that the composition of GUAM partners is ill-conceived. Thus, GUAM as a development strategy is bound to fail. The dependent variable in all sub-chapters is economic integration; mutual trust, state capacity and demand form the independent variables.

I begin with mutual trust (ch. 4.3.1). Next, I address the state capacity of the four participants (ch. 4.3.2.) and continue with the conditional variable demand which will be shown for the issue of trade integration (ch. 4.3.3).

4.3.1 Mutual Trust

This chapter addresses mutual trust. The variable refers to the collective preparedness of the four GUAM member states. Mutual trust between integration partners is not only relevant for integration to emerge, but also, for it to proceed. The first part draws on democratic governance as a provider for mutual trust. The second part of this chapter turns to common socio-cultural factors as contributors to mutual trust.

Even though mutual trust is widely accepted as a relevant variable for regional integration (Kühnhardt 2008: 266), it has been rarely studied in depth, which may be related to its subjective nature.³⁵

³⁵ Social constructivism has been employed by scholars of European integration

IR theorists like Axelrod & Keohane (1993: 97) already drew on the importance of trust and credibility among cooperating partners to form robust expectations of the others' behaviour, making cooperation tangible (cf. Milner 1992: 481). Trust—the firm belief in the reliability, truth, ability or strength of someone (New Oxford American Dictionary)—is relevant for the longevity of an integration project (Tsantoulis 2009: 248; Rinke 2008: 446; Robson 1993: 332; Ladaa 2006). States do trust some partners more than others, therefore some states cooperate better in integration projects than others.

There are two major assumptions on trust: Firstly, democracies habitually enjoy greater credibility, since they are believed to stick to their agreements more often than non-democratic states (Pevehouse 2005: 48f). The absence of corruption and the prevalence of transparency, which are both more common among democratic countries, contribute to the credibility of a partner (Kakharov 2007: 112). Secondly, trust is assumed to be easier among nations which have something in common—this may refer to a common history or religion (cf. Acharya & Johnston 2007b: 18; Farrell 2005: 11), a shared language or culture or shared values and belief systems (Russett 1967; Nye 1971: 76f; cf. Tsantoulis 2009: 248; Meyer 2001; Higgott 1998: 42). Common values have by some scholars been regarded as indispensable for a successful integration project (Farrell 2005: 11; Meyer 2001: 67; Veitl 1981: 16). Yet, common values should be understood as a corresponding understanding of specific values like liberty, equality or tolerance, and less as a common identity (Meyer 2001: 67; cf. Farrell 2005: 12).

to examine the relevance of ideas for the ongoing integration process (Schieder 2012: 88). Several social constructivist approaches to the phenomenon of regionalism suggest that the 'construction of a region entails the configuration of a collective identity that may eventually motivate agents to engage a regionalist project and build regional institutions' (Camilo Prieto 2011: 14). Yet, this is difficult to apply to the GUAM case, because various identities are intersecting for the four GUAM states. A GUAM identity has not been observed so far and is not likely to arise in the near future.

A common identity, by contrast, is usually not the starting point for an integration project and may also evolve or be created over time as the example of the European Union shows (Farrell 2005: 12; Meyer 2001: 67).³⁶ A study on free trade agreements concluded that states which share a common language or a common cultural heritage, or which have been colonies under the same coloniser are more likely to form joint trade agreements than states which don't have these things in common (Perju 2009: 1).

Scholars cannot determine the exact figures for how much trust is necessary for a successful integration, which limits this chapter to demonstrating that there is a basic minimum of trust existing between the GUAM participants.

Considering the first assumption on trust, the fact that GUAM countries have never been democracies in the sense of Western European states suggests that the four countries have difficulties trusting each other. Chapter 2.1.2 showed that the four states are hybrid regimes at best, with Azerbaijan showing more authoritarian characteristics than the other three states. All of them lack transparent and reliable political institutions and processes. Interestingly, the most productive phase of GUAM coincides with the parallel presidencies of Victor Yushchenko in Ukraine and Mikhael Saakashvili in Georgia, during which both presidents strived to push the democratisation process in their countries. Since this was a rather short period of time, one could conclude that there is a low level of mutual trust among the four states due to a lack of democratic governance.

All four states share a common history as ex-members of the SU and of the former Russian Tsarist empire (cf. Mangott 2007: 265). The experience as former SU nations has no doubt affected their values and patterns. Soviet peculiarities have regularly been addressed as *Soviet legacy*, but without methodological clarity; current assumptions do not shed light on the question of whether Soviet legacy should be

³⁶ For a detailed look on identity and regions cf. Chopra et al. 1999.

treated as part of political culture or as an independent variable.³⁷ Most politicians and officials involved in the inception, consolidation and implementation of GUAM, were trained during the Soviet era. They very well know how their bureaucracies and counterparts work and how decisions are achieved. Soviet procedures, roles and customs are known to them (cf. Libman & Vinokurov 2010: 7). The same can be said about the background of entrepreneurs (cf. Grinberg 2005: 12)—a group which frequently coincides with that of the political decision-makers (Wooden & Stefes 2009b: 249ff). That surely makes it easier to find common ground to communicate and understand each others' needs and constraints, assisting cooperation. Moreover, people in PSS are connected through personal and professional networks.

To a certain extent one might speak of a 'shadow of a regional identity' (Libman 2007: 405), which can facilitate regional integration. This may explain why people from PSS often find it so much easier to work with each other than with their counterparts from Western Europe or the United States. Such common practices can be assumed to facilitate mutual trust. Also, all GUAM countries share the knowledge of the Russian language, which serves as a *lingua franca* in post-Soviet space. The significance of the Russian language

³⁷ On the one hand, Soviet legacy can be conceptualised as a determining element of today's political culture in all the former Soviet republics. Post-Soviet political culture then is a synthesis of new as well as Soviet patterns, roles and images. The impact of Soviet legacy within the respective political culture may vary among PSS and over time. On the other hand, Soviet legacy can be conceived as synoptic explanatory category for regional integration in post-Soviet space. Hence, post-Soviet regionalism can be understood as a distinct category among other regional integration patterns. As a synoptic concept, Soviet legacy should be understood as the synthesis of distinct features, the simultaneity of which can only be discerned in post-Soviet space. Molchanov & Molchanova (2010: 1) did so when they characterised Eurasian regionalism as the simultaneity of various conditions, the specific combination of certain prerequisites, making post-Soviet regionalism unique. According to Tim Radjy (2006: 1) post-Soviet legacy comprises authoritarian rule, corruption, military stockpiles, 'overlapping ethnic and religious fault lines, economic growth inequities, mineral wealth, and geo-strategic positioning'. See also Stephen Whitefield (ed.) (2005): *Political Culture and Post-Communism*. Basingstoke.

as a common denominator is also reflected in its status as GUAM's official working language.

However, there are three critical considerations regarding this positive assessment on mutual trust. First of all, the coexistence with other values among all four states (1), secondly, the gradual disappearance of the common denominator (2), and lastly, the negative impact of Soviet legacy (3). Considering the first point (1), each GUAM participant (like all PSS) has maintained a decisive part of its individual procedures, values and culture, but also religious beliefs during their membership in the SU. Hence, there are also dividing lines between the four participants. For example, the two Caucasian states of Georgia and Azerbaijan have more in common than Azerbaijan and Moldova. In his security study on the Caucasus and Central Asia, Roy Allison (2004: 12) observes a deep rivalry (having both historic and contemporary roots) between the former union republics. Such deep-rooted distrust inhibits progress in regional integration projects in post-Soviet space (Libman 2007: 413; Robinson 2004) and could also be the case for GUAM despite shared Soviet practices and values.³⁸ Thus, trust among GUAM states may be coupled with tendencies of distrust and reduce positive effects on integration.

The second point, the disappearance of the common denominator (2), underscores shared knowledge and values as a generational feature. With each generation, the previous common ground gradually decreases (Grinberg 2005: 12; Valiyev 2011: 3). The *homo sovieticus* is vanishing whereas no *homo post-sovieticus* has appeared so far (Grinberg 2005: 12). Dmitri Trenin (2011: 36) reminds us that twenty years after the collapse of the SU the so-called Soviet legacy may have lost its explanatory power. 'This makes the future of real multilateral cooperation rather uncertain' (Grinberg 2005: 12). While current political and entrepreneurial leaders have been raised bilingually or completely in Russian, the younger generation uses

³⁸ Kornyeveva perceives distrust even within a society and towards political institutions, ensuing—among other factors—from the inequality an invisible ethnic hierarchy (Kornyeveva 2009: 42).

Russian as a second foreign language after English. Nonetheless, it could take generations to change ‘the communist mindset of populations’ completely (Pourchot 2008: 6). Value congruency among PSS coexists with varying interpretations of those ‘common’ values (Molchanov & Molchanova 2010: 6). Thus, the positive impact of those commonalities on trust can be assumed to have been higher at the beginning of GUAM’s existence and to lose relevance on the long run.

Turning to the third aspect (3), it has to be asked whether an alleged Soviet legacy may also have restrictive effects on regional integration. Soviet legacy has been employed by scholars not only as a facilitating factor for cooperation, but also as an explanation for reform failure within PSS and for the inertia of integration projects (cf. Wooden & Stefes 2009b: 250). Robinson (2004: 179) convincingly argues that the long lasting cultural and institutional bonds between PSS are more of a burden than a blessing. They would result in a type of regionalism that is just a ‘residual’ product of the SU and old Soviet relations (continuity).³⁹

Roy Allision (2004: 12f) warned of the Soviet-era instruments of governance, which would inhibit the creation of functioning regional organisations. That puts it very close to Stina Torjesen’s (2007) concept of *façade making*: regionalism emulating great Soviet rhetoric and high institutionalisation with little real output. In contrast to elites in democracies, the Soviet elite never depended much on elections. Responsibility for political action was exercised primarily to the person on the next level up in the hierarchy and not to the electorate (cf. Kornyeveva 2009). Personal networks were more relevant

³⁹ In their studies on Central Asian and Caucasian states, Amanda Wooden & Christoph Stefes (2009b: 249) determine the Soviet elite to have prevailed and succeeded in maintaining their interests by installing favourable legislation and institutions (cf. Stefes & Wooden 2009: 9). Sergei Lunev (2006: 23) argues that today’s elites are based rather on patriarchal and clan systems. Nevertheless, both scholars agree that the constant fight between old and new elite over the division of political power and economic control also affects regional integration projects adversely.

than institutional procedures, with the absence of independent media and transparency aggravating this effect. Soviet legacy could also be regarded as an elite problem: It is not only about substituting the ideology of professionals (primarily politicians), it is also about the lack of know-how on regional integration (Munteanu 2005: 252; cf. also ch. 4.3.2). The prevalence of the old elite with its Soviet-era instruments of governance should be assumed to restrain the evolution of regional integration projects (cf. Kakharov 2007: 111). Thus, positive effects of shared features among GUAM participants are coupled with negative aspects of Soviet legacy.

Trust can be examined on the level of the political and economic elite as a whole, but also on the level of individuals. In strong presidential regimes like the ones in the four GUAM states, trust between political leaders may prove essential for the genesis of a state-led integration project. All GUAM leaders were aware of their domestic deficiencies, which has culminated in a tacit code of conduct, a consensus on non-interference into domestic affairs, avoiding any form of pressure or criticism on each other—guaranteeing mutual regime stability.⁴⁰ This was particularly important before democratisation in the member states gained importance. Interestingly, GUAM was even gaining more speed during the following generation of the founding fathers, when the presidencies of Victor Yushchenko in Ukraine and Mikhail Saakashvili in Georgia coincided. They can be regarded as the protagonists of a turn towards assertive sovereignty, marking their independence to follow any development path they chose. A more detailed analysis would be needed to determine the impact of political leadership, the individual policy agendas of political leaders or the relationship between political leaders on the development of GUAM.⁴¹

⁴⁰ The strategy of regime stability may even predominate over integration policies. It can be suggested that regime stability may have served as a genuine individual objective for pursuing such a regional integration project. This assumption should be tested in a separate analysis though.

⁴¹ See for example Zimmer, Annette and Jankowitsch, Regina (2008) (eds.): *Political Leadership*. Berlin.

Different values or cultures can also be managed otherwise (cf. Kühnhardt 2008: 272f; cf. Higgott 1998: 42). In case of strong distrust between partners, reciprocity has been proposed by IR-theorists as a mechanism to initiate cooperation even among distrusting partners (Lipson 1993: 64; Oye 1986a: 12; Axelrod & Keohane 1986: 244; Baldwin 1993: 22f).⁴² Institutional design can also ensure checks and balances to foster trust between cooperating partners, for example by employing efficient and transparent monitoring and sanction mechanisms (cf. Axelrod & Keohane 1993: 94; Milner 1992: 470). This also applies to cooperation among non-democratic states which lack credibility. GUAM's institutional design with its strong emphasis on unanimity and rigid financial rules ensures that member states do not put each other in jeopardy. Yet, the lack of monitoring and sanctioning mechanisms in GUAM allows the delay of the implementation of integration policies. To sum up, although a common understanding of specific values may facilitate integration as do shared practices, they are not indispensable for creating trust and strengthening integration.

4.3.2 State Capacity

This chapter takes a domestic perspective on regional integration, addressing the state capacity of the four states—their individual preparedness for regional integration. The argument advanced below is that GUAM participants have weak state capacities. It will also be shown that individual weakness adds up to a collective deficit, suggesting that their composition is ill-conceived. Thus, the state capacity argument would provide proof for the second assumption of this dissertation which states that GUAM as a development strategy is bound to fail.

In this chapter, I begin with a short review of previous approaches to explain divergent outcomes of regional integration. In a second step, state capacity, which participants must bring into an integration

⁴² Nevertheless, when actors perceive their culture to be at risk, they tend to resist integration efforts (Ladewig 2010: 7072; Fawcett 2005: 34; Slocum-Bradley 2008: 247).

project in order to benefit from integration, is derived as the nucleus of previous approaches. I will delineate the concept of state capacity, again underscoring the nexus of the political and economic dimension. In a subsequent step, the state capacity concept is applied to GUAM. Next I draw on leadership and cohesion in order to examine whether individual weakness can be compensated by other members of the GUAM group. Lastly, I summarise my conclusions on state capacity, linking it with the second assumption of chapter 4 which states that GUAM as a development strategy is bound to fail.

4.3.2.1 Approaches

RS scholars are prone to explain diverging trajectories of regionalism either with the democratic-authoritarian divide (Russett 1967; Kühnhardt 2008: 268ff; Fawcett 2005a; Nye 1968: 377; Acharya & Johnston 2007b: 7f) or with the bifurcation between developing and industrialised economies (Pokorna & Smutka 2010: 60; Padoan 2001: 51; Glania & Matthes 2005: 52ff; Nye 1981: 224). Adherents to the democratic-authoritarian divide argue that democratic states are better prepared to benefit from regional integration projects (cf. Hoffmann 2007: 100).

Democracies are supposed to have less difficulties implementing integration policies (Kösler & Zimmek 2008b: 7; Kühnhardt 2008: 265; Bach 2005: 184f). The pluralist and transparent decision-making process as well as the reliable institutions of enforcement would endorse implementation of integration decisions and the advance of integration.⁴³ Democracies are believed to be more able to mitigate negative effects as well as to allocate the benefits from integration among and within participating states (Zimmerling 1991: 82). Democratic states habitually provide processes to participate and influence decision-making, thus, channeling support or resistance to integration policies (cf. Ladaa 2006: 50; Acharya & Johnston 2007b: 7f; Wolf 2006: 82). Moreover, democratic values are widely believed to

⁴³ Although decision-making usually is simpler in authoritarian states than in democracies, studies reveal that integration does not proceed faster in authoritarian states (Acharya & Johnston 2007b: 7f; Zimmerling 1991: 126).

assist growth (cf. Hübner 2011: 4; Berglof 2006: 11). Yet, the exact impact of the democracy variable remains fuzzy (Hurrell 1995: 69).

Adherents of the developing-industrialised economy divide argue that developing economies show more implementation deficits (Glania & Matthes 2005: 55; UNCTAD 2007: 20) and struggle harder with addressing negative effects that usually accompany regional integration (cf. Padoan 2001: 51; cf. Hurrell 1995: 70; cf. Robson 1993: 334). Developing economies are believed to have only limited financial means to realise swift adjustments to their domestic markets (UNCTAD 2007: 21). It is assumed that their implementation difficulties ensue from a lack of institutional structures (UNCTAD 2007: 21). Developing economies are also understood to delay implementation because they would fear losing influence on domestic economic policies (UNCTAD 2007: 21). I will return to this issue of sovereignty in chapter 5. The importance of a functioning market economy to implement integration policies to cope with negative effects is believed to rise with the integration level (cf. Kakharov 2007: 111; cf. Hurrell 1995: 70; cf. Robson 1993: 334). Participating states should at least be engaged in market reforms, if they aspire positive effects from integration (Zimmerling 1991: 85).⁴⁴

The autocracy–democracy divide as well as the developing–industrialised economy bifurcation stress the implementation and enforcement conundrum. The readiness of a state to embark on and succeed with regional integration depends on the state’s inner constitution (Hurrell 1995: 67), or more precisely on the nature and strength of its domestic institutions (Mansfield & Milner 1999: 589). The assumptions of both approaches: the success of regional integration depends on state capacity to implement and enforce integration policies.

⁴⁴ Other characteristics of developing economies are related to negative effects on integration: high export dependency, low regional trade, trade of mainly agricultural and mineral products, high transaction costs, small markets, high disparities of incomes and market development (Robson 1993: 334).

4.3.2.2 Conceptualising State Capacity

Capacities necessary for integration have been addressed both by political and economic thinking (Fawcett 2005: 34). So far state capacity has not been used as a coherent concept in RS.⁴⁵ Deutsch's seminal Princeton study (1968) includes growing economic and administrative capabilities among participants as conditions for advancing integration (cited in Veitl 1981: 16). Magen & Morlino (2008: 250) conceive state capacity as the sum of *rule adoption capacity* and *rule implementation capacity*.

In this analysis, state capacity refers to both financial and institutional capacities. While financial capacity is easily explained with the availability of sufficient financial means to implement and advance regional integration, institutional capacity is comprised of various issues. Understanding a state in the Weberian sense: an institution that enforces regulations by a monopoly on violence, regional integration depends then on how well a state has developed its instruments to execute the monopoly on violence. It is about capabilities a state should exhibit in order to function as a unit (cf. Almond & Bingham Powell 1966: 28). Almond & Bingham Powell refer to the 'overall performance of a political system in its environment', including five categories of state capabilities: extractive, regulative, distributive, symbolic and responsive (ib.). While scholars such as Randall & Theobald (1998: 188) prefer to distinguish between state capabilities in accordance with Almond & Bingham Powell, on the one hand, and institutional development, on the other, I regard institutions as an integrative category of Almond & Bingham Powell's capabilities ascribed to a functioning state. Speaking about institutions refers

⁴⁵ Compliance of states with international rules constitutes a separate research field (Goltermann 2012: 162). Enforcement approaches and managerial approaches are the two dominating directions for studying compliance (ib.). The first mainly looks on the institutional design and cost-benefit calculations that members undertake (also sanctioning measures), the latter looks on the managerial capacities at the national level (2012: 162f). Examining state capacity comes closest to the managerial approach.

not only to the structural dimension, but also to human resources, particularly bureaucracies. For Kochanowicz (1994: 196) bureaucracies are even ‘the most important ‘filter’, or mediating mechanism, through which political ideas, programs, and projects are translated into everyday practice’.

True, democracies and full-fledged market economies are more prone to produce viable institutions, but being a democratic state or a market economy is neither a necessary nor a sufficient condition for being a functioning institution. Samuel P. Huntington (1968: 1) observed, that effective institutions can be found both in Western and Communist countries. Strong states shall not be equated with democratic states (Fortin-Rittberger 2014: 23). It would be more important that a state is indeed ‘governed’. China, Singapore or the petro states show that economic growth and, thus, development in the narrow sense, can be created without immediate accompanying democracy. At the same time, even among stable democracies there is ‘a great variation in the quality of economic institutions’ (EBRD Transition Report 2013: 18). This may also be true for regional integration. Concentrating on state capacity for implementation and enforcement would also allow us to decouple analysis from monolithic either-or categories, which have been shown to be difficult to apply for GUAM countries with their amorphous economic systems and hybrid regimes (cf. ch. 2.1.2). It is argued, then, that at a specific time functioning institutions that produce reliable decisions and allow economic actors to form stable expectations are more relevant than democratic values.⁴⁶

The nexus between the political and economic dimension is explicit. Economic integration projects depend on political instruments to implement and enforce the agreed integration steps (Zimmerling 1991: 114; cf. Berglof 2006: 10f). Moreover, a state provides not only the political, but also the economic institutions and rules of the game necessary for a functioning economy as well as the implementation and enforcement of integration policies (cf. Achelashvili 2011: 44).

⁴⁶ See also the ‘institutionalisation before liberalisation’ debate (Chandler 2007).

Viable institutions like tax services, registration of licenses, certificates or patents, but also law enforcement and customs services, affect business and investment climates, which are vital for modernisation and growth (cf. EBRD Transition Report 2010: 129; EBRD Transition Report 2013: 18). Ineffective political and economic institutions do not only cause delays in implementation, they also may weaken the reliability of decisions. Economic and political institutions shall allow for a fair distribution of costs and gains of integration (cf. Robson 1993: 332; Zimmerling 1991: 82) and, thus, mitigate negative effects. Nevertheless, one should bear in mind that domestic institutions are only as powerful as domestic actors want them to be. In conclusion, regional integration outcomes depend on the institutional and financial capacities of participants to implement and enforce integration policies. Thus, whether GUAM member states will achieve development by GUAM integration also depends on their individual state capacities.⁴⁷

4.3.2.3 State Capacity of GUAM Members

Let us now take a look at the state capacities of the four GUAM member states. To advance my argument which states that GUAM participants exhibit weak state capacity and, thus, are ill-prepared for integration, I will first of all look at financial capacity (1). Second, I will focus on institutional capacity (2).

Financial capacity (1) is a pertinent condition for regional integration to advance, because integration habitually is more than just rule adoption. For example, reducing trade barriers by introducing unified, computer based customs procedures, as suggested by GUAM, creates costs that go beyond those for institutional capacity. Financial means are not only relevant for implementing and advancing regional integration, they are also necessary for forming viable institutions. Limited financial abilities are a frequent starting point for weak institutions.

⁴⁷ There is a complex interrelation between state capacity and development. Huntington (1968) noted that not all good things go together, i. e. economic development does not bring effective political institutions per se. At the same time, with no state capacity there will be no development (cf. Krasner 2013).

Chapter 4.2.1 showed why development is such a pertinent issue for GUAM states: All four member states suffered a downfall of their national welfare levels after the collapse of the USSR, and all four states faced declining economic activity during the 1990s, which was characterised by negative growth rates (IMF Economic Outlook 2011: 185). In 2005, all GUAM states experienced economic growth, particularly Azerbaijan (ib.). Yet, differences continue—again—particularly between Azerbaijan and Moldova; whereas the commodity exporter Azerbaijan realised an impressive GDP growth of 34,5% in 2006, Moldova could never surpass its peak of 7,8% in 2007 (ib.). Amid the international financial crisis in 2008/9, all GUAM states experienced negative growth rates—save Azerbaijan (cf. table 4.2—above on GDP development since 1993 and table 4.5).

The four GUAM member states had to establish means to exist as new independent states. Lack of capital is a major defect of GUAM states, both for market actors and governments.⁴⁸ The limited resources available for actual policy implementation have been largely spent on domestic issues of state-building and economic development. Looking at the budget of the GUAM Secretariat, figures show that the institutional body disposes of very limited means to expand its work (cf. ch. 3.3.2), and advances in implementing individual GUAM projects coincide with the period of American funding for the organisation. According to GUAM's *Financial Provision*, implementation is a national issue for each GUAM member.

Considering the economic integration policies of the four states, the multi-vector approach pursued by the four members can be assumed to further weaken their financial position. Their approach consists of various regional and bilateral agreements that often embrace the same partners. Although this approach could be perceived as an advantage—reducing overall trade barriers (Langhammer 2003: 261)—the strategy also splits the already scarce financial capacities of the four states among several projects and may, thus, further reduce

⁴⁸ PSS are highly indebted to each other with debts sometimes remaining from the SU (Robson 2006: xi).

	Average 1995-2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Azerbaijan	22.7	9.7	8.4	16.6	20.8	1.6	5.7	7.9	1.1	2.4	1.4
Georgia	19.9	8.3	9.2	9.2	10.0	1.7	7.1	8.5	-0.9	-0.5	3.1
Moldova	17.7	11.9	12.7	12.4	12.7	0.0	7.4	7.6	4.6	4.6	5.1
Ukraine	36.5	13.5	9.1	12.8	25.2	15.9	9.4	8.0	0.6	-0.3	12.1

Table 4.5: Development of consumer prices, average, in annual percentage change (*Source*: IMF World Economic Outlook data).

GUAM's significance and prospects.⁴⁹ Hence, competing cooperation formats would not only be an indicator of the malfunctioning of GUAM, but do also have an adverse effect on implementation of integration policies.

In addition, states affected by violent conflicts spend a lot of money for military development and conflict management (including care for displaced persons) instead of economic reform (cf. Astrov & Havlik 2008: 126). As a consequence, less means remain for financing cooperative approaches (see table 4.6). The military expenses of Georgia and Azerbaijan are the two fastest growing among all states in the CIS-area (Halbach 2007a: 3).

Turning to institutional capacity (2), I employ several indicators to demonstrate the limits of institutional capacities among the four GUAM countries: efficient bureaucracy and human capital (2a), corruption (2b), reliability of political decisions (2c) and judicial framework and enforcement (2d). Considering institutional capacities, empirical studies substantiate institutional deficits among GUAM participants (cf. Ladaa 2006: 50), though defective institutions are a phenomenon not only in GUAM states, but in PSS in general (Babet-skii et al. 2003: 1). Being stuck in transformation, viable institutions that produce reliable and predictable decisions and, thus, allow for the implementation of integration policies are generally scarce.

Examining bureaucracy and human capital (2a), Soviet bureaucratic structures and know-how have remained widely in place. After the dissolution of the USSR, the four newly formed GUAM states disposed of very limited financial means to invest in institutional transformation and modernisation. The efficacy of national bureaucracies has been surveyed in the *Global Competitiveness Report* (GCR). It examines the impact of bureaucracies on the economic environment

⁴⁹ GUAM states vacillate between Eastern and Western integration. The implicit possibility of EU-membership can be regarded as an impediment for successful GUAM integration. States waiting for European integration are not poised to get deeply involved in other regional cooperation projects (Libman 2007: 412).

	1992	1994	1996	1998	2000	2002	2004	2006	2008	2010	2012	2014
Azerbaijan	2.0	3.7	2.3	2.4	2.3	2.2	2.6	3.4	3.3	2.8	4.7	4.8
Georgia	n/a	n/a	2.2	1.1	0.6	1.0	1.4	5.2	8.5	3.9	3.1	2.3
Moldova	n/a	0.8	0.9	0.6	0.4	0.4	0.4	0.5	0.6	0.3	0.3	0.3
Ukraine	n/a	2.5	3.3	3.4	3.6	2.8	2.6	2.8	2.7	2.7	2.4	3.1

Table 4.6: Military expenses in percentage of GDP (Source: Worldbank data).

and, thus, on facilitating economic growth. The GCR sheds light on the implementation capabilities of states; results show that ineffective bureaucracy still is a top listed problem in all four GUAM states, but is more acute in Moldova and Ukraine (GCR 2012-13: 98; 174; 258; 354; Hübner 2011: 4).

Available human resources and regionalism know-how is another aspect that is necessary for functioning institutions (Kühnhardt 2008: 265). Elites play a crucial role (Acharya & Johnston 2007b: 7f). Being newly formed states, the bureaucracies and elites of GUAM states cannot refer to expertise in multilateral cooperation or integration, since foreign relations have been a domain of primarily Russian officials in Soviet Moscow. Moreover, there may be a divide between the interest of the elite and the public interests in respect to regional integration, which might shed light on inconsistencies in integration policies and their implementation (cf. Molchanov 2009). Expertise on managing a national economy along market principles had also to be created. Forming and managing a national bank with its own currency and private banking system, a functioning foreign trade account settlement system, an independent tax system etc.—all of this demanded professionals who had to be trained first. A thorough empirical study would be needed to substantiate this argument, which is beyond the scope of this dissertation.

Corruption is another indicator for non-viable institutions (2b). It affects the effectiveness and credibility of political and economic institutions and, thus, jeopardises the implementation of international agreements. According to the *Freedom House Report 'Nations in Transit'* Georgia is estimated to be the best performing country among PSS (table 4.7). In contrast, Azerbaijan is a rather bad performer with corruption increasing slightly in the last five years. Only Georgia seems to make progress in fighting corruption among the four GUAM countries (Edilashvili 2011: 14; EBRD Transition Report 2010: 89). Corruption is also an economic impediment. In Azerbaijan it is seen as a top impediment for doing business (GCR 2012-13: 98). In Ukraine and Moldova it has also been ranked as one of the most

pressing issues to solve to spur business activity (GCR 2012-13: 258; 354; cf. Hübner 2011: 4). However, Georgia's low level of corruption has not automatically created an increase in FDI; investor confidence is also lacking due to other factors (Edilashvili 2011: 14f). Reducing the corruption level is particularly difficult for weak states, since it demands a reform of law enforcement institutions (including financial attractiveness to work for them) and enhancing transparency of anti-corruption agencies (Papava 2006: 6). Transparency is a pending issue for all four GUAM states, and increasing transparency is particularly relevant for the banking sector. In Azerbaijan the state bank dominates and there is only a small and fragmented private banking sector (Ibadoglu 2011: 14; EBRD Transition Report 2011: 98). Due to high inflation rates combined with insufficient capital, the banking sector has not yet the potential to facilitate regional economic integration (cf. Hübner 2011: 5). Moldova's financial sector is also characterised by high regulation, non-transparent ownership structures and a limited access to capital for SME due to high interest rates (EBRD Transition Report 2010: 129; Lupusor 2012: 461). In 2012, privatisation of the largest state-owned bank Banca Economii started (EBRD Transition Report 2012: 129). Measures for easing procedures of debt restructuring and loan collateral are under way (ib.). Increasing transparency is also a prerequisite for the Ukrainian banking sector (cf. Pleines 2008b: 6). Initiatives to improve the regulatory framework were started in 2012 (EBRD Transition Report 2012: 157). The international financial crisis has strongly affected Ukraine due to its vulnerability to the Euro-area (EBRD Transition Report 2012: 156). Georgia instead has to fight dollarisation in its banking sector and to attract domestic savings for investment (EBRD Transition Report 2010: 116). Efforts to reduce inflation and comply with Basel II and III rules are under way (EBRD Transition Report 2012: 115).

Implementation and enforcement capacities are closely related to the reliability of political decisions (2c). Data from the GCR indicate that policy instability is still one of the main impediments

	2000	2002	2004	2006	2008	2010	2012	2014
Azerbaijan	6.0	6.25	6.25	6.25	6.25	6.50	6.50	6.75
Georgia	5.0	5.50	6.0	5.50	5.0	5.0	4.50	4.50
Moldova	6.0	6.25	6.25	6.0	6.0	6.0	6.00	5.75
Ukraine	6.0	6.0	5.75	5.75	5.75	5.75	6.9	6.25

Table 4.7: Corruption index. Rating on a scale of 1 to 7, with 1 as the best score. Figures before 1999/2000 incomplete (*Source*: Freedom House: Nations in Transit).

for doing business in Georgia, Ukraine and Moldova (cf. GCR of last years). Interestingly, entrepreneurs in Azerbaijan neither fear policy nor government instability. Less than 1% of the respondents stated such concerns (GCR 2010-11: 88; GCR 2012-13: 98), which supports the argument that the regime type—democratic or non—may be of less relevance for the effectiveness of regional integration—at least in integration projects on a lower level.⁵⁰

The last indicator draws on judicial frameworks and enforcement (2d). The GCR evaluates the development of political and economic institutions as a cumulative value. Table 4.8 shows a rather pessimistic view with Azerbaijan and Georgia as GUAM's best performers. All four states have institutional problems with *enforcing* existing legislation. Even Georgia receives only satisfactory results in this area (EBRD Transition Report 2010: 18ff).

The *Freedom House* index in tables 4.9 to 4.12 juxtapose institutional performance of the four GUAM states with the average value of PSS. The *Judicial Framework* and its independence are estimated quite low, with none of the four states reaching the average value.

⁵⁰ Assessing the business climate in the four states, the most urgent issues like unstable governments, nontransparent institutions or ongoing domestic conflicts in three of the four GUAM countries indicate that countermeasures are primarily a national issue rather than a collective one (cf. Robson 2006: 20; cf. Lunev 2006: 17; Astrov & Havlik 2008: 126; Hübner 2011: 4; cf. Astrov & Havlik 2007: 130).

	2001-02	2004-05	2007-08	2010-11	2013-14
Azerbaijan	n/a	n/a	3.6	3.9	4.1
Georgia	n/a	3.1	3.6	3.9	4.0
Moldova	n/a	n/a	3.3	3.4	3.2
Ukraine	3.15	2.9	3.1	3.0	3.0

Table 4.8: Development of political and economic institutions on a scale from 1 to 7, with 7 being the best value. Industrialised states score approximately 5 points (*Source*: Global Competitiveness Reports).

	National Democratic Governance							
	2000	2002	2004	2006	2008	2010	2012	2014
Azerbaijan	6.25	6.00	5.75	6.00	6.00	6.50	6.75	6.75
Georgia	4.50	5.00	5.75	5.50	5.75	6.00	5.75	5.50
Moldova	4.50	4.75	5.50	5.75	5.75	6.00	5.75	5.50
Ukraine	4.75	5.00	5.25	4.50	4.75	5.00	5.75	6.00
Average PSS	5.38	5.58	5.83	6.06	6.17	6.35	6.38	6.38

Table 4.9: National Democratic Governance on a scale from 1 to 7 with 1 as best performance (*Source*: Freedom House: Nations in Transit).

The categories *National Governance* and *Judicial Framework* can be related to the implementation function, whereas the categories *Independent Media* and *Civil Society* can be associated with the control function in those states. Although three of the four GUAM members perform better than PSS on average, they display generally unsatisfactory results.

Concluding, all four GUAM members exhibit weak state capacity, making them ill-prepared candidates for economic regional integration, particularly on higher integration levels. However, such deficits may be compensated by other mechanisms.

4.3.2.4 Mitigating Individual Weakness

Although individual countries such as the four GUAM states may be ill-prepared for integration projects, there are mechanisms that

	Judicial Framework							
	2000	2002	2004	2006	2008	2010	2012	2014
Azerbaijan	5.50	5.25	5.50	5.75	5.75	6.25	6.50	6.50
Georgia	4.00	4.25	4.50	4.75	4.75	4.75	5.00	5.00
Moldova	4.00	4.00	4.50	4.50	4.50	4.75	4.50	4.75
Ukraine	4.50	4.75	4.75	4.25	4.75	5.00	6.00	6.00
Average PSS	5.27	5.44	5.56	5.50	5.75	5.92	6.13	6.15

Table 4.10: Judicial Framework on a scale from 1 to 7 with 1 as best performance (*Source*: Freedom House: Nations in Transit).

	Independent Media							
	2000	2002	2004	2006	2008	2010	2012	2014
Azerbaijan	5.50	5.50	5.75	6.00	6.25	6.75	6.75	6.75
Georgia	3.75	3.75	4.00	4.25	4.25	4.25	4.25	4.00
Moldova	4.00	4.50	5.00	5.00	5.50	5.75	5.50	5.50
Ukraine	5.00	5.50	5.50	3.75	3.50	3.50	4.00	4.25
Average PSS	5.35	5.63	5.83	5.83	5.92	6.00	6.00	5.98

Table 4.11: Independent Media on a scale from 1 to 7 with 1 as best performance (*Source*: Freedom House: Nations in Transit).

might compensate for such individual deficits. This section addresses two concepts, cohesion and leadership, brought forward as having a positive effect on regional integration, regardless of individual deficits. Both concepts shed light on the composition of participants.

Let us take a look at cohesion first. Cohesion draws on the homogeneity of the participants of a regional integration project regarding size, political and economic systems, including beliefs and values: The more alike cooperating states and economies are, the more they are assumed to benefit from integration (Padoan 2001: 43; Nye 1981: 202; Mansfield & Milner 1997b: 10; Mansfield & Milner 1999: 607).⁵¹ Yet, there are only few suggestions on how to measure cohesion and which

⁵¹ Trade integration between partners at different levels of development is assumed to cause divergent long run growth rates (Beretta 2008: 80); desired income convergence among integration participants of different development levels is more likely within a homogenous group of countries (cf. Rapacki 2008: 97).

	Civil Society							
	2000	2002	2004	2006	2008	2010	2012	2014
Azerbaijan	4.75	4.50	4.50	5.00	5.25	5.75	6.00	6.50
Georgia	3.75	4.00	3.50	3.50	3.50	3.75	3.75	3.75
Moldova	3.75	4.00	4.00	4.00	3.75	3.50	3.25	3.25
Ukraine	4.00	3.75	3.75	2.75	2.75	2.75	2.75	2.50
Average PSS	4.81	4.90	4.92	4.98	5.02	5.17	5.15	5.27

Table 4.12: Civil Society on a scale from 1 to 7 with 1 as best performance (*Source: Freedom House: Nations in Transit*).

degree of difference is still feasible (Mansfield & Milner 1999: 608, cf. Nye 1981: 202). Similar belief systems or values were addressed in ch. 4.3.1 on mutual trust. Chapter 2.1.2 as well as 4.3.2 drew on the political and economic system of the four GUAM participants. Those chapters showed that there is considerable homogeneity among GUAM participants, since they are all deficient democracies (hybrid regimes at best) as well as imperfect market economies. They all suffer from institutional weaknesses and show a shared basis of common beliefs and practices due to their past as Soviet republics and Tsarist colonies.

Nevertheless, I argue that for the GUAM case the cohesion concept is reversed. Even though all participants show a considerable degree of homogeneity in their political and economic as well as belief systems, it affects regional integration adversely. Since all GUAM member states are deficient market economies with weak economic and political institutions, results of regional integration are harder to achieve and negative effects more difficult to manage. GUAM members cannot mutually compensate their shared weaknesses. In addition, none of the four states can be termed as particularly innovative or technologically highly developed, making technology transfer as a source for economic growth highly unlikely. This also applies to transfer of integration expertise or mutual investments. Nevertheless, other partner combinations might mitigate individual weaknesses.⁵²

⁵² To avoid negative effects, a UN study recommends developing economies to either integrate with partners of an equal economic level or to opt for

In fact, each of the four states should focus on regional integration projects with proficient participants who could compensate for their weaknesses. To sum up, cohesion between integration members does not provide a positive effect on regional integration per se. In fact, cohesion of unfavourable qualities has inauspicious effects on regional integration.

This brings us directly to the leadership concept, building on the conviction that one participant should indeed differ and apply its superiority to compensate for the deficiencies of other participants.⁵³ A leader among participants is assumed to be indispensable, not only as the initiator, but also as the conditional variable in order to advance regional integration (Langhammer 2003: 262). RS scholars argue that a regional leader fulfils three important functions: initiator (1), promotor (2) and paymaster of integration (3) (cf. Laursen 2010: 263; Fawcett 2008: 26; cf. Mattli 1999).⁵⁴ However, a regional integration project sustained only by a regional leader will stagnate as soon as the leader diminishes its efforts (cf. Milner 1992: 480). Leader may change their attitude towards integration out of growing maintenance costs and/or decreasing benefits.⁵⁵

asymmetric integration with developed partners (UNCTAD 2007). Yet, it remains unclear where the optimal cost-gains relation lies. The optimal grouping is supposed to reflect a constellation where marginal costs equal marginal benefits (Padoan 2001: 45).

⁵³ Empirical examples show that most integration projects were propelled by one or a duo of states among participants (Rinke 2008: 446; Kühnhardt 2008: 272; Mattli 1999: 190).

⁵⁴ RS scholars refer to the concept of hegemony from IR theory as well as ‘the public goods approach in IPE. While IR theorists focus on increasing power as the leading motivation for hegemons to initiate cooperation, political economists rely on the theory of public goods, which pivots on the problem of free-riding within the international political economy (Haggard & Simmons 1987: 502f; Kindleberger 1981). Despite their differences, both rationales conceive of a hegemon as an *initiator* of cooperation (cf. also Puchala & Hopkins 1983: 66). Only a hegemon seeking long term interests is believed to convince others to cooperate—by force or by offering incentives (Meyers 2008a: 278; Kindleberger 1981; cf. Newman 2006: 163f; cf. Pedersen 2002: 678).

⁵⁵ Studies of international cooperation projects show that a dominant partici-

The leadership concept weakens the argument of power symmetry, which is inherent in the cohesion argument. Applying the function as an initiator of regional integration, GUAM can be traced back to an initiative from both Ukraine and Azerbaijan (cf. also Polukhov 2008: 126). More important for this chapter on the present state of GUAM are the functions of a leader as financier and promoter that would be necessary to advance integration. GUAM lacks a potential financier among its participants, who would finance integration or offer incentives to integrate. Thus GUAM's advancement is in jeopardy. Although Ukraine is in many aspects better off than the other three member states, it is not able and/or willing to provide sufficient financial means to offer incentives for advancing GUAM integration. It could be termed a sub-regional power at best, strongly challenged by the rise of Azerbaijan. With domestic politics in turmoil, Ukraine has no capacities left to provide incentives for regional integration, nor does it dispose of a domestic consensus to do so. Correspondingly, Azerbaijan, who would be able to accumulate sufficient financial means to support regional integration, would have to cut back on rents from hydrocarbons for the ruling elite or for domestic modernisation policies. As has been described above, GUAM members as well as the GUAM organisation experience a tense financial situation and depend on external funding to realise their joint projects (cf. ch. 3.3.2).

A leader should also provide a vision for regional integration and motivate participants to proceed with integration. Even though Alena Getmanchuk (2007: 1) perceives a *dualism* between Ukraine and Azerbaijan for leadership within GUAM, none of the two provides a strategy for the region and, thus, fails as a promoter within the GUAM framework; both countries focus on their own domestic development and foreign policy agenda. Without a strategy or initiative of one of the participants, GUAM is reduced to a stalemate. During the first presidency of Viktor Yushchenko (Ukraine) and the first years of Mikhail Saakashvili's (Georgia) incumbency, GUAM exhibited a high

pant causes inconsistent results. A regional leader could also abuse regional cooperation structures to control the region (Fawcett 2005: 35f).

level of activity. New initiatives were proposed and institutionalisation propelled, e. g. with the new *Kyiv Charter* (2006) and subsequent formation of ODED-GUAM (2006-2007). When Ukrainian initiatives decreased and no other participant took over, development of GUAM projects slowed down. This raises the issue of external promotion of integration projects (cf. Magen & Morlino 2008a; Magen et al. 2009; Börzel et al. 2009; Zimmerling 1991). For the case of GUAM external promotion was undertaken by the United States between 2006 and 2008 and contributed to the formation of the Secretariat as well as the Virtual Law Enforcement Centre (cf. ch. 3). Thanks to such financing and best practice advice, GUAM's activity flourished in those years.⁵⁶

In summary, the absence of a leader, who would finance and promote GUAM integration, offers a convincing argument to explain the unsatisfactory state of GUAM. The leadership concept supports the conclusion that the composition of GUAM participants is ill-conceived.

4.3.3 Demand

Having shed light on trust and state capacity as independent variables to explain the state of GUAM, this chapter continues with the topic of *demand*. A frequent shortcoming of economic integration agreements in post-Soviet space is that they often contradict actual trade, investment and migration flows (Libman 2007: 403). Relatively high intra-regional trade, a high degree of interdependence and regional proximity suggest a *demand* for regional trade liberalisation (Glania & Matthes 2005: 53; Fawcett 2005: 34; Zimmerling 1991: 76; Robson 1993: 334).⁵⁷ Trade agreements are the nucleus of most regional

⁵⁶ Nonetheless, external promotion (particularly unbalanced funding) affects the legitimacy of a regional organisation adversely. GUAM was frequently dubbed a tool of American foreign policy.

⁵⁷ Relatively high production differences among participants (Glania & Matthes 2005: 53; Zimmerling 1991: 76) as well as their combined market size (Mattli 1999: 190; Belassa & Stoutjesdijk 1981: 294; Robson 1993: 334) would reflect

integration projects and they also form a corner stone of GUAM's economic dimension. Neo-classic trade theory suggests that trade integration occurs between 'countries with dissimilar comparative advantages' (Ladewig 2010: 7072). Yet, theorists could not convincingly explain why industrialised states which are similarly endowed also integrate (ib.). This analysis aims at demonstrating that there is deficient complementarity in the area of traded goods among the four member states. Their choice of partners can be regarded as a second-best solution. This will support the assumption that the composition of GUAM participants is ill-conceived and affects GUAM integration adversely.

As an element of the bottom-up concept, the discourse about demand can be traced back to functionalism theories (Mitrany 1943; Haas 1958; also Mattli 1999; Fawcett 2005).⁵⁸ Scholars assume that without actual demand from below state-led integration is bound to fail (Mattli 1999: 190; cf. also Gamble & Payne 1996: 252f; Glania & Matthes 2005: 14). Yet, an ideal type of bottom-up integration as proposed by functionalists is not the rule but the exception.

This chapter expounds that demand in the area of trade is suboptimal among the four member states and, hence, a deficient instrument to spur economic growth. The following sub-chapters look at each of the four GUAM states, drawing on a) trade structure (traded goods, destinations/origins, trade balance), b) trade expansion as a key to economic growth and c) the expected benefits from economic integration within GUAM. Moreover, the subchapter provides data

demand for economic integration apart from the trade perspective.

⁵⁸ Apart from indicating agency (governments vs. societal or market actors) and the demand for integration, the bottom-up concept also highlights the inclusion of affected stakeholders. The inclusion of affected stakeholders has been assumed to have a conducive effect on regional integration, because, on the one hand, inclusion offers a communication channel that helps governments manage negative effects of integration and, on the other hand, it facilitates support for integration, making implementation easier (cf. Padoan 2001: 41). GUAM members provide limited opportunities for inclusion of non-state actors due to their lack of pluralism.

on the GUAM share in foreign trade of the respective GUAM member states. I close with a summary.

Scientific thoroughness would demand a dynamic analysis starting with the inception of GUAM in 1997. However, due to the limited space of this work, analysis will centre on data from the last few years. This approach is also justified from another vantage point: There has been little change in the trade structure in the last few years; relevant alterations have been considered and highlighted.

4.3.3.1 Azerbaijan

The economic development of Azerbaijan is primarily driven by oil exports (Ibadoglu 2011: 10), which turned the country into one of the fastest growing economies worldwide between 2005 and 2007 (IMF Economic Outlook 2010: 185). Hence, Azerbaijan's trade structure (a) is characterised by a strong orientation to commodity export. The country concentrates on hydrocarbon exports with a low developed agricultural and industrial sector (cf. Robson 2006: xi; EBRD Transition Report 2012: 98). Current exports of Azerbaijani gas are expected to rise considerably with the opening of the gas field Shakh Deniz II (Häfliger 2012: 28) and the upcoming transport of Turkmen gas to Turkey (Hosp 2011: 11). In 2012 mineral fuels, lubricants and related products constituted about 93% of its exports (UN Comtrade).

Azerbaijan primarily imports machinery, especially for transport, and manufactured goods, but also agricultural products (UN Comtrade). Azerbaijan is the only GUAM member with an export surplus (UN Comtrade; WTO Trade Profiles). Table 4.13 below shows the trade balance of all four GUAM states since 2003. The turning point for Azerbaijan came in 2005, when the BTC-pipeline opened and revenues from oil exports increased dramatically.

Yet, Azerbaijan's trade surplus is not generated in the GUAM area. Azerbaijan primarily exports to Western countries, e. g. Italy, France and Israel (table 4.14). Ukraine is the only GUAM state ranking among the top ten export destinations for Azerbaijani fuels, though

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Azerbaijan	-27.8	-29.8	1.3	17.6	27.3	35.5	23.0	28.0	26.5	21.8	17.0	15.3
Georgia	-9.6	-6.9	-11.1	-15.2	-19.8	-22.0	-10.5	-10.2	-12.8	-11.7	-5.7	-9.6
Moldova	-6.6	-1.8	-7.6	-11.4	-15.2	-16.1	-8.2	-7.5	-11.0	-7.4	-5.0	-5.5
Ukraine	6.0	6.0	2.9	-1.5	-3.5	-6.8	-1.4	-2.2	-6.3	-8.1	-9.2	-4.0

Table 4.13: Balance on current accounts in percentage of GDP, 2003 – 2014 (Source: IMF World Economic Outlook data).

not every year (UN Comtrade, various years). Since the huge price hike for Russian gas in 2006, Georgia is also buying small quantities of Azerbaijani gas. Russia also is a significant buyer of Azerbaijani hydrocarbons (WTO Trade Profile, various years).

The greatest share of imported goods are manufactures (about three-quarter) followed by agricultural products (about one-fifth) (WTO Trade Profiles). Among import origins, the EU-28 rank first (26,7%). They are equalled by imports from the CIS, among which Russia clearly sticks out as the most significant import origin, followed closely by non-CIS-member Turkey (WTO Trade Profiles). Only then does Ukraine follow as first GUAM participant (*ib.*). Due to its dependency on hydrocarbon exports—destined primarily on beyond the region—and due to few other export goods, trade with GUAM states is considerably low (table 4.15). Neighbours usually are good trading partners (*cf.* Preyger 2008: 66). The lower significance of direct neighbours for the case of Azerbaijan can be explained with its special role as a commodity exporter and—for Armenia—with political constraints. In addition, the small market sizes of Georgia and Moldova makes these states generally less significant for Azerbaijan's trade balance.

However, Azerbaijan's exports of hydrocarbons depend on Georgia and Turkey (Papava et al. 2011: 164; Papava 2008a: 77). Turkey also is an important investor. Besides the BTC oil pipeline (opened in 2006) or the Baku (AZ)-Tbilisi (GE)-Erzurum (TK) gas pipeline (opened in 2007), Azerbaijan, Turkey and Georgia pushed transport projects like the Poti (GE)-Baku (AZ) route or the railway route Kars (TK)-Tbilisi (GE)-Baku (AZ) (Suleiman 2008: 1f).⁵⁹ All three countries are mutually dependent and interested in good relations. Thus, integration in the transport and trade sectors between GUAM members Georgia and Azerbaijan indeed promises mutual benefits (see map of oil pipelines in ch. 3.4.1).

⁵⁹ The railway route Kars-Tbilisi-Baku is financed by SOFAZ, the Azeri state oil fund (Bayramov 2010: 7).

	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1st	Italy	Italy	Italy	Turkey	Italy	Italy	Italy	Italy	Italy	Italy	Italy
2nd	France	France	Israel	Italy	USA	USA	France	France	India	Indonesia	Indonesia
3rd	Israel	Russia	Turkey	Russia	Israel	France	Israel	USA	France	Thailand	Germany
4th	Turkey	Turkey	France	Iran	India	Israel	USA	Russia	Indonesia	Germany	Israel

Table 4.14: Top destinations for Azerbaijani exports (*Source: Azerbaijani National Statistics*).

	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1st	Russia	Singapore	Russia	Russia	Russia	Russia	Russia	Russia	Turkey	Russia	Russia
2nd	Turkey	Russia	United Kingdom	Turkey	Turkey	Turkey	Turkey	Turkey	Russia	Turkey	Turkey
3rd	USA	United Kingdom	Germany	Germany	Germany	Germany	Germany	Germany	Germany	United Kingdom	United Kingdom
4th	Germany	Turkey	Turkey	Ukraine	Ukraine	Ukraine	Ukraine	USA	USA	Germany	Germany

Table 4.15: Top origins of Azerbaijani imports (*Source: Azerbaijani National Statistics*).

Looking at impediments for development (b), scholars do not regard trade expansion as the key to curbing economic growth; instead, Azerbaijan has to focus on diversifying its economy and increasing its competitiveness (Ibadoglu 2011: 15; EBRD Transition Report 2012: 98). The strong export dependence on hydrocarbons characterises the economy (cf. Hallaert et al. 2011: 57; Ibadoglu 2011: 15; EBRD Transition Report 2013: 98). The majority of FDI in Azerbaijan is dedicated to the oil and gas sector (Hallaert et al. 2011: 56; Hübner 2011: 4), though only a small part of the overall work force is employed in this sector (Hallaert et al. 2011: 57).

Therefore, scholars advise improving national governance, e. g. by better fiscal spending and investment (Hallaert et al. 2011: 8).⁶⁰ Continuous revenues from mineral fuel exports have a negative impact, maintaining patronage and clientelistic networks (Astrov & Havlik 2008: 167). Thus, Azerbaijan's weak institutional capacity, which has already been described in ch. 4.3.2, lacks the stimulus to adjust.⁶¹ Institutional reforms like improved tax administration procedures have been embarked on (EBRD Transition Report 2010: 102); yet, there still is room for reform: Customs administration should be strengthened to fully benefit from the present railway modernisation (EBRD Transition Report 2010: 103), but also transport infrastructure to the Black Sea needs to be improved (cf. EBRD Transition Report 2010: 15). These examples show that Azerbaijan could also improve trade and investment conditions with a unilateral approach.

Examining the benefits Azerbaijan may expect from GUAM integration (c), its commitment to GUAM's economic integration framework has been primarily related to energy issues. Azerbaijan's membership is vital for other GUAM members because all of them are energy importers. At the beginning GUAM participants anticipated discounts for Azerbaijani gas and oil and were disappointed by a grow-

⁶⁰ The conflict with Armenia has a negative impact on stability and at the same time raises military spending and poverty (due to unsolved refugee problems).

⁶¹ Transnational energy companies like BP stick to the domestic rules of the game to make their investments pay off and do not provide leverage for reform (cf. Soghomonyan 2007: 8).

ingly self-confident Baku government (Mamedov 2006: 1). Today, only Georgia and, to some extent Ukraine benefit from Azerbaijani hydrocarbons. Presently, Azerbaijan, Georgia and Ukraine are assessing the construction of an LNG liquefaction plant along the Georgian coast to transport Azerbaijani LNG to Ukraine (Eurasian Monitor V.8, Nr. 179). Moreover, the Azerbaijani government has decided on a pipeline project for gas transport from the Shakh-Deniz gas field to Europe (Hosp 2013; Meister 2014a). Even though GUAM was not involved in the execution of pipeline projects like the Transcaspien pipeline, it always endorsed them and served as an important forum for Azerbaijan in the first GUAM years. Transport facilitation projects within GUAM play a vital role for Azerbaijan's landlocked economy. In contrast, regional trade integration would be profitable in regard to Turkey, Georgia and Ukraine in the first place as the three are exporters of agricultural and/or manufactured goods). Trade agreements with the EU-28 or Russia could be addressed in the medium turn or within a global free trade approach. Azerbaijan could increase economic growth considerably by unilateral measures (addressing its institutional capacity) and, thus, avoid interference by or submission to a regional institution. Apart from economic effects, participating in regional integration could have a positive effect on the institutional reform process—still, this would necessitate a strong regional institution.

4.3.3.2 Georgia

Looking at Georgia's trade structure (a), statistics reveal that Georgian exports constitute a far lower share of national income than, for example, exports in Azerbaijan. Georgia's main economic activity is in the service sector, particularly financial services, but also in the agricultural and food industries (Smirnov 2007a: 137). Half of Georgia's workforce is employed in agriculture, whereas the majority of large industrial enterprises is either offline or operates at less than full capacity (cf. Smirnov 2007a: 134ff; cf. Edilashwili 2011: 15). Agricultural products, including beverages and manufactured goods, are the main export products of Georgia (UN Comtrade; WTO Trade

Profiles; cf. Astrov & Havlik 2008: 136). Government spending and consumption also have a significant share in GDP creation (Ibadoglu 2011: 10). The Georgian economy still depends to a significant degree on remittances by its compatriots working abroad, particularly in Russia (Ibadoglu 2011: 10; Astrov & Havlik 2008: 128; Smirnov 2007a: 134; Zagorski 2005: 68; Göksel 2011: 31),⁶² and on FDI (EBRD Transition Report 2010: 116; World Investment Report 2013: 216). However, since 2008 FDI has been declining amid the international financial crisis and the brief war with Russia in 2008 (World Investment Report 2013: 216). To a large extent Georgia imports machinery and transport, mineral fuels and mining products and manufactured goods (WTO trade profiles; UN Comtrade, various years).

Exports go to and imports come primarily from Georgian neighbours like Azerbaijan, Turkey, Ukraine and, to a lesser extent, Armenia—confirmation of the assumption that neighbours are good trading partners (Georgian National Statistics, 2013). Various international partners like the US, Germany and increasingly China also are relevant (ib.). While Azerbaijan is Georgia's major trading partner among CIS-states (Georgian National Statistics, 2013), Turkey is Georgia's biggest trading partner on a global level (ib.). Turkey also is a major investor in Georgia (cf. Sharashenidze 2011: 3; Kulick & Yakobashvili 2008: 26; Smirnov 2007a: 142; Ibadoglu 2011: 8). While during the 1990s CIS-countries were the major import origin for Georgia, imports from EU-28 have increased considerably and since 2011 have even amounted to a greater share than those from CIS. In addition, considering the EU-28 as a unitary partner, it represents the leading export destination for Georgia (WTO Trade profiles). This underscores Georgia's orientation to the West. Nevertheless, Russia still is an important trading partner for Georgia, even though political incidents are also reflected in trade statistics (Georgian National Statistics, 2013). Tables 4.16 and 4.17 display the leading export and import countries.

⁶² For the Caucasus income from labour migration at the beginning of the 2000s was even higher than the amount gained from export (Grinberg 2005: 3).

	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1st	Turkey	Russia	Turkey	Turkey	Turkey	Turkey	Azerbaijan	Azerbaijan	Azerbaijan	Azerbaijan	Azerbaijan
2nd	Russia	Turkey	Azerbaijan	USA	Azerbaijan	Azerbaijan	Turkey	Turkey	Armenia	Armenia	Armenia
3rd	Germany	Azerbaijan	Russia	Azerbaijan	Ukraine	Canada	USA	Armenia	USA	Ukraine	Russia
4th	Azerbaijan	Turkmenistan	Armenia	Armenia	Canada	Armenia	Armenia	USA	Ukraine	Russia	Turkey

Table 4.16: Top destinations for Georgian exports (*Source: Georgian National Statistics*).

	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1st	Turkey	Russia	Russia	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey
2nd	Russia	Turkey	Turkey	Ukraine	Ukraine	Ukraine	Ukraine	Ukraine	Azerbai- jan	Azerbai- jan	China
3rd	USA	Azerbai- jan	Germany	Russia	Azerbai- jan	Azerbai- jan	Azerbai- jan	Azerbai- jan	Ukraine	Ukraine	Azerbai- jan
4th	Azerbai- jan	Ukraine	Ukraine	Germany	Germany	Germany	Germany	China	China	Russia	Russia

Table 4.17: Top origins of Georgian imports (*Source: Georgian National Statistics*).

Russia lost the position as Georgia's main trading partner after the Russian embargo on popular Georgian export products and the closure of the land as well as air connections (Smirnov 2007a: 138; cf. ch. 5.2.5). The embargo eventually had a positive impact on the diversification of Georgian export destinations. With the new government of Prime Minister Bidzina Ivanishvili, Georgian products have been granted reentry into the Russian market with only some exceptions (Guttermann 2013). Interestingly, even during phases of tense relations with Russia, its investments have always been welcomed by Georgian governments making Russia one of Georgia's leading investors (Edilashvili 2011: 15; cf. Papava 2009: 199).

Georgia exhibits a trade deficit which reached its lowest point in 2008 with -22% (IMF Economic Outlook 2012). Trade deficits, typical for PSS, result from the imbalance of consumer demands and domestic supply (Ibadoglu 2011: 16). Those deficits also reflect high dependence on energy imports (Astrov & Havlik 2008: 129). Table 4.13 compares the trade balance of Georgia with the trade balances of the other three GUAM members.

Looking at impediments for economic development (b), Georgia has taken great efforts to reduce non-tariff trade barriers and, thus, increased cross-border trade in the last few years. The national customs code was modified in 2006, reducing customs significantly (Smirnov 2007a: 139). Georgia also cut down transport tariffs and fees and 'rooted out' corruption among customs service to propel trade (Kulick & Yakobashvili 2008: 27). In doing so, the Georgian government came closest to the spirit of the GUAM free trade agreement. That being said, Georgia's most demanding impediments for economic development are energy supply, political stability and institutional reform (cf. Smirnov 2007a: 140)—first of all national concerns. Georgia disposes of its own (but few) hydrocarbon deposits and huge possibilities for hydropower, thermal power, sun and wind energy (cf. Chomakhidze 2007: 89f). Nevertheless, the country has to import fuels and electricity (ib.). The situation seems to be improving presently. Georgia even started exporting energy from the Batumi district to its neighbour

Turkey and in the Northern region even to the Russian Federation (cf. Chomakhidze 2011: 2f). Considerable assistance for improvements in the energy sector came from the EU (Chomakhidze 2011: 3), while Turkey has also invested in the construction of seven hydropower stations in the Adjara region (Phillips 2008: 11). Nevertheless, infrastructure deficits are still an impediment for doing business (BEEP survey 2008-09, cited in: EBRD Transition Report 2010: 84).

With democratisation in progress, domestic politics still entail a variable of unpredictability; particularly domestic conflicts avert necessary foreign investments (cf. Ibadoglu 2011: 16), raise the national poverty level due to the refugee issue, and cause exaggerated military spending (Smirnov 2007a: 140).⁶³ Institutional reforms have advanced considerably in the last few years. Nevertheless, the Georgian government ‘should focus particularly on reinforcing the rule of law, stimulating educational attainment and acquisition of skills by its population and promoting further improvement of public sector governance along the lines of the EU *acquis*’ (EBRD Transition Report 2010: 117).

Examining the benefits (c), which Georgia can expect from integration, the small country would indeed benefit from a regional market, but also from global integration (Astrov & Havlik 2008: 135). Yet, it can be suggested that Georgia would have undertaken those reforms without GUAM membership, since there are no deadlines or sanction mechanisms for GUAM’s free trade agreement. Figures indicate that Georgia would benefit considerably from economic integration with Azerbaijan and Turkey and to some extent with Ukraine. Georgia and Azerbaijan trade agricultural products for energy resources. Turkey and Azerbaijan are also important investors. With the EU-28 succeeding the CIS as the most important regional trade bloc for

⁶³ Despite low revenues in state budget, military expenditures have increased significantly in relation to GDP and to other spending—even though the US financed a great share of military activity as part of its global fight on terrorism (Smirnov 2007a: 140).

Georgia, integrating with the EU would be a mid-term perspective. Georgia would also benefit from its role as a transit hub, particularly from Europe to Asia (Papava 2008a: 77), but also from Russia to Armenia, and further to Iran (Papava et al. 2011: 164). In that issue area, Georgia intensively cooperates with its neighbours Turkey and Azerbaijan, for example, in the construction of pipelines or railway connections (Kulick & Yakobashvili 2008: 27; Ismailov & Papava 2008: 283; Mayer 2007: 8). Transit fees are an important budget income (about 47%), such as with the Baku-Supsa pipeline, the BTC or the South Caucasus gas pipeline (Smirnov 2007a: 137). Sebastian Mayer speaks of a 'strategic partnership' between Georgia, Turkey and Azerbaijan (Mayer 2007: 8), and for Ismailov (2008: 13) the integration of the entire Caucasus is inevitable, although at present this may seem unrealistic.

4.3.3.3 Ukraine

Scrutinising the trade structure (a), the Ukrainian economy has the advantage of being well diversified, embracing agricultural production as well as huge facilities of chemical and steel production, with the latter being responsible for the greatest share in GDP and exports (Pleines 2008a: 21; cf. Astrov & Havlik 2007: 137). Just as its economy, Ukrainian exports are well diversified: Ukraine trades with semi-finished products of iron and non-alloyed steel, machinery, transport equipment as well as inedible agricultural products (UN Comtrade 2012; cf. Astrov & Havlik 2008: 136).⁶⁴ In fact, Russia, Belarus, Ukraine and partly Kazakhstan are all importers and exporters of each others' machinery, construction products or spare parts, meaning they are mutually dependent in this sector (Sewin 2008: 289).

Mineral fuels, lubricants and related materials account for the greatest share of imports (UN Comtrade 2012). Other imported goods are machinery, transport and manufactured goods (Trade Pro-

⁶⁴ Ukraine possesses one of the greatest iron ore reserves in the world (Pleines 2008a: 21). In addition, Ukraine successfully sells military equipment (cf. Astrov & Havlik 2008: 136).

	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1 st	n/a	Russia	Russia	Russia	Russia	Russia	Russia	Russia	Russia	Russia	Russia
2 nd	n/a	Turkey	Italy	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey
3 rd	n/a	Italy	Turkey	Italy	Italy	China	Italy	Italy	Poland	China	Egypt
4 th	n/a	Germany	Poland	Germany	Poland	Kazakhstan	Belarus	Poland	Italy	Egypt	China

Table 4.18: Top destinations for Ukrainian exports (*Source*: Ukrainian National Statistics). Data for 2014 without the currently occupied territory of the Autonomous Republic Crimea and Sevastopol.

files WTO; UN Comtrade). Among GUAM countries, Ukraine is the only member that still imports the majority of its goods from the CIS-region, even though the share of imports from EU-28 has increased considerably in the last few years (Ukrainian National Statistics; WTO trade profiles; UN Comtrade). Russia is Ukraine's major trading partner. In 2012, about 29% of Ukraine's exported goods went to Russia, while about 35% of all imported goods came from there (WTO Trade Profile 2012: 177). In fact, Ukraine trades more with its neighbours than with the other three GUAM members (WTO trade profiles)—no GUAM state is listed among Ukraine's top ten export/import destinations/origins, which can be explained by the much smaller market size of the other three GUAM countries compared to that of Ukraine. The group of EU-28 is another principle export destination and import origin aside from Russia (see table 4.18 and 4.19).

Ukraine is less affected by a trade imbalance than the other three GUAM member states, as can be seen in table 4.13. Its trade balance is only slightly negative—an unusual, but positive result for a transition state which does not rely on raw material exports.⁶⁵ Until 2006, Ukraine exhibited a positive trade balance, but reached a high deficit in 2008. Projections expect a continuing deficit, but on a much lower level than in Georgia or Moldova. It is still unclear how the political changes in Ukraine in 2014 will affect its trade structure.

Looking at impediments for economic growth (b), Ukraine suffers from two major problems: very high energy and material consumption (combined with low energy efficiency) (Gorobets 2008: 93; Astrov & Havlik 2007: 136) on the one hand and institutional weaknesses on the other (EBRD Transition Report 2010: 152f; EBRD Transition Report 2012: 157). Energy spending (per unit of GDP) is higher than the global average (Patronym & Zhovkva 2010: 36). The major reason for this lies in the inherited Soviet economic structure and Soviet facilities, which are resource intensive and produce high pollution (Gorobets

⁶⁵ Ukraine's trade balance with Europe and the CIS is negative, and positive with Asia and Northern Africa (UN Comtrade 2010).

	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1 st	n/a	Russia	Russia	Russia	Russia	Russia	Russia	Russia	Russia	Russia	Russia
2 nd	n/a	Germany	Germany	Germany	Germany	Germany	China	Germany	China	China	China
3 rd	n/a	Turkey	Turkey	Turkey	Turkey	China	Germany	China	Germany	Germany	Germany
4 th	n/a	China	China	China	China	Poland	Poland	Belarus	Belarus	Poland	Belarus

Table 4.19: Top origins of Ukrainian imports (*Source*: Ukrainian National Statistics). Data for 2014 without the currently occupied territory of the Autonomous Republic Crimea and Sevastopol.

2008: 94). Up to 50 per cent of Ukraine's energy demand is satisfied by gas, coming directly from or via Russia, causing a high dependence of Ukraine on its bigger neighbour (cf. Pleines 2008a: 10). Ukraine's energy dependence comes along with a debt problem with Russia and high inflation (Pleines 2008a: 6; IMF Economic Outlook 2012; cf. also Sewin 2008: 285). Yet, it is a relative dependence, since Ukraine is the most important transit country for Russian hydrocarbons to Europe and will remain so even after the completion of Nord Stream, the construction of South Stream and a developing LNG-market (Götz 2007: 159). Estimates show that Ukraine could become self-sufficient in energy production and consumption.⁶⁶

Institutional weaknesses have already been raised as an impediment to integration in ch. 4.3.2. The Ukrainian economy is characterised by a lack of competition and a 'shadow economy', caused by 'complicated and unproductive business taxation, inefficient budget expenditure and social indifference of the tax payers' (Gorobets 2008: 100; EBRD Transition Report 2010: 152f.). Improving its business environment is one of its major challenges (EBRD Transition Report 2012: 157). Hence, Ukraine could facilitate its economic growth by unilateral actions aimed at improving investment and the business climate, strengthening small and medium-sized enterprises, fighting corruption and ameliorating the effectiveness of government institutions (EBRD Transition Report 2012: 157.; Pleines 2008a: 7). Trade expansion would be interesting on a global scale, but less relevant for GUAM partners.

This brings us to the issue of benefits from GUAM integration for Ukraine (c). Although regional or interstate cooperation generally may facilitate Ukraine's economic growth (cf. Gorobets 2008: 100), GUAM does not seem to be the appropriate framework. Trade statistics show that the three other GUAM members do not play an important role for Ukrainian trade, although Ukraine could easily supply the other

⁶⁶ According to a policy paper from the Ukrainian International Centre for Policy Studies (ICPS), Ukraine could even turn into an energy exporter, if it implemented its own energy strategy (Patronyk & Zhovkva 2010: 21).

three. Due to the small size of the three other markets, the potential positive impact on Ukrainian exports may only be marginal. Instead integration with Russia (due to interdependence and existing mutual trade) or to regional trading blocs like EU-28 or CIS (due to existing mutual trade and sufficient market size) promise positive effects on trade expansion. Still, growth effects depend more on unilateral measures (energy reform and improving business climate), so then trade expansion will come as an epiphenomenon. In addition, the GUAM model is not decisive for strengthening Ukraine's status as a transit hub; funding for transport facilitation has been mainly provided by the European Union, to which the Ukrainian transit corridor is connected.⁶⁷ From an economic point of view, GUAM is only interesting for Ukraine with regard to energy; with Azerbaijan as GUAM participant, Ukraine may benefit from diversifying its own energy imports and strengthen its income and position as an energy transit hub. Again, such cooperation could be realised outside GUAM in a bilateral (either with Azerbaijan or Turkey) or trilateral (with Azerbaijan and Georgia) approach.

4.3.3.4 Moldova

Moldova has experienced a steep decline from the republic with the highest GDP per capita in the entire SU to the poorest country in Europe today (Girbu 2011: 1; Gallina 2006: 14; Hishow 2002: 17). While Moldova was almost without debts at the beginning of the 1990s (ib.), today foreign grants and loans form a great part of the Moldovan budget (about 10% for January-June of 2010) (Girbu & Lozovanu 2010: 2). Presently, two thirds of Moldovan GDP are generated in the service sector, resulting from a growing domestic consumption of imported goods. Moldova cannot rely on raw materials export and shows only a low developed industrial and agriculture sector (Girbu 2011: 3; Petrick 2012: 486f; Gabanyi 2004: 9).

⁶⁷ Ukraine could also benefit from the transit corridor via Russia.

Looking at Moldova's trade structure (a), similarities to Georgia are prevalent. Moldova is a producer of agricultural and food products and an exporter of such products (about 40%) (Girbu 2011: 3; cf. Astrov & Havlik 2007: 137).⁶⁸ About 30 per cent of Moldovan exports are textile commodities, mostly commissioned work for Western companies (Girbu 2011: 3). Imports are dominated by crude related products, manufactured products and machinery and transport (UN Comtrade 2012).

Imports primarily come from the EU-28, which reflects that Moldova is the GUAM member best integrated into the European area. The CIS as a group is the second largest import origin, and Ukraine, Russia and Romania are the most relevant individual import origins for Moldova (cf. table below). Interestingly, Moldova's neighbour, Ukraine is less relevant as an export destination than are non-neighbours Russia or Italy (cf. table below). Keeping in mind that Moldova has not been able to fully recover after the food-embargo imposed by Russia in 2005/06, the continuing top ranking of Russia is revealing (cf. Chivriga 2008: 3; Munteanu 2005: 104ff). Munteanu (2005: 77) claims that Moldova depends completely on Russian products, particularly on oil and gas. Ukraine ranks fourth among Moldova's major export markets of the last few years and is the only GUAM participant among the top ten ranking (Moldovan National Statistics). Taking the EU-28 as a group, major trade is done with the EU, followed by Russia, and then Ukraine to a lesser extent (see table 4.20 and 4.21).

Moldova's trade structure is characterised by a trade deficit, with economists being pessimistic about a reduction of the deficit in the next years. Table 4.13 compares the trade balance of the four GUAM member states. High domestic consumption is, to a large extent,

⁶⁸ Nevertheless, in 2007 Moldova also started to import various food products, while the output of the agricultural sector has stagnated in the last decade (Girbu 2011: 3). Hence, there are concerns that Moldova might turn slowly into a net-importer of agricultural and food products (Chivriga 2008: 3), though figures from 2010 do not substantiate that assumption (UN Comtrade 2010; WTO Trade profile 2010).

	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1st	Russia	Russia	Russia	Russia	Romania	Russia	Russia	Russia	Russia	Russia	Romania
2nd	Romania	Italy	Romania	Ukraine	Russia	Romania	Romania	Romania	Romania	Romania	Russia
3rd	Italy	Romania	Ukraine	Romania	Italy	Italy	Italy	Italy	Italy	Italy	Italy
4th	Germany	Ukraine	Italy	Italy	Ukraine	Ukraine	Ukraine	Ukraine	Ukraine	Ukraine	Germany

Table 4.20: Top destinations for Moldovan exports (*Source: Moldovan National Statistics*).

	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1 st	Romania	Ukraine	Ukraine	Ukraine	Ukraine	Ukraine	Russia	Russia	Russia	Russia	Romania
2 nd	Russia	Russia	Russia	Russia	Russia	Russia	Ukraine	Ukraine	Romania	Romania	Russia
3 rd	Ukraine	Romania	Romania	Romania	Romania	Romania	Romania	Romania	Ukraine	Ukraine	Ukraine
4 th	Germany	Germany	Germany	Germany	Germany	China	China	China	China	China	China

Table 4.21: Top origins of Moldovan imports (*Source: Moldovan National Statistics*).

financed by remittances from abroad (Girbu 2011: 3; Munteanu 2005: 107f; Astrov & Havlik 2007: 136).

Considering impediments for economic development (b), Moldova suffers from four major issues: the Transnistria conflict, transport infrastructure deficits, weak institutions and limited skills availability. With the exception of skills availability, all issues inhibit trade expansion directly. The Transnistrian conflict has increased Moldova's dependence on its Ukrainian neighbour. Ukraine functions as a transit country for Moldovan imports and exports from Russia—including energy trade—and supports the Moldovan government by acting on behalf of the Moldovan customs service on the Moldovan-Ukrainian border, where Transnistria is rejecting Moldovan jurisdiction (Nygren 2008: 100). Moldova's inability to control the Transnistrian territory makes it difficult to pursue a coherent economic policy and affects stability adversely. Moreover, most industrial complexes are situated in the secessionist region, cutting off revenues while simultaneously leaving debts to the Moldovan state (Prohnychki 2012: 509f). Improving transport infrastructure could help facilitate trade with and via Moldova (BEEP survey 2008-09, cited in: EBRD Transition Report 2010: 84). At the moment, however, transaction costs still are considerably high (cf. table 3.1 in ch. 3; EBRD Transition Report 2010: 128f). Reducing corruption and reforming government institutions, particularly bureaucratic impediments, would improve the conditions for doing business (Grau 2012: 508; EBRD Transition Report 2010: 128f).⁶⁹ Limited skills availability is another considerable problem for business activity in Moldova, which demands reforms in the education sector (Grau 2012: 508; according to 2008-9 BEEP Survey from EBRD Transition Report 2010: 84). Reducing the role of the state in economic activities would contribute to a better business environment (cf. EBRD Transition Report 2012: 129).

⁶⁹ Girbu (2011: 2) points to the badly executed privatisation process as one reason for the unsatisfactory economic situation. Privatisation of state assets should be continued (Grau 2012: 508).

Looking at the benefits from GUAM integration (c), Moldova indeed could increase its economic growth by trade expansion, particularly by spurring exports. Due to its small market size, participating in a regional free trade agreement would be an advantage. Yet, it is important to ask whether GUAM represents the appropriate framework. According to trade statistics Moldova should extend trade integration with its direct neighbours and important trading partners Ukraine and Romania, but also with Russia to which it is connected by mutual trade and energy dependence. Additionally, integration with the EU would be an advantage, further allowing access to the European energy and transport network. Moldova already is well integrated into EU structures and procedures on trade and investment (Oprunenco 2010: 3).⁷⁰ Moldova aspires to quick and immediate effects for its economy from the free trade agreement, which is part of the EU Association Agreement initialed in November 2013, and may be even more relevant than actual EU membership (Oprunenco 2010: 3).

Those effects can be assumed to be of much more importance than effects from a GUAM free trade agreement. Furthermore, energy cooperation within GUAM scarcely affects Moldova, because Moldova is restricted by the Soviet pipeline/production system and currently has no LNG-port. Changes would require high investments, which are unlikely to pay-off soon for a small country like Moldova. Moreover, Moldova's energy dependence could be reduced by improving efficiency and integrating into the European energy market (EBRD Transition Report 2012: 129). Also, GUAM's vision of a transit corridor through the Caucasus is marginal for Moldova. Increasing exports to promote economic growth also is a question of domestic production, which is generally very low in Moldova. Skills availability, improving transport

⁷⁰ In contrast to all other CIS-states, Moldova was part of the *Stability Pact for Southeast Europe* (Gabanyi 2004: 14) and enjoys special trade preferences with the EU (Autonomous Trade Preferences, 2008), paying no or a very low customs rate (Diaconu 2008: 325). Moldova also participates in CEFTA (Grau 2012: 505); yet, Chivriga (2008: 4) concludes that Moldova does not take advantage of its international treaties on foreign trade, since there are deficiencies in the implementation and enforcement of agreements.

infrastructure and institutional reform are measures which Moldova could address unilaterally without GUAM.

4.3.3.5 Intraregional Trade

The preceding country analyses indicate that intense trade relations exist between *some* GUAM members, whereas between others they are almost non-existent. The table 4.22 summarises the most relevant traded goods and trading partners of all the GUAM member states. It shows that exported and imported goods among several member states correspond—for example the emphasis on agricultural and food related exports in Moldova and Georgia, and to some extent, Ukraine. Also, all four states are interested in high-tech manufactures and transport which none of them provides. In contrast, Azerbaijan's hydrocarbon exports are interesting for all the other member states.

A detailed analysis of the GUAM share of total exports of each GUAM participant is assumed to exemplify the demand for trade integration within the GUAM framework. Applying 20% as a reference value for trade integration in a region, as suggested by Joseph Nye (1981: 202), GUAM states show insufficient regional trade. Despite considerable trade relations with direct neighbours, overall intraregional trade is low. Although intra-regional trade within the GUAM area has increased since the inception of GUAM, it still is considerably low.⁷¹ In 2006, when GUAM leaders formed the plan for a deeper integration process, GUAM could not be regarded as an integrated region. Moldova and Georgia are the only members showing a two-digit share of GUAM trade in their trade balances (table 4.23), supporting the assumption that particularly small states would benefit from economic integration.

Azerbaijan another small state in GUAM is a hydrocarbon exporter and, thus, a special case, exporting to huge energy consumers

⁷¹ Between 2006 and 2010, intra-regional trade grew more than 82% (imports and exports to and from GUAM participants according to their national statistics).

	Major export goods	Major export destinations	Major import goods	Major import origins
Azerbaijan	mineral fuels and related materials; food and live animals; machinery for transport	Italy (1) France (2) USA (3) Israel (4)	machinery and electrical equipment; transport vehicles and aircraft; iron and steel products; agrarian products like wheat, sugar or tobacco	Russia (1) Turkey (2) Germany (3) Ukraine (4)
Georgia	transport vehicles; metals (scrap); agricultural products (inc. beverages)	Turkey (1) Azerbaijan (2) Armenia (3) USA (4)	fuel and mining products; machinery and transport equipment; agricultural products; manufactures	Turkey (1) Azerbaijan (2) Ukraine (3) Germany (4)
Moldova	Agricultural products (inc. beverages); textiles; machinery and electrical equipment	Russia (1) Romania (2) Italy (3) Ukraine (4)	fuel and mining products; chemical products; machinery and electrical equipment	Ukraine (1) Russia (2) Romania (3) Germany (4)
Ukraine	semi-finished products of iron and non-alloy steel; agricultural products (inc. beverages); machinery and transport equipment	Russia (1) Turkey (2) Italy (3) Poland (4)	fuel and mining products; machinery and transport equipment; chemicals; medicaments	Russia (1) Germany (2) China (3) Turkey (4)

Table 4.22: Overview of most relevant import and export goods as well as export destinations and import origins of the four states, 2000 – 2014 (*Source*: UN Comtrade Data, National Statistics).

	2002	2006	2010	2014
Azerbaijan	4.3	5.1	6.1	2.6
Georgia	12.1	15.6	22.3	24.1
Moldova	9.8	13.0	6.7	5.9
Ukraine	n/a	3.3	3.2	3.4

Table 4.23: Share of exports to GUAM partners in percentage of total exports (*Source*: own estimations based on data from national statistic offices).

	2004-06	2007-09	2010-12	2012-14
Azerbaijan	1 893	4 141	5 312	5 704
Georgia	1 209	2 183	2 838	3 559
Moldova	1 049	1 860	2 349	2 431
Ukraine	1 886	3 092	3 786	3 656
Russia	3 048	5 065	6 533	7 207
Germany	26 400	35 526	39 808	39 356

Table 4.24: Trade per capita in USD (*Source*: WTO data).

worldwide. Ukraine as the biggest economy within the grouping shows the lowest regional trade share, only 2,4% in 2010. Trade intensity also differs among GUAM states, particularly between Azerbaijan and Moldova. Generally, the four states participate only to a limited degree in foreign trade (table 4.24).⁷²

On the one hand, this pledges for general trade expansion, on the other hand, it raises doubts whether trade facilitation should be the chief focus to enhance economic growth. A detailed analysis is required to answer this question thoroughly.

To sum up, despite intense trade relations between some GUAM members, overall trade flows contradict the GUAM format. The matching of the four states appears to be ill-conceived.

⁷² Labour flows also suggest an integration with non-GUAM members. The share of employed persons is rather low among GUAM states (Astrov & Havlik 2008: 132) and labour migration is primarily directed towards Russia (Robson 2006: 21; Grinberg 2005: 3; cf. Zagorski 2005: 68; Göksel 2011: 31).

4.3.4 Summary

Chapter 4.3.1 examined the existence of sufficient mutual trust between GUAM participants along the two criteria of democratic governance and shared socio-cultural factors. Democracies are more trusted to stick to their agreements than non-democracies. Since none of the four GUAM members can be regarded as democratic states in the sense of Western European states, trust can be assumed to be low. Yet, appropriate institutional mechanisms of the GUAM organisation could compensate for such deficits. Drawing on common socio-cultural features, it can be suggested that common values and beliefs among GUAM participants do exist—termed as Soviet legacy. The generation in power during both the initial and consolidation phase of GUAM was socialised in the SU. Despite regional peculiarities among the four GUAM states, the shared beliefs and practices should be regarded as a source for mutual trust. One should bear in mind that those commonalities would apply to all PSS and are not idiosyncratic to GUAM states. Furthermore, with each new generation the common ground for mutual trust is disappearing gradually. Finally, common values stemming from the Soviet past may not always be of a positive nature concerning multilateral cooperation. Even though Soviet legacy has very likely contributed to mutual trust and, thus, has had a facilitating effect on the *emergence* of regional integration, it has inconclusive effects on the *advance* of regional integration. More studies are needed to separate positive and negative effects of Soviet legacy on cooperation for specific time periods.

The chapter on state capacity (4.3.2) has contributed to the second assumption of this dissertation: that GUAM as a development strategy is bound to fail. Previous explanations in RS have centred on the democracy-autocracy and developing-industrialised divide—this argument has been specified with state capacity. The state capacity concept claims that financial and institutional abilities to implement and enforce integration policies as well as to manage negative effects resulting from integration determines the success of regional integration.

Employing the state capacity variable to GUAM member states, it has been shown that each of the four states suffers from deficient state capacity. None of the four states disposes of sufficient financial means to advance regional integration. In addition, all of them show weak political and economic institutions. Institutional weakness has been examined in regard to bureaucracy and human capital, corruption, reliability of political decisions and the judicial framework and enforcement. Hence, it can be concluded that each of the four member states is ill-prepared for integration.

The chapter has also examined the collective preparedness of the four states. Even though GUAM participants may be individually second best candidates for integration, they still may benefit from regional integration, depending on whom they seek as their integration partner. Although the cohesion argument underscores the positive effect of homogeneity among participants, its meaning is reversed for the GUAM case; cohesion in the sense of all participants being equally ill-prepared, affects integration adversely, because individual deficiencies cannot be mitigated by other participants. Neither investments nor the transfer of necessary expertise can be expected from a composition of deficient members only. A leader among GUAM states that could finance and promote regional integration is absent. Thus, individual weaknesses of the member states are not compensated in the grouping. This supports the assumption that GUAM as a development strategy is destined to fail.

Chapter 4.3.3, on demand, demonstrated that complementarity in traded goods is deficient among GUAM participants. This supports the assumption that the composition of GUAM member states is ill-conceived and, thus, bound to fail.

Five statements can be formed on demand for regional economic integration: Firstly, there are intense bilateral trade relations between some, but not all GUAM participants, e. g. between Georgia–Azerbaijan, Moldova–Ukraine and, to a certain degree, Georgia–Ukraine. Secondly, there are intense trade relations between GUAM participants and non-members in the close by neighbourhood, which

are in some cases even more relevant than trade relations with GUAM members. For example, Turkey is an important trading partner and investor for Georgia and Azerbaijan and Russia is an important trading partner for all GUAM states. While Georgia has reduced its trade-relations with Russia, the latter is still the most important trading partner for Ukraine and Moldova. Thirdly, all GUAM members show intense trade relations with regions such as the EU-28 or the CIS, with the EU-28 having gained more relevance in the last few years (cf. Muzaffarli 2008: 24f). The European Union is succeeding the CIS as the most important import-region for GUAM states. Fourthly, trade between GUAM members is considerably low compared to their trade relations with other partners. Trade flow calculations show that all states except Georgia⁷³ trade less than 20% of their total trade with GUAM partners. Fifthly, GUAM members show similarities in their exported and imported goods. Except for Azerbaijan, all of them export agricultural products and therefore can be regarded as competitors. Furthermore, all of them have a demand for high-tech products, which cannot be satisfied within their grouping. Nevertheless, there also are goods within the grouping with considerable demand like Azerbaijani hydrocarbons or Ukrainian steel and coal products. It should be concluded that integration in the current GUAM format is not supported by sufficient demand. There is also good reason to believe that trade facilitation is a second best instrument to spur economic growth for the four member states; unilateral measures promise swifter growth effects.

4.4 Conclusion

The chapter's results have been twofold: Firstly, it has been demonstrated that GUAM is conceptualised as a development strategy and, secondly, the thesis that GUAM's development strategy is bound to fail has been substantiated.

⁷³ Georgia can be regarded as the GUAM member with the greatest share in GUAM trade.

In reference to explanatory approaches from RS, GUAM has been described as a state-led economic integration project, which is employed by its participants as one instrument among other national strategies to advance development—i. e., to increase their national welfare levels.

Development in the wide sense has been delineated as the process of raising the mutual welfare level (ch. 4.1.2). In the narrow sense development has been equated with economic growth. Trade and market liberalisation are still regarded as the standard procedure to attain economic growth. GUAM's economic integration has been conceptualised as a development strategy that goes beyond traditional modernisation ambitions, also embracing disintegration (from a union state/economy) and transformation (changing the economic and political system) (ch. 4.2). This wider development strategy distinguishes GUAM from economic integration projects of non-PSS. Economic objectives have been a corner stone in all GUAM documents (cf. ch. 4.1.1); namely trade liberalisation and facilitating transport have been emphasised and revealed in joint documents such as the GUAM Charters (2001, 2006); particularly the *GUAM Free Trade Agreement* (2002) reflects GUAM's economic integration dimension, strengthened by the *GUAM Sectoral Cooperation Development Strategy* (2007) or the *Decision on GUAM Sectoral Cooperation* (2008). Activities such as the *Agreement on International Multimodal Transportation of Goods* (2007) or various proposals on transport projects in the Caucasus further buttressed the economic integration. Chapter 4.2 has also demonstrated trade expansion as GUAM's standard procedure to attain economic growth, which is also assumed to have positive effects on foreign direct investment and energy supply.

The current state of GUAM has been scrutinised to substantiate the second assumption which states that GUAM as a development strategy is bound to fail, suggesting, on the one hand, that GUAM participants are ill-prepared, and on the other hand, that their configuration has been poorly planned. Mutual trust, state capacity and demand have been determined as principal variables to support these

arguments. Mutual trust is facilitated by similar values and beliefs among integration partners. There are indeed common beliefs and procedures among the four GUAM member states inherited from the SU, which further mutual trust and, thus, facilitate regional integration. Yet, they apply for all PSS and have been gradually vanishing since the collapse of the SU. Moreover, they are also assumed to entail adverse effects for integration, since Soviet practices are not entirely conducive for regional integration. Hence, it can be assumed that shared beliefs and practices from the Soviet past have had a conducive effect on mutual trust and, thus, on the emergence of GUAM, but ambiguous effects for proceeding forward with full GUAM integration. More studies are needed to assess the precise quality of their effect on integration.

State capacity has been understood as the financial and institutional abilities of states to implement, enforce and advance integration policies (ch. 4.3.2). The four states exhibit weak institutional (economic and political) and financial capacities to implement and enforce integration policies, on the one hand, and to manage negative effects from integration, on the other. Each of the four GUAM members should be regarded as unready for the chosen integration model. Employing the leadership as well as the cohesion concepts, it has been demonstrated that individual deficits cumulate to a collective impediment. Without a leader who could provide incentives and push for integration, the GUAM project cannot compensate for the lack of individual state capacity. Moreover, the alleged positive impact of cohesive structures on integration turns into a disadvantage for the case of GUAM. In such a partnership of equally weak states and developing economies deficits exacerbate, turning cohesion into an impediment for economic integration. Thus, as a partnership of weak states only, the composition of GUAM members can be regarded as an ill-conceived one.

This chapter has also scrutinised the demand for integration in regard to the foreign trade flows among GUAM members (ch. 4.3.3).

In general, regional trade of goods within the GUAM zone remains relatively low, despite expansion in the last few years. GUAM members do not trade excessively. Their trade flows are primarily directed outside the GUAM area. Trade flows indicate that some GUAM members are good trading partners. Intense bilateral trade relations continue, for example between Ukraine–Moldova and Azerbaijan–Georgia, and go along with strong trade flows beyond the GUAM area, e. g. to Russia, Turkey or the EU-28. Exported and imported goods of the four states correspond; to a large extent they are not traded within the region. It can be concluded that demand for trade integration is insufficient, supporting the assumption that the composition of GUAM participants affects trade integration adversely. Moreover, there is reason to believe that trade facilitation should not be the number one priority in order to spur economic growth. Unilateral measures to facilitate economic growth should be favoured, since most constraints on economic growth are country specific.

Azerbaijan, Georgia, Moldova and Ukraine initiated GUAM integration to address a wider development concept, which goes beyond modernisation, embracing also disintegration and transformation. The need for this wider concept stems from their common past as Soviet republics. Yet, economic integration in the present GUAM framework is bound to fail in its attempt to promote economic growth, since their weak state capacities and insufficient demand for trade integration makes them deficient partners. While sufficient demand can be regarded as a necessary precondition to attain trade expansion at all, state capacity determines to which extent trade facilitation can be implemented successfully.

Although RS provide convincing arguments to explain GUAM as a development strategy and expound on its deficits, RS could not shed sufficient light on why exactly those four states initiated an integration project when other partners might have been economically more profitable, or why they chose such a comprehensive structure amidst missing progress—to be sure, other theories are needed to complement analysis; they shall be embarked upon in the next chapter.

Chapter 5

The Sovereignty Strategy

Having examined the economic dimension of GUAM in the previous chapter, this part of the dissertation scrutinises the issue of sovereignty. Scholars do not agree on whether to understand GUAM as an economic integration project or as a security-driven project. This chapter argues that GUAM functions as a strategy to strengthen the sovereignty of its participants and thereby, addresses the third assumption of this dissertation: GUAM functions as a sovereignty strategy. Thus, GUAM is less about security and more about sovereignty. Sovereignty is employed as an independent variable which explains the formation of the regional integration project GUAM. The second part of this chapter turns to the fourth and last assumption of this dissertation, arguing that the current GUAM format is inadequate to serve the purpose of sovereignty. Again, sovereignty is conceived of as an independent variable to explain the current state of GUAM. The sovereignty variable is combined with power as an additional explanatory variable contributing to the substantiation of the fourth assumption.

The first section of this chapter (5.1) reveals the difficulties in grasping the phenomenon of state sovereignty: Despite various constraints on sovereignty in our present world, sovereignty is still an issue, particularly if contested. The second section (5.2) sheds light

on the emergence of GUAM, showing why sovereignty is highly valued among the four states and how GUAM is employed to address the sovereignty issue, substantiating the third assumption of this dissertation. In a subsequent step, the third section (5.3) uses sovereignty as a variable to explain the current state of GUAM, enlarging our knowledge on the longevity of GUAM and the obstacles for its becoming a successful regional integration project. All conclusion made in this chapter are based on GUAM documents, GUAM activities and historic events.

5.1 Conceptualising Sovereignty

Sovereignty is one of the core concepts in IR, specifying the ‘rules of engagement’ between actors on the systemic level. It is, however, a contested concept. Debate among IR theorists focuses particularly on the question of whether the sovereign state is a vanishing phenomenon; it is also about *how* sovereignty determines the international system, whether it is a *constitutive* or just a *regulative* principle (cf. Little 2005: 770). Concepts of sovereignty are linked to major schools of IR theory, leaving ‘little neutral ground’ (Falk 2001: 789).

The traditional, Westphalian, sovereignty concept centres around ‘a territorially bounded unit with an inside and outside’, leading to two perspectives on sovereignty (Little 2005: 768; cf. Seidemann 2011: 484). From a domestic perspective, sovereignty means there is one central entity that can exercise authority within the boundaries of a state (Biersteker 2002: 162; cf. also Krasner 1999: 4). It is about the distribution of power within a state (James 1999: 36). Territoriality claims the inviolability of distinct borders that circumscribe the zone of authority—territorial integrity (cf. Biersteker 2002: 157).¹ Authority comprises decision-making competence, on the one hand, and, executing competence of those decisions, on the other (cf. Robertson 2002: 34). Authority is frequently described as *legitimate power* (Hooghe et al. 2010a: 5), based on explicit, accepted rules,

¹ For the origin of territoriality cf. Reinhard Meyers (1995).

on legislation (Max Weber's 'Herrschaft kraft Legalität'), usually in the form of a constitution (cf. Hooghe et al. 2010: 5; Robertson 2002: 34; Kegel & Amal 2008: 212f; McLean & McMillan 2009: 30). Thus, territory and authority are central attributes of the Westphalian sovereignty concept, defining sovereignty as the 'unrestricted governmental authority within territorial boundaries' (Falk 2001: 790f; cf. Biersteker 2002: 162).

From an external perspective, 'sovereignty' is commonly understood as the absence of a higher authority above a state, the independence from external powers. A sovereign state has to be accepted as such by other sovereign states and be perceived as an equal member of the 'international society' (Werner & de Wilde 2001: 307; Little 2005: 769). External sovereignty has been regarded as a prerequisite for internal sovereignty. But this logic also works the other way around: If a state is sovereign and unchallenged within its territory by other authorities, it is independent from other sovereign entities (Werner & de Wilde 2001: 299).² Werner & de Wilde (2001: 290) have shown that one can exist also without the other—domestic sovereignty without external sovereignty—or vice versa. The nexus between the domestic and external dimensions of sovereignty will be especially relevant for the GUAM case.

Today's concept of sovereignty refers primarily to the 19th and 20th centuries and includes attributes like self-determination (choosing one's developmental path and allegiances), equality of states in the international system or the monopoly of legitimate force that have been derived from the Westphalian concept (Little 2005: 773).³ The Soviet definition of sovereignty from 1986 underscores particularly the equality among all states and the right of each state to choose its own future as well as its political system, maintaining also the right of

² In times of transformation of territorial states into national states, the concept of sovereignty was used to deter external claims, e. g. by the church or great powers, on the one hand, and internal claims, e. g. by gentry or guilds, on the other (Seidelmann 2011: 484).

³ External sovereignty is frequently substituted with 'independence' (cf. Gunst 1953: 57f.).

non-interference from other states into domestic affairs. The definition reflects the circumstances of bipolarity and the clash of two different political-economic concepts. The attribute of ‘equality’ is highlighted particularly by smaller states, regardless of their past (Wellershoff 1999: 43). Realist scholars added the category of ‘interdependence [...] which focuses on state control of transborder activities’ (Little 2005: 770). Interdependence has gained importance in the last decades in the form of the attribute of economic sovereignty. Protection from economic penetration is a typical means to secure sovereignty and, in the cases of developing countries, to *create* sovereignty (Seidelmann 1998: 675). However, in times of global, highly liberalised economic activities and interdependence, complete economic sovereignty is a mere fiction (cf. Seidelmann 1998: 676). Nevertheless, economic sovereignty—understood as the degree of dependence on another actor—still plays a significant role for GUAM.

From a legal perspective, sovereignty is closely linked to the definition of a state, an entity that should have ‘a defined territory and population under the control of its government, which has the capacity to engage in relations with other states’ (Heller & Sofaer 2001: 26). The legal vantage point highlights that being sovereign is not only a right⁴, but entails also obligations⁵ that may restrict the sovereignty of states (Heller & Sofaer 2001: 26f).

The divide between theory and practice has led to a critique of the sovereignty concept, which assumes the sovereignty’s decreasing relevance.⁶ The first constraint on state sovereignty has been de-

⁴ Such as the right to its territorial integrity, the right to use force in self-defense, domestic juridical competence, eligibility to the UN and other IGOs. A state becomes a legal person able to own and enter into contracts, diplomatic immunity.

⁵ To respect the same attributes of other states and honour agreements between states.

⁶ Constructivists like Thomas Biersteker point out that sovereignty is a dynamic term, being constructed and deconstructed over time and space, ‘defined, and redefined, by the rules, actions and practices of different agents, including in the case of states, by themselves’ (2002: 157). It is tremendously context dependent.

scribed above as the obligations a state accepts when it becomes sovereign. On the one hand, states are never fully sovereign, because they must exercise their powers ‘without infringing upon the rights of other sovereign state[s]’ (Heller & Sofaer 2001: 30; cf. Seidelmann 2011: 484). On the other hand, states limit their sovereignty voluntarily by international law, adhering to international agreements and conventions (Kegel & Amal 2008: 225f; Little 2005: 770; Heller & Sofaer 2001: 30). This includes integration agreements such as GUAM. Settling such agreements is a power only sovereign states have. Nevertheless, states remain sovereign (Heller & Sofaer 2001: 32).

The second conflict between sovereignty in theory and practice is of a structural nature. The growing economic interdependence in the world economy—often associated with globalisation—has also been mentioned above (cf. Fawcett 2005: 35; Little 2005: 768; Seidelmann 1998: 676; Cunliffe 2007: 53); it is about the general decline of national approaches amid growing interconnectedness as well as denationalised challenges (Zürn 2005) and the increasing relevance of global governance instead (cf. Seidelmann 2011: 489). Yet, having a choice among instruments and partners to react to such denationalised challenges is an expression of sovereignty. A third constraint are violations of sovereignty by other actors of the international system. On the one hand, sovereignty and its recognition are not sacrosanct (Heller & Sofaer 2001: 28). Recognition criteria for new states have changed across time and space and support the assumption of a changing concept of sovereignty (Biersteker 2002: 163). Entities became states while lacking several attributes, whereas others showing all attributes have been denied sovereignty/statehood.⁷

⁷ Robert Jackson (1993: 29) remarks on the contrast between the recognition and the employment of sovereignty. Whereas negative sovereignty means freedom *from* someone—a state being free without fearing interference by others within certain geographic boundaries—positive sovereignty refers to the ability and capacity to make and execute own decisions: freedom *for* something (Jackson 1993: 27ff); a state is then able to use its independence. Only few states, namely developed states, dispose of such positive sovereignty (Jackson 1993: 29). Jackson’s approach resembles the external (negative) - domestic (positive)

There are few cases wherein real full sovereignty is obtained by an entity (Krasner 1999: 220). Stephen Krasner claims that there are no clear waterproof rules of the game, because rules have always been adapted in various cases: ‘There has never been an ideal time during which all, or even most, political entities conformed with all of the characteristics that have been associated with sovereignty - territory, control, recognition, and autonomy.’ (1999: 238).

On the other hand, there are violations of state sovereignty even when states are legally recognised. Despite the emphasis on principles like equality and non-interference, structures of power and dominance characterise the international system and question the supremacy of those principles (Seidemann 2011: 487). Interventions in the third world for the sake of democracy and humanitarian reasons—‘cosmopolitanism’ (Little 2005: 769)—became common in the 20th century (Krasner 1999: 224). Higher estimations of human rights led to ‘a greater willingness to explicitly call into question the right of states to non-intervention’ (Cunliffe 2007: 53). Cunliffe characterises IR after 1990 as the ‘eclipse of the sovereign state’ (ib.). The principle of justice did override the principle of sovereignty (ib.).⁸ Scholars of realism object to the assumption of sovereignty losing relevance; since Westphalia, there have always been violations of the sovereignty principle, thus, it would be premature to claim the end of the sovereign state (Little 2005: 770; Krasner 1999: *passim* 220-238).⁹ Interventions have also been motivated by pure power rationale, as for example during the cold war when the two superpowers had determined they had any right to intervene in any zone of their interest (Little 2005: 771). Realist theorists observe that states remained sovereign only when they were powerful enough or when their independence was accepted as being relevant for the overall balance of power (Little 2005: 771). There seems to be a dividing line between ‘European

dimension.

⁸ This ended with 9/11 and was followed by ‘bringing the state back in’ (Cunliffe 2007: 53ff), giving less reasons for interventions on humanitarian grounds.

⁹ Constructivists agree with realists that violations of sovereignty have been common throughout history. But they reject realism’s conclusion that present violations of sovereignty are exaggerated (Little 2005: 772).

international society' and an 'extra-European order' that operates on different principles (Little 2005: 774). According to Krasner

'... the rulers of more powerful states have used their resources to pressure or compel their weaker counterparts to accept unwanted domestic institutional arrangements. In some cases the targets have had no real choice; for the would-be rulers of new states, the threat of non-recognition has sometimes been the equivalent of 'your money or your life'.' (1999: 224)

Stronger states also employ 'economic sanctions to encourage the rulers of target states to alter their domestic political practices' (Krasner 1999: 224). I will return to the power variable in ch. 5.2.1.

Those constraints on sovereignty make the idea of sovereignty as a constitutive principle in international society difficult to maintain. From the resilience of the sovereignty concept in IR it could be deduced that sovereignty is indeed taken seriously. Nonetheless, parts of sovereignty are ceded when it is deemed necessary, making it nothing more than 'organized hypocrisy' (Krasner 1999: 220). Today, it is widely accepted among scholars that full sovereignty is an illusion; and constraints on sovereignty have even led several scholars to conclude that the sovereign state is in decline (cf. Little 2005: 769). The 'basket' or 'bundle' approach can be understood as an attempt to reconcile *deliberate* restrictions on a state's sovereignty with the continuing existence of sovereign statehood. This approach is particularly interesting for the nexus between sovereignty and integration in this dissertation. In accordance with Max Weber, Krasner (1999: 220) conceives of sovereignty as a 'bundle' of characteristics such as territory, recognition, autonomy and control. He refers to Fowler & Bunck (1995) who first mentioned the term 'bundle' in relation to sovereignty. Little (2005: 770) refers to the same argument as a 'basket approach, with each state's basket containing a distinctive set of sovereign rights'; some of these rights may be transferred to an international organisation, but the status would remain unchanged

and could not be divided (ib.). Thus, as long as a state as such would exist, it would have the possibility to take its own decisions (Werner & de Wilde 2001: 299). As a consequence, a state's attachment to an integration project would be an expression of its sovereignty—it is reversible. Sovereignty is then defined as a status of authority that is linked successfully to a bundle of rights, powers and responsibility (Werner & de Wilde 2001: 299). Werner & de Wilde (2001) assume that Western states embrace such a modern understanding of sovereignty, whereas developing countries usually stick to the traditional Westphalian concept. I will return to the specifics of GUAM states' sovereignty in the next chapter.

Nevertheless, states keep existing as do claims to sovereignty. While adherents of realism suggest that sovereignty would be less an 'institution' of the international system and more a 'cognitive script', telling how to behave in certain situations, constructivists argue that such a view would reduce sovereignty to a *regulative* and not a *constitutive* principle of the international system. Changes of regulative rules change only the terms of the game, whereas changes of constitutive principles would change the nature of the game (Little 2005: 771). Wouter Werner & Jaap de Wilde (2001: 285f), in contrast, propose to understand sovereignty as a speech act and argue that concepts like 'sovereignty' or 'nation' are more defined in the way they are used and applied than in exact words; being context dependent, it becomes an issue if it is contested by internal or external actors (loc.cit.: 307). For Richard Falk (2001: 790f) the concept itself would only be justified in cases where people still struggle for sovereignty.

In this dissertation, it is particularly relevant to grasp sovereignty as a status of authority that is linked to a bundle of rights, powers and obligations. While some components of the bundle can be transferred to a regional or global institution in an integration project, states remain sovereign. The absence of any higher authority for a specific territory remains the core of the sovereignty concept, and is coupled with several amendments such as self-determination and equality. Yet,

in the contemporary world, there are various constraints on state sovereignty that are a product of deliberate action of the sovereign state, such as participation in the world economy or in international agreements, but can also be the result of deliberate violations by other actors of the international system, e. g. by states or international institutions. It is of particular relevance to highlight that constraints on state sovereignty—particularly violations by other actors, mark the difference between *legal* sovereignty, on the one hand, and *practiced* sovereignty, on the other. Legal sovereignty has been delineated above as the international recognition of a sovereign state while practiced sovereignty refers to the behaviour of other states and how they employ legal sovereignty of others in their day-to-day actions. Even though scholars still debate the relevancy of the sovereignty concept for the international system, it undoubtedly remains that sovereignty will always be an issue if contested.

5.2 Explaining the Emergence of GUAM

After discussing over the concept of sovereignty in the previous chapter, this chapter aims at demonstrating the third major assumption of this dissertation: GUAM functions as a a sovereignty strategy. Firstly, previous assumptions linking sovereignty to integration and membership in international organisations will be discussed (ch. 5.2.1), and arguments are provided for why GUAM should not be mixed up with a security motivated organisation. The following two chapters present the two major arguments for the assumption of GUAM being a sovereignty strategy: On the one hand, GUAM states are conceived as young states which highly value their new independence and strive for underscoring it by entering international organisations and forming their own regional organisation. Similar to post-colonial states, sovereignty is asserted primarily towards the former ruling power (ch. 5.2.2). On the other hand, the sovereignty of the four member states is shown to be questioned by Russia (ch. 5.2.3). Russia's refusal to practice the legal sovereignty of the four states in its day-to-day behaviours shall explain the formation of GUAM. This sub-chapter

also offers reasons why exactly those four PSS joined together to form GUAM. Lastly, the two arguments for GUAM as a sovereignty strategy are substantiated by presenting relevant references from GUAM documents and historical examples (ch. 5.2.4).

5.2.1 From Sovereignty to Integration

This chapter gives an overview of existing assumptions that associate sovereignty with participation in and creation of interstate institutions in general and regional integration projects in particular. They form a starting point for substantiating the dissertation's claim that GUAM functions as a sovereignty strategy. The first part of this chapter reiterates three assumptions on sovereignty from previous research. The second part differentiates between sovereignty and security, presenting reasons why GUAM should not be deemed a security-driven organisation.

Let us look first at previous assumptions on sovereignty. The focus will be on young states (a), post-colonial states (b) and power (c).¹⁰ In contrast to ch. 4, where IPE concepts dominated, explanations in this section borrow primarily from IR theory with European integration studies as its sub-discipline.¹¹ In general, developing states use participation in international politics and decision-making processes and a preference for consensus ruling to express their independence and equality as sovereign states in the international system (Acharya & Johnston 2007c: 253). Only sovereign states can enter into interna-

¹⁰ There are also other explanatory approaches to explain regional integration, such as identity construction: Recognizing oneself as being different—being *not* Russian or Soviet—may have been a reason to form GUAM (cf. Fischer 2008: 119). Due to the limited scope of this dissertation, this explanatory approach cannot be considered in detail.

¹¹ IR-theories should not be treated as mutually exclusive, since none of them provides an adequate understanding of why sovereign states seek to participate in regional integration to strengthen their sovereignty. It is neither a new phenomenon, nor a contradiction that states estimate 'soft' issues from a liberal institutionalism stance, while simultaneously applying a realism perspective on 'hard' issues like security or sovereignty.

tional engagements; creation of international organisations is a typical means to secure sovereignty—and in the case of developing countries—for *creating* sovereignty (Seidelmann 1998: 675). Most developing states were newly formed states with young statehood when they started integration projects (a). Young states are believed to employ international agreements as a *legitimising act* to assert statehood (Jupille & Joliff 2010). They usually enter into a nation building process after gaining independence. Young states are believed to estimate sovereignty higher than established states. It can be noted that especially young sovereign states—e.g. developing countries—have a great problem giving up parts of their freshly gained sovereignty in favour of a regional institution (Kühnhardt 2008: 272; Zimmerling 1991: 50). Hence, a project like the EU, which has accumulated considerable sovereignty, cannot be emulated easily; Asian scholars and policymakers stress that the European integration model would not be appropriate for their region, as sovereignty is something quite new there (Acharya & Johnston 2007c: 245). It is a paradox that international agreements or membership in international organisations are seen as curtailing a state's sovereignty (cf. ch. 5.1), while young states are believed to employ such agreements and memberships to enhance their sovereignty (cf. Seidelmann 1998). Although conclusions on the nexus between sovereignty and integration refer primarily to African or Asian projects, it can be suggested that they are also applicable for regional projects among PSS. Lacking experience with modern statehood and new sovereignty has been suggested to thwart regional integration among PSS (Molchanov & Molchanova 2010: 7; Aslund et al. 1999: 223f).

The second assumption on sovereignty has been derived from analysis of de-colonisation processes (b). An analysis of various free trade agreements concludes that states which have been colonies under the same coloniser are more likely to form joint trade agreements (Perju 2009: 1). Studies on former colonial states concluded that they usually combine international recognition with endeavours to strengthen independence from their former colonial power (cf. Seidelmann 1998:

675). Robert Jackson argues that the attribute of self-determination has been particularly relevant for ex-colonial states (cf. Jackson 1993: 190). Self-determination can be assumed to be a pertinent issue for all newly formed states that have disintegrated away from a different country or empire and claim their right to develop independently from the former power centre as in the case of the dissolution of the SU. Scholars like Ludger Kühnhardt (2008: 262) see regional integration as ‘a defensive response to the process of de-colonization’. States, dominated by post-colonial ideologies, strictly adhere to the principle of non-intervention by third parties and are very suspicious about such attempts. They are eager ‘to safeguard their new-found independence and sovereignty’ (Acharya & Johnston 2007b: 18).

Gulbaat Rtskhladze (2007: 95) reveals that it is typical for former colonies to seek ‘maximum distancing from the former metropolitan country (Russia in our case) in all (particularly military and political) spheres’ as a way to manifest the state’s sovereignty. Post-colonial states tend to formulate a ‘more rigid and defensive attitude towards sovereignty’ in the charters of their newly formed international organisations, than does for example the UN. They emphasise categories like equality of member states, non-intervention and respect for territorial integrity (Clapham 1999: 101). Post-colonial states tend to use sovereignty not only as formal recognition of their independent statehood, but also as an instrument to assert ‘unfettered control over their internal affairs, and notably over their own domestic population’ (Clapham 1999: 103).

The third assumption on sovereignty centres on interdependence and power as core categories of realist thought (cf. Grieco 1988: 488): As the key concept in realism, power has also been the central concept to explain regionalism from a political science perspective (cf. Börzel 2012b: 259); and has been often contested as many other core principles in IR have. Power shall be understood for this work’s purposes as a characteristic of social interaction defined by Max Weber with the ability to force one’s will even against resistance within the framework of social relations (Weber 1922: 28). This

principle works also the other way around, describing the ability to resist attempts of others to force their will on one. In the tradition of liberal institutionalism, power shall be understood as a relative value that is compared in relation to others (Viotti & Kauppi 1993: 44). Since power is primarily applied by threatening with economic retaliation in case of defecting behaviour and military strength as the ‘ultima ratio’ that buttresses economic power, economic strength and military strength are regarded as core indicators of power (Pfetsch 1989; Viotti & Kauppi 1993: 45). Power shall not be reduced to a static concept. It is dynamic in the sense that a power is also determined by the willingness of an actor to use it over other actors. That means, a state’s power can be observed by its behaviour in the international system (Viotti & Kauppi 1993: 44).

Traditional hegemonic explanations that conceive of regional integration as a project initiated by a hegemon who wishes to increase its power status or rule without coercion, fail to explain the emergence of GUAM. However, reversing the hegemonic stability approach, a regional integration project is conceptualised as a reaction of smaller states to balance a regional power (cf. Börzel 2012b: 259; Tsantoulis 2009: 247). Dependence on the former colonial power or another hegemon in the respective region shall be reduced, while the power of the newly formed states shall be increased, e. g. by forming a regional organisation (cf. Tsantoulis 2009: 248).¹² Thus, the role of an initiator is shifted from the hegemon towards smaller states in the region which aim at containing the regional hegemon in a non-violent, cost-effective and legitimate manner (Pedersen 2002: 688).¹³ This can be understood as an approach to reduce the risk of sovereignty violations by the regional hegemon. In addition, the power status of

¹² Reducing dependence also includes economic dependence which might turn into a challenge to a state’s sovereignty (Seidelmann 1998: 675). But, of course, asymmetric interdependence is neither a required nor substantive condition for an integration decision (Zimmerling 1991: 222).

¹³ Depending on the issues and circumstances, initiatives for region building may come from various actors and be substantiated with differing arguments. Keohane (1984) claims that with effective institutions in place, international cooperation is also possible *after hegemony*.

regionally integrated states would also change on a global scale: An integration project, especially on an advanced stage, produces its own structures and organs which allow the participating states to speak with one voice and serve as an advocate for the region on the global level (*power sharing*) (Flemens 2007: 16). A region itself is assumed to gain more influence and negotiation power on the global level (Glania & Matthes 2005: 14), thus, reducing again the likelihood of sovereignty violations to its individual members. As such, establishing a regional integration project could be understood to assure the newly gained sovereignty status of each member state with the instrument of power accumulation. Yet, since the four GUAM members would not be able to accumulate sufficient power to challenge their former metropolitan Russia, the validity of the reversed hegemonic approach is in doubt. The next chapters will centre on the sovereignty variable.

In the second part of this chapter a line shall be drawn between sovereignty and security. Although some scholars characterise GUAM as a security-driven organisation (cf. Schmidt 2003: 379; Tolstov 2008: 38), it would be more precise to categorise GUAM as an integration project that aims at strengthening the sovereignty of its members. Security is a contested concept (cf. Art 2001: 757; Kolodziej 2011: 590), but can be understood simply as the absence of a threat ‘to acquired values and the fear that those values will be attacked’ (Mawdsley 2007: 856). Morgenthau’s basic definition of security refers to the maintenance of external sovereignty with features like independence and autonomy of the state in the international system (cf. also Torkunov 2000: 53). Today, scholars use a broader concept of security that transcends the narrow military perspective; the variety of risks have increased in number and type (Wellershoff 1999: 22), and they are not limited to national borders, but ‘are multiple, diffuse, and unpredictable’ (Mawdsley 2007: 856; Wellershoff 1999: 21). Security today is applied commonly as a multidimensional concept (Aydin & Ifantis 2006: 7; cf. Munteanu 2005: 15), including economic, cultural, ecological and demographic challenges. As a consequence, security today is much harder to achieve and is influenced by local and global

forces (Aydin & Ifantis 2006: 7). Constructivists claim that any issue can be *securitised* (Buzan 1991). There is a considerable degree of subjectivity in the term ‘security’; it is about how someone ‘feels’, about ‘perceptions’ of the environment and not how it actually is (Art 2001: 757). Perceptions are objects of change and vary in degree (Mawdsley 2007).

GUAM was conceptualised as a regional integration project in chapter 2.1.1. Employing a narrow security concept that is based on the protection of the state from external military attacks, GUAM is clearly not a security-driven project in the form of an alliance.¹⁴ There is no agreement between the four GUAM members that defines what an ‘aggression’ is or who should be considered an ‘aggressor’, nor is there an agreement that calls for action against a potential aggression. This has been underscored in practice with the passivity of other GUAM members about the brief Georgian-Russian war in 2008. Nevertheless, GUAM defines a status quo, declaring the maintenance of each other’s territorial integrity as one of the highest principles. GUAM is employed to raise international support and assistance against Russia’s policies in a non-military manner (cf. Weitz 2008: 2).¹⁵

GUAM’s demand ‘to stand jointly against common risks and threats to peace, security and stability’ (Baku Declaration, 2007) is rather a moral assurance to its members, standing united against common threats. A wider security concept would also include challenges to the sovereignty of a state that are of a non-military nature. Still,

¹⁴ Realists understand alliances between states primarily as a ‘cooperative security relationship’ (Walt 2001: 23) for the purpose of protecting them from mainly military attacks against their sovereignty. Such forms of cooperation would be temporary until the threat ceases. Alliances aim at military cooperation (Leeds 2005: 9; Schmidt 2000: 135) and differ in their level of institutionalisation (Leeds 2005: 9).

¹⁵ The proposal of a peacekeeping unit has been frequently employed to depict GUAM as a military organisation, but this idea had to be buried since no consensus could be found. For more details see ch. 3.4.2.

GUAM could be called a security organisation only under a lots of provisos. GUAM is not part of a collective defense system like NATO, since it is neither based on a defense agreement nor entertains a joint military programme against external military threats (cf. ch. 3.4.2 for security-related cooperation). The four GUAM members would be unable to mount a sufficient military response to a military attack from their greatest threat, Russia. Instead, GUAM perceives NATO itself as a security provider and each GUAM member seeks membership within it (Strasbourg Declaration, 1997; Batumi Declaration, 2008). Moreover, GUAM is not a part of a collective security system like the UN or the OSCE, both aimed at guaranteeing peace among their member states by determining the rules for the use of violence between them and offering chances for peaceful conflict resolution. Even though GUAM members refer to the UN Charter, the Paris Charter and other international agreements regulating peaceful relations, the four states do not regard each other as potential threats to each other's security which should be managed by a joint institution like GUAM. Neither has GUAM been used as an active forum for solving domestic conflicts of its member states—quite the opposite, GUAM is biased, insisting on non-interference in domestic conflicts and on the indivisibility of their territory (cf. ch. 3.4.2 for conflict related policy approaches).

GUAM should not be confused with a security complex in Barry Buzan's sense (1991: 190). The security of the four participants depends less on each other than on actors outside the GUAM framework, e. g. Russia, or within each member state.¹⁶ Bertil Nygren (2008: 9) sees the sum of all PSS as forming one security complex, with a European, Caucasian and Central Asian sub-complex. Yet, asymmetric security dependence on outsiders does not turn the regional project into a security complex in Buzan's sense.

¹⁶ A security complex could be delineated in the Caucasus between Armenia, Georgia and Azerbaijan (Freitag-Wirringhaus 2008: 54; Eyvazov 2008: 107; Manoli 2011: 104). Also, Moldova can be assumed to form a security complex with Ukraine and possibly with Russia or Romania.

All three assumptions will be scrutinised for the GUAM case in the subsequent chapters (5.2.2 -5.3.4). One has to bear in mind that it is about the situations in which sovereignty is claimed and to whom this claim is addressed and to which normative bases the justifications are related (Werner & de Wilde 2001). Despite debate over the relevance of the sovereignty concept for the international system, sovereignty is always an issue, even if contested (ib.).

5.2.2 Young Statehood and Post-Colonialism

In reference to existing assumptions presented in the previous chapter, this chapter argues that, on the one hand, the four GUAM states are young states with limited experience in independent statehood and, on the other hand, that the four GUAM states can be compared to post-colonial states. Therefore, the following assumptions can be employed for the GUAM case: First of all, sovereignty is of particular importance for young states, secondly that young states are prone to underscore their sovereignty with membership in IGOs and forming their own interstate institutions, and thirdly that post-colonial states underscore their sovereignty particularly in relation to their former power centre.

In a first step, let us look at the young statehood of the four GUAM countries. Azerbaijan, Georgia, Moldova and Ukraine have evolved into new states from the collapse of the SU in 1991. Azerbaijan, Moldova and Ukraine used the Moscow coup in August 1991 as an opportunity to declare their full independence from the SU. Georgia had already gained its independence in April the same year. The four states have been recognised by all relevant actors in the international system. Equally important was the recognition by Russia as the legal successor of the SU, underscoring their independent statehood outside the territory and authority of the former power centre. The four states had never been independent within their present borders before. GUAM's first joint document, the *Strasbourg Communiqué* (1997), emerged after only six years of independence, when the disintegration process of the SU had not even been completed yet. Until today, sev-

eral issues are still debated, for example, the demarcation of borders, Russian military bases or the division of Soviet debts and assets.

As typical for young states, the four GUAM states experienced difficulties of consolidating their domestic sovereignties in the first years of independence. States that suffer from contested domestic sovereignty are believed to compensate for the lack of domestic sovereignty by overemphasising external sovereignty. Disintegrating from the SU and transformation of the governance system demanded a consolidation of domestic sovereignty. The new independent states were characterised by low state capacities and suffered from ‘power struggles between the old elite and national-democratic or nationalist challenges’ (Zürcher 2005: 85). The executive and legislative branches were fighting over power and the development path (liberal reformism vs. conservatism/communism). There have also been debates on identity, since most PSS are a composition of various nationalities within their borders (Gitelman 1994; Barner-Barry & Hody 1995).

All four states had difficulties establishing a functioning and accepted relationship between governing institutions. The Ukrainian parliament debated several years before they were able to agree on a new constitution in 1996. In Azerbaijan, a new constitution was put into action in 1995 after years of turbulence and coups. Georgia, the first of the four countries to depart from the SU, adopted its post-Soviet constitution in 1995 while Moldova had already agreed on a new constitution in 1994.

Rivaling groups debated—sometimes with the use of force—about the future governance model and the distribution of power. In Azerbaijan, the last communist representative, Ayas Mutalibov, had to leave office in 1992 because of pressure from the opposition. The subsequently elected president Abulfaz Elçibey was ousted away in 1993 (Barner-Barry & Hody 1995: 240f). Finally, his successor Haidar Aliev could resist various attempts to oust him from power and consolidate his position, which he later transferred to his son İlham Aliev (Nuriyev 2005: 1). Leonid Kuchma, Ukraine’s first prime

minister and president from 1994-2004, was involved in a fierce power struggle with the newly elected Ukrainian parliament. Moldova's young statehood was troubled less by spats between political rivals than by local minorities. Fear of 'Romanisation' has been the driving moment of Transnistrian and Gagausian separatism (Müller 2012: 23). Both minorities received the right to autonomy in the new constitution and, in its new constitution, Moldova clearly determines its independence not only from the SU, but also from Romania (Barner-Barry & Hody 1995: 248ff). The Gagausian question was settled peacefully in negotiations in 1994-96, amid lessons learned from losing power in Transnistria (Müller 2012: 24). Georgia suffered the most from unconsolidated statehood. In 1991, Sviad Gamsakhurdia was elected president of an independent Georgia (Barner-Barry & Hody 1995: 215). However, his presidency was criticised fiercely and already one year later he was brought down after weeks of violence (*loc.cit.*: 241f; Fuller 1995b: 306f). Clientelism and patronage networks 'were among the most effective informal institutions during the Soviet period, and they retained their function after the collapse of the SU' (Zürcher 2005: 101). The new Georgian parliament lacked the backing of influential networks and, thus, was destined to fail, whereas the new president Gamsakhurdia did not succeed in managing the various networks (Zürcher 2005: 102). As a consequence, Gamskhurdia resorted to nationalism to maintain his position, with disastrous consequences for the Georgian state (Zürcher 2005: 102). The subsequent president Eduard Shevardnadze had to fight the military supporters of Gamsakhurdia who had retreated to Western Georgia. Violent struggles between rival political groups for power in the capital have been coupled with the ethno-political conflict over South Ossetia and the war over the breakaway of Abkhazia (Zürcher 2005: 85).¹⁷ Shevardnadze later succeeded in forming a coalition embracing all relevant politi-

¹⁷ Without a new national army, war and violence came from paramilitary organisations such as part-time volunteer fighters, the newly founded national guard and the 'Mkhedrioni' (the knights). Whereas the national guard was rather indirectly financed by private sponsors, the latter was a union of criminal groups who pursued their business interests with private armies (Zürcher 2005: 104ff).

cal groups and gaining financial assistance from the West, fortifying Georgian statehood piece by piece (Zürcher 2005: 103).

Young states are supposed to legitimise their new sovereignty with membership in IGOs and/or form their own interstate institutions. This supposition should be observed for the GUAM case. The four GUAM states are not only members of post-Soviet organisations, but also of the UN, the OSCE, the Council of Europe, the IMF, to name just a few. Agreeing to such paramount international documents as the UN Charter or the Paris Charter asserts the arrival of the four new states into the international community of independent states. Moreover, referring back to ch. 3.3.1 on the Structure of GUAM, the sophisticated design of GUAM mimics established international governmental organisations such as the UN or EU, reflecting their claim to equality with established states in the international system.¹⁸ It contains not only a council of head of governments but also of foreign ministers, meetings between ministers of respective departments, a parliamentary assembly, an economic council, a business council, etc. The institutional arrangement of GUAM emanates from the principle *function following form*: building institutions first, and giving them work later. Forming their own interstate institutions such as GUAM, can be understood as an even more vivid expression of their new statehood.

Let us now consider the parallel post-colonialism. Independence has been assumed to be crucial particularly for former colonies (cf. Jackson 1993: 190). As Robert Jackson (1993: 198) remarked, former colonies frequently expected independence to be the way to prosperity, to welfare, because most independent states were well off. The SU is frequently presented by scholars as colonial state with the Russian Socialist Republic (Moscow) as its centre. Hence, the dissolution of the SU is described as the break up of a colonial empire (Mcfaul 2002: 215; cf. Bielawski & Halbach 2004: 2), and GUAM states can

¹⁸ Whereas Azerbaijan, Georgia and Moldova became members of the UN in 1992, Ukraine has been a member since 1945.

then be regarded as former colonies.¹⁹ Post-colonial states strive to underscore their new independence particularly towards their former power centre. Considering disintegration in post-Soviet space rather as a de-colonisation process (McFaul 2002: 215), GUAM states could be understood as striving for emancipation from their former colonial power Russia. ‘All republics in Russia’s Near Abroad understand independence as, first and foremost, independence from Russia’ (Coppeters 1998: 200; cf. Spillman et al. 1999: 327). For new states like the four GUAM members, independence had to be ceded *from* Russia, statehood assured *by* Russia. Derivatives of sovereignty like non-intervention, self-determination and equality among states are of particular relevance. Pourchot (2008: 100) highlights that gaining independence from Russia and strengthening sovereignty was for PSS more important than, for example, the democratisation process. Their eagerness to demonstrate their sovereignty specifically from Russia is pronounced by the geographic closeness to the former power centre. Territoriality is of priority importance to states that disintegrate from a former union state as in the case of GUAM participants. Thus, it can be assumed that the four states emphasise traditional attributes of sovereignty such as territorial integrity and the the absence of a higher authority above the state.

Although GUAM members, as other PSS, would benefit from good relations with Russia, they understand independence as an end in itself, meaning first and foremost independence from Russia

¹⁹ Whereas Aslund et al. (1999: 223) conceive of only *some* ‘attributes of a traditional empire’ in the SU, Trenin employs a wider definition of *Soviet Empire*, including also communist satellites like the GDR (Trenin 2011: 2). The SU is frequently described as a ‘multi-ethnic empire unified by powerful political, economic and cultural institutions subjugated to and centered on Moscow’ (Scott 2007: 2), but differs from the Russian Empire by its multiethnic elite (ib.). Mikhail Molchanov (2002: 32) rejects the idea of understanding the SU just as another form of Russian dominance over other nationalities. For definitions of the term *empire* cf. O’Neill 2010: 417. In world politics, *empire* is predominantly applied to the United States, see Sandschneider, Eberhard (ed.) (2007): *Empire*. Baden-Baden; Laxter, James (2001): *Empire*. Toronto; Hardt, Michael and Negri, Antonio (2000): *Empire*. Cambridge (USA).

(Pourchot 2008: 79; Spillman et al. 1999: 327; Alieva 2011: 197; Rzchiladse 2007: 78). At this point, the realist perspective comes in: Dependence on Russia shall be decreased and GUAM states can be assumed to understand the illusion of complete independence. They are prepared to change their dependency on Russia into a dependency on someone else. One example is Ukraine's resistance to sell its pipeline network to Russia, while supporting the creation of a consortium with Russia and Germany as major shareholders who would invest the necessary money for renovation of the pipeline system (Hawrylyshyn 2005: 124). Another example is Ukraine's vacillation between European integration (in the form of an association agreement) and Russian integration (in the form of the Eurasian Customs Union); being generally interested in economic integration, it is a question of who would be the more agreeable partner.²⁰ Georgia accepts its dependence on Azerbaijan and Turkey, but is eager to reduce dependence on Russia as much as possible. Further examples will follow in the course of analysis.

GUAM members maintain an ambivalent relationship with Russia; they waver between the desire to distance themselves, on the one hand, and the acknowledgement of cultural closeness and shared dependencies, on the other, resulting in a difficult and equivocal relationship.²¹ At GUAM's Kyiv meeting (2006) where the new charter had been signed turning the grouping into a regional organisation, the heads of state could not decide on a joint approach towards Russia; some were highlighting the friendship with Russia, some were pointing at the difficulties (Ivshenko 2006: 2).²²

²⁰ Ukrainian vacillation between both integration directions is to a large part a question of the highest price.

²¹ Gerhard Mangott (2007: 262f) perceives disassociation from Russia to be detrimental for post-Soviet states (cf. also Libman 2007: 413). It should be less about separating the identity from 'the other', than about 'inclusive identity-building' (ib.).

²² For Alieva (2011: 204) this inability to develop a common approach towards Russia is one reason for the failure of GUAM itself.

To sum up, Azerbaijan, Georgia, Moldova and Ukraine can be treated as young states lacking experience in independent statehood and suffering from unconsolidated domestic sovereignty. They can also be compared to post-colonial states that strive for distancing themselves from their former power centre Russia. Hence, it can be assumed that the four states value their sovereignty more than other states and very likely use the formation of interstate institutions to legitimise their sovereignty. Moreover, sovereignty attributes of territorial integrity and the absence of any other authority above the state are of particular relevance, but also their derivatives, the principle of non-interference and self-determination. They particularly reject their status as pawns on the grand chessboard of either Russian or American foreign policy and claim their right to follow their own developmental path. At the same time, they are aware of restrictions to their new sovereignty by international agreements and participation in the world economy.

5.2.3 Russia as a Challenge to Sovereignty

After having argued that GUAM states are young states and can be compared to post-colonial states which strive for emphasising their newly gained sovereignty, the argument advanced below centres on the assumption that Azerbaijan, Georgia, Moldova and Ukraine perceive Russia as a considerable challenge to their sovereignty. The argument refers to the assertion, mentioned in chapter 5.1, that sovereignty is usually an issue even if a contested one. This chapter expounds on why GUAM states perceived Russia as a challenge to their sovereignty in order to substantiate the assumption which says that GUAM functions as a sovereignty strategy; it also sheds light on the question of why exactly those four states joined together to form GUAM.

The argument presented below is twofold: Firstly, the fact that Russia only reluctantly let the four GUAM states disintegrate from the SU, and secondly, that Russia did not fully practice the granted sovereignty in its relationships to the four states. A sovereign state

must be *accepted* and *used* by others as such in order to constitute itself as an institutional fact (Werner & de Wilde 2001: 307).

As was shown in ch. 4, all four states are aware of constraints on their sovereignty by international agreements or international economic flows. International agreements are seen rather as a legitimisation of their sovereignty, whereas the exposure to international economic flows affects them less than Western states whose longer histories as sovereign states and market economies has made them more economically and legally integrated into the international political and economic system.²³ GUAM states see their sovereignty as being more threatened by Russia than by globalisation, a possible EU-integration or other binding international agreements (Papava 2008b: 50). Even domestic conflicts within GUAM states are perceived less as an issue with their authority and responsibility than as instruments of Russia to challenge their sovereignty. Neither are weak domestic institutions or cronyism regarded as an equally serious challenge to their sovereignty; it is about *perceptions*. Perceptions do not have to follow facts or logic and perceptions are always open for debate. Nevertheless, Russian challenges to the sovereignty of the four states can be supported by a variety of data.

Let us begin with the first point of Russia's reluctance. Although Russia as the successor of the SU has accepted the *legal status* of sovereignty of the four countries, it did so only reluctantly and challenged their sovereignty by its *practices* throughout the 1990s. Thus, in addition to the legal recognition of their sovereignty, the four states seek *practiced* sovereignty. The experience of Russia granting independence only reluctantly to the new independent states sustained their distrust towards Moscow (cf. Molchanov & Molchanova 2010: 5; cf. Haran 2011: 1). The secession of several Socialist Republics from the SU was understood by the political Russian elite as being treason and not a right (Trenin 2011: 26). Particularly the Ukrainian

²³ For Mikhail Molchanov (2009a: 344) this combination of 'Westphalian' sovereignty perception and the understanding of increasing economic and social interconnectedness constitutes a new type of IR in Eurasia.

political elite led by Leonid Kravchuk received a great part of the blame for the collapse of the SU (Klimin 2009: 96). Putin's famous exclamation that the dissolution of the SU was the biggest tragedy of the last century (Scherrer 2008: 15; Trenin 2011: 27), underlines Russia's continuing hesitation to accept the new situation, to treat PSS as independent countries, as equals in world politics.²⁴ Russia has not fully accepted the sovereignty of PSS (Pourchot 2008: 117) and owing to Russia's reluctance, GUAM members perceive their sovereignty to still be in jeopardy.

One example for Russia's reluctance to let the four states go forth independently, was the coercion into CIS as the succeeding institution of the SU. The inception of the CIS in December 1991 by the three states Russia, Belarus and Ukraine can be regarded as the end of the SU (Barner-Barry & Hody 1995: 269). However, Ukraine perceived the CIS rather as a mechanism to coordinate the dissolution of the USSR, while Russia perceived it as a successor institution (Halbach 1995: 3; Trenin 1998: 10; Aslund et al. 1999: 2). So it was that Ukraine had to learn that crucial issues of disintegration are a bilateral issue with Russia, making the CIS a mechanism of civilised divorce obsolete. An 'Agreement on friendship, cooperation and partnership' between Russia and Ukraine could only be signed in 1997, and was sidelined by a package of further agreements, e. g. on the division of the Black Sea Fleet (Spillman et al. 1999: 327f) and settling the crucial question of the Crimean peninsula (belonging to Ukraine only since 1954) (cf. Pourchot 2008: 93; Felgenhauer 1999: 4).²⁵ Yet, many agreements remain unimplemented (Spillman et al. 1999: 329). Only in 2003 did Putin and Kutchma sign a border limitation treaty,

²⁴ It has to be noted that Putin did not dream of reviving the SU (Trenin 2011: 27).

²⁵ For more about the circumstances of passing the Crimea to the Ukrainian Socialist Republic cf. 'Wie die Krim zur Ukraine kam: Historische Symbolik und Wirtschaft.' Frankfurter Allgemeine Zeitung, 15.03.2014, p.2. There have been administrative justifications for assigning the Crimea to the Ukrainian Socialist Republic, even though the judicial proceeding contradicted the Soviet Constitution. For the new situation with the Crimea see ch. 5.3.2.1

and the question of the demarcation of borders remained unsolved for several sections, e. g. the Kerch Strait in the Sea of Azovsk (Nygren 2008: 56).²⁶ Ukraine never signed the CIS-Charter (Kurtov 2008: 264; Kuzio 2000: 84), neither did Moldova (Eyvazov 2008: 278; Aslund et al. 1999: 9). The *Agreement on the Creation of CIS* received the Ukrainian signature only after many ‘provisos and qualifications that substantially changed its essence’ (Kurtov 2008: 264). Kuzio (2000: 84) asserts—from a theoretical point of view—that Ukraine is not a member of the CIS.

It was Russian pressure that coerced states like Georgia to enter the CIS and the CSTO (Nygren 2008: 120). Russia also used minority conflicts to destabilise Socialist republics that were on the brink of independence, making the consolidation of a new independent statehood rather difficult for the four states. Georgia first resisted and later bargained for CIS membership. During 1992/1993 a civil war erupted in Georgia and the country fell into a state of chaos (Barner-Barry & Hody 1995: 241). Even the newly elected president Eduard Shevardnadze could not restore peace, since he lacked the sources of enforcement. Russia supported the separatist movement in Abkhazia militarily until it traded its support for Georgia’s territorial integrity for Georgia’s CIS membership (Rtskhiladze 2007: 94; Halbach 1995: 3).

In Azerbaijan, the Russian role is more opaque. In 1991, fighting between Soviet troops, Azerbaijani and Armenian forces took place in Nagorno Karabach (Sabanadze 2002: 8). It is difficult to confirm the diverging accounts on the forces that led to the emergence of warfare between 1991-94, but Russia is said to have manipulated ethnic strife (Raptis 1998: 6). Clearly, in the first months of Azerbaijan’s and Armenia’s independence, the remainder of the Soviet army was the only professional military force in the region. Azerbaijan joined the CIS in 1993 as well (Halbach 1995: 3) and reached the withdrawal of Russian troops in the same year (Human Rights Watch 1994: 176).

²⁶ With the annexation of the Crimea to Russia on 18th March 2014, the question of the Kerch Strait became obsolete because it is now surrounded by only Russian territory.

Already in 1990, Moldova declared that the republic's laws stand above the law of the union, including the right to start diplomatic relations with other states (Casu 2012: 115f). Moldova from the beginning was not interested in negotiating and signing a new union treaty between the members of the SU, thus, giving to understand that it had no interest in remaining a member of the SU (Casu 2012: 117). Moldova pledged for 'the same considerations as that of the three Baltic republics, on the grounds that all four have been annexed at the same time by the USSR under the Molotov-Ribbentrop pact of 1939' (Socor 1995a: 185). As other PSS, Moldova opposed Moscow's demand for a referendum on preserving the USSR (Socor 1995a: 196f); Soviet military intervention was used to push for the referendum, but failed to intimidate the electorate (ib.). After Moldova's declaration of independence on the 27th of August 1991, minorities in Gagausia and Transnistria feared romanisation and even an integration of Moldova into Romania (Müller 2012: 23), despite Romania's acceptance of Moldova's independence the same day (Casu 2012: 117f). The 14th Soviet army, stationed in Transnistria, supported the Transnistrian secession movement by training and supplying the newly created Transnistrian forces that overthrew authorities of the Moldovan government in the region (ICG 2003: 3). Yet, it remains unclear to what extent Moscow fully controlled the 14th Army's Tiraspol headquarters and whether the latter 'effectively controlled all its sub-units' (ICG 2003: 4). Russia waited until December the same year to accept Moldova's independence in exchange for Moldova's entrance into the CIS (Casu 2012: 117f).

Having elaborated on the reluctance of Russia to accept the independence of the four GUAM states, let us now turn to the second argument that Russia did not practice the legally granted sovereignty in relation to the four new independent states. The disregard of sovereignty is exemplified in three attributes of sovereignty: (a) self-determination and non-interference as components of undivided authority, (b) equality and (c) territorial integrity.

Self-determination and non-interference (a) are derivatives of the core principle of no other authority being above the state. On the international level, self-determination implies for the young GUAM states the freedom to decide on their allegiances, sign agreements with any state and participate in any integration project they choose. On the domestic level, self-determination is coupled with undivided authority within state borders, allowing the four states to pursue any political regime and economic system they perceive optimal without being accountable to any higher institution or fearing external interference. A state may be obliged to certain agreements or be bound by dependencies on other states; yet, they are not subordinate to any other government than their own.

Russia did not fully adhere to these principles in the years prior to the GUAM initiative. On the one hand, Russia aimed at determining the principle direction of foreign policy of the four states; this refers to integration directions (Europe/Asia vs. Russia) and forming allegiances in the international community. Russian opposition to NATO enlargement, its ambition to embrace all PSS into the CIS, the CSTO or the Eurasian Economic Community are vivid examples. All PSS strived for limiting Russian influence (Parakhonskiy 2008: 108, Jinguo & Zhizhun 2008: 183, Klimin 2009: 274). The wish to get rid of the periphery status was decisively influencing foreign policy formation of PSS and the creation of regional cooperation agreements without Russia (Pourchot 2008: 110). Projects of regional cooperation in post-Soviet space without Russia can be understood as ‘demanding a level of respect in bilateral relations’ (Pourchot 2008: 107). On the other hand, Russia used local conflicts in Azerbaijan, Georgia and Moldova to coerce the three states to its policy objectives, e. g. membership in the CIS or foreign policy preferences. Examples for violations of non-interference follow below in greater detail when it is about ignoring territorial integrity. Interference in domestic issues before 1997 were primarily related to cultural issues of identity with Russia trying to maintain the rights of Russian minorities within GUAM member states.

Another attribute of sovereignty that is relevant for the four states is equality (b) between states on the international level. The four newly formed states oppose the pattern of Russian dominance—or patronage—in its *Near Abroad*.²⁷ Azerbaijan, Georgia, Moldova and Ukraine wish to be on par with their former ruler, but Russia violates the principle of equality by expecting to be the leader among post-Soviet states (Aslund et al. 1999: 2; Piroshkov & Parakhonskiy 1999: 3ff), denying them equality in regional cooperation formats.²⁸ Even before Putin's presidency, all regional arrangements with Russian participation were—intentionally or not—dominated by Russia. It can be grasped as a feature of Russia's general foreign policy approach (Pourchot 2008: 110f).²⁹ Yet, equality is an inherent attribute of sovereignty. Consequently, participation in integration structures, where Russia dominates, is *per se* a threat to the national sovereignties of GUAM states (cf. Coppieters 1998: 200).

The CIS is a good example for the annoyance of most PSS with Russian dominance (Aslund 2009: 1; Aslund et al. 1999: 28f; Piroshkov & Parakhonskiy 1999: 3ff; Pourchot 2008: 110f). Whereas Ukraine, Belarus and other PSS saw the Commonwealth primarily as an instrument for a 'civilised divorce' (cf. Nemyria 2005: 53; cf. Jahn 2007: 37f;), Russia and also Kazakhstan began to view it as a re-integration scheme (Robinson 2004: 182; Piroshkov & Parakhonskiy 1999: 3ff). Right after the break-up of the SU, none of the republics—except for Russia—would have been able to survive on its

²⁷ The term *Near abroad* was coined during Yeltsin's presidency and refers to the Russian principal sphere of interest which embraces all former Soviet states save the Baltic states, revealed in Russia's military doctrine from 1993 (cf. Zagorski 2005: 69; cf. Bremmer & Bailes 1998: 136; Halbach 1995: 3). Malfliet et al. (2007: 3) underscore that Russia not only perceives the entire former Soviet space as its sphere of interest, but it also acts like this.

²⁸ The aversion of PSS to multilateralism may be related to the Russian wish of maintaining the privilege of a weighty voice, the ability to veto decisions it doesn't approve of, as it is used to from its former status as a superpower (cf. United Nations Security Council).

²⁹ Even bilaterally, Russia's foreign policy prompts disappointment over 'neglect of reciprocity and parity in economic and international affairs' (Haran 2011: 1).

own (Japaridze 2008; Aslund et al.1999). Joining the CIS was not so much a nostalgic step as it was a necessity for unraveling the economic dependencies between PSS (Aslund et al. 1999: 2; Trenin 1998: 10; cf. ch. 2.1.2 and 4.2.1). The new independent states also expected Russian assistance with their domestic disintegration movements, but soon understood that neither the CIS nor Russia were poised to do so—on the contrary, Russian initiatives led to more destabilisation and freezing of conflicts (Kuzio 2000: 91; Rtskhiladze 2007: 95). The four states opposed—alone or together—many CIS-decisions (Aslund et al. 1991: 7ff), and all four maintain a cautious policy towards the Commonwealth.³⁰ Particularly after 1994, the reintegration of the former Soviet republics became a corner stone of Russian foreign policy (SVOP 1994: 7). Notwithstanding, the four states shied away from a clear breakup. Only Georgia could finally decide to leave the CIS after the Georgian-Russian war in 2008—having threatened to do so a dozen times before.

The negligence of practiced sovereignty is particularly evident when it comes to territorial integrity (c). Three issue areas constitute a challenge to the territorial integrity of the four states: Russia's hesitation to withdraw its troops from GUAM territories, unresolved territorial questions and Russian involvement in secessionist conflicts within several GUAM countries. The first question of troop deployment had been solved for Azerbaijan in 1994 and for Ukraine in 1997. Soviet troops engaged in Baku in January 1990 on the grounds of 'anti-Armenian progroms' due to escalations in Nagorno Karabakh.³¹ However, in contrast to Georgia or Moldova, all Russian (former

³⁰ The CIS has never been fully embraced by its members. Almost all members opted out of one or more of the CIS-agreements (Aslund et al. 1999: 3).

³¹ The incident was paralleled with Azerbaijan's independence movement. The role of the Soviet/Russian army is still debated among scholars. Whereas Azerbaijan regards the Soviet/Russian intervention as an action to prevent their independence from the SU, Russians argue they acted to protect the Armenian minority in Baku (Fuller 1995a: 165). Götz & Halbach (1995: 18), speak about a military intervention in Baku by Soviet troops just before the opposition movement for an independent AZ gained power in some smaller and bigger towns.

Soviet) troops had been withdrawn from Azerbaijan by 1993. This is assumed to be related to Azerbaijan becoming a member in the CIS the same year and the fact that Azerbaijan's navy is under the command of the CIS (Human Rights Watch 1994: 176). In Ukraine the deployment of Russian troops had been solved in 1997 with the signature of the *Agreement on friendship, cooperation and partnership*, the accompanying *Agreement on BSF* (1997) and the *Agreement on Economic Cooperation* (1998). But Russian troops remain in Moldova and Georgia. I will discuss both cases in detail in ch. 5.3.2.

The second issue area challenging the sovereignty of the four states are unresolved territorial questions. There are still disputes about the demarcation of borders between Russia and the four states. In Georgia, the border of Chechnya, but also the Abkhazian and South Ossetian territorial conflicts in general are debated (cf. Moroney & Konoplyov 2002: 190). Apart from the question of autonomy, Georgia and Russia disagree on the exact border line of both regions. Ukraine signed a border limitation treaty with Russia in 2003 (Nygren 2008: 56). Yet, several demarcation issues remain unsolved, like the Kerch Strait in the Sea of Azovsk or the island of Tuzla. After independence, it took five years of negotiations until the 1997 accords decided over, firstly, the division of the former Soviet BSF, and secondly, the territorial status of the Crimea; lastly, the rent of Sevastopol's port by the Russian BSF (Felgenhauer 1999: 3; cf. Spillman et al. 1999: 330; Pourchot 2008: 93).³² It was crucial for Ukraine to maintain its sovereignty over the Crimea, on the one hand, and to stay firm against perceived Russian dominance, on the other (Felgenhauer 1999: 4). In Azerbaijan, only about 70% of the Russian-Azerbaijani border have been agreed on after its independence (Nygren 2008: 102). Though Moldova shares no border with Russia, Russian involvement in Transnistria impedes a clear border settlement, leaving Moldova's territorial integrity in limbo since the 1990s.

³² Apart from the BSF, there are still small quantities of Russian military in Ukraine. For example, Russia rents two Ukrainian early-warning radar stations (Trenin 2007: 209).

The third issue that challenged the territorial integrity of the GUAM states is interference into domestic conflicts. At the beginning of this chapter, it was outlined how Russia utilised domestic cleavages to inhibit the departure of Moldova and Azerbaijan from the SU. But also in the case of Georgia, it was shown that Russia employed the conflicts to convince the Georgian government of the benefits of a close association with Russia.

In chapter 5.2.2, it was claimed that the four GUAM states are young states and can be compared to post-colonial states, and therefore, are more concerned about their sovereignty than other states. Yet, this is also true for other PSS that are not members of GUAM.³³ Two reasons can be brought forward to explain why exactly those four PSS decided to form a regional grouping: Firstly, all four states experienced at least short phases of independence before becoming part of the SU. Secondly—and more importantly—, all four states have an alternative integration option besides Russia.

In contrast to the Central Asian states, GUAM members can refer to at least a short period of independent statehood (Halbach 1995: 5) and a national consciousness which can form a basis for new statehood, even though the borders in the past cannot be compared to the present officially recognised borders. The First World War (WW I) offered the four states an opportunity to claim independence. In the past, Azerbaijan and Georgia had been conquered either from the Southern direction by the Turks and Persians, or from the North by Tsarist Russia. Azerbaijan experienced a short period of independence between 1918 -1920, before the Bolsheviks took power (Nygren 2008: 110). Georgia also gained independence after WW I, lasting from 1918-1921 (Nygren 2008: 119). The red army conquered Georgia in 1921 and formed one year later the Transcaucasus Republic em-

³³ Uzbekistan had been a passive member of GUAM from 1999-2005, turning GUAM into GUUAM. Its membership was part of its foreign policy towards Russia in the first place and ended when Uzbek-Russian relations became less tense (Goble 2008: 159; Schmidt 2003: 362). Moreover, Uzbekistan was not comfortable with GUAM's relationship to NATO and perceived a growing competition with NIS economic projects (Tolstov 2008: 37).

bracing also Azerbaijan and Armenia, until the three of them became individual Soviet Republics in 1936 (Nygren 2008: 119). Moldova's and Ukraine's independence was much shorter. In December 1917, Moldova proclaimed the Moldovan Democratic Republic, but sold its future to Romania in 1918 to avoid Russian Bolshevism (Müller 2010: 19). Ukraine became independent as a people's republic in January 1918, but was already occupied three months later by Germany and was divided into two parts in 1919. Until 1920, Ukraine experienced civil war and occupation of various war participants. Being an independent Socialist Soviet Republic for one year, the Eastern part of Ukraine was integrated into the SU in 1922, whereas Western Ukraine was divided among Poland, Chekhoslovakia and Romania (Kappeler 1994).

More important for the explanation of why exactly those four states formed GUAM is the fact that the four states do have the option of an alternative integration model (cf. Qoraboyev 2010: 224): Membership—or at least allegiance—with the EU and NATO is possible or at least not entirely impracticable for the four states. GUAM members are engaged in a dialogue with the EU. Heinz Timmermann (2003: 19) discerns an *integration rivalry* between Brussels and Moscow; all of them are part of the Eastern Partnership, the successor of the European Neighbourhood Policy, with three of the four states enrolled in negotiations for an association agreement with the EU. Also, NATO-membership is a realistic option, though not immediately. Belarus and the Central Asian states have no Euro-Atlantic option due to their political regime (Belarus) and/or due to their geographic position (Central Asian states).³⁴ Armenia's exclusion is related to its conflicting relationship with Azerbaijan and its role as a close Russian ally, even though Armenia also enjoys a Euro-Atlantic option. Membership in a new regional integration project may serve as a preparation for future membership in the EU, as Ciuta (2008:

³⁴ Azerbaijan may be as authoritarian as Belarus, but cleavages in domestic politics are less pronounced, spur less Western interest and are accompanied by its significance for European energy security.

134) suggested for the case of the BSEC. However, using regional integration as a learning tool for macro-regional integration causes an ‘institutional reflex’, restricting its own development. Such groupings should ‘not be pushed too hard’, since they are not supposed to turn into a serious alternative to macro-regional integration projects (Ciuta 2008: 135). Choosing another integration path other than the one proposed by Russia is in itself an assertion of sovereignty and a foreign policy agenda independent from Russia conveys sovereignty. Furthermore, the EU and NATO are regarded as sovereignty providers for GUAM states (Strasbourg Declaration, 2007; Batumi Declaration, 2008). This may come across naturally, as they could be perceived as the ‘adversaries’ of Russia. Although membership in both organisations would curtail the sovereignty of the four states—NATO to a lesser extent than the EU—GUAM participants seem to prefer such a limitation of sovereignty compared to the constraints exercised by Russia.³⁵ GUAM lobbies for membership on the one hand, and expresses eligibility by practicing ‘decent cooperative behaviour’ on the other. In this way, it can be understood as an interim mechanism for EU and NATO-membership.

To sum up, it can be concluded that GUAM members understand their sovereignty to be contested by Russia. On the one hand, Russia showed reluctance to let the four states depart from the SU into full independence. On the other hand, Russia did not fully practice sovereignty towards the four states, questioning their right for self-determination, non-interferences, territorial integrity and equality on the international level. Russia claims that the four GUAM states remain in its sphere of interest. In addition, it has been outlined that the four GUAM states dispose of a European and trans-Atlantic integration option and therefore differ from other PSS which underscore their sovereignty.

³⁵ It might also be the case that the four states simply do not realise that Euro-Atlantic integration entails the transfer of parts of their sovereignty.

5.2.4 Sovereignty in GUAM Documents

After having presented the arguments, for why GUAM should be grasped as a sovereignty strategy, this chapter substantiates the assumption with GUAM documents. Sovereignty has been a cornerstone in GUAM's first official documents and never lost momentum in the following years. In the first joint statement, the *Strasbourg Communiqué* (1997), the members reveal their wish for

'... strengthening quadrilateral cooperation for the sake of a stable and secure Europe guided by the principles of respect for sovereignty, territorial integrity, inviolability of state frontiers, mutual respect, cooperation, democracy, supremacy of law, and respect for human rights.' (Strasbourg Communiqué, 1997)

This statement forms the basis for the friendly relationship between the four states and offers insight into their general understanding of interstate relations. The subsequent *Washington Declaration* (1999) is the first official document that refers to GUAM as a cooperative format. With references to key documents of international law, the declaration reiterates principles of sovereignty. It supports the argument presented in chapter 5.2.2 that international agreements are employed by Azerbaijan, Georgia, Moldova and Ukraine, to strengthen their sovereignty. Furthermore, it stresses the high appreciation of sovereignty. The four GUAM states are characterised as sovereign subjects of the international community, highlighting again the grounds for cooperative relations between states:

'Affirming our adherence to the basic norms and principles of international law, strengthened by the Charter of the United Nations and corresponding documents of the OSCE, particularly the respect of sovereignty, territorial integrity, independence of states and inviolability of the internationally recognised borders...' (Washington Declaration, 1999, Preamble)³⁶

³⁶ The *Washington Declaration* (1999) is only available in Russian on GUAM's

GUAM members regard themselves as sovereign and equal actors in the international community. The four states devote themselves to the principles named above, when taking action in the international arena and, thus, delineate a code of conduct for their external relations with the protection of sovereignty at its core.

‘Sharing the objectives for strengthening our independent statehood and gaining stability, security and cooperation in the OSCE-area, free from dividing lines of interest spheres; [...] Emphasising the importance of consolidating efforts for strengthening the regimes of non-proliferation of nuclear and other weapons of mass destruction, and also preventing the deployment of weaponry in conflict zones’ (Washington Declaration, 1999, Preamble)

Apart from a code of conduct, the quotation above underscores the ambition of the four states to pursue their own foreign policy agenda. The Preamble indicates that they accept no higher authority above them except international agreements that shape their actions on the international level, stressing the sovereignty attributes of equality and non-interference. It should also be understood as a remark on Russia’s foreign policy in its *Near Abroad*. On the one hand, they discard the role of being an interest zone of Russian foreign policy. On the other hand, the Preamble indirectly addresses the situation of Russian troop deployments and alleged Russian support of secessionist forces within GUAM states. Later documents endorse this assumption: The *Batumi Declaration* (2008) claims the freedom of choice to follow a deeper European integration (pt. 9-10), which clearly contradicts Russian interests that promote integration within the post-Soviet space. The first GUAM document was issued on the sidelines of an OSCE-meeting in Vienna in 1996/1997 where the question of withdrawing previously Soviet and now Russian troops from GUAM territory was discussed (Japaridze 2007: 2; Tolstov 2008: 35f, Japaridze 2008: 75, Schmidt 2003: 361): This proves their ambition

official website. This and following quotations have been translated by the author.

to set their own foreign policy agenda and, thus, distance themselves from their former power centre Moscow.

Not only do the founding documents of GUAM show a strong sovereignty reference: Almost all later documents follow the lead with the first GUAM Charter declaring that GUAM cooperation is

‘Guided by the provisions of the United Nations Charter, the Helsinki Final Act, the Paris Charter for [a] New Europe and the Charter for European Security of the Organization for Security and Cooperation in Europe’ (Yalta Charter, 2001, Preamble)

This quotation reflects that the GUAM countries perceive themselves as sovereign members of the international system. As such, they form a regional grouping that shall stand in line with other respected international organisations. This supports again the argument that membership in international organisations or international agreements demonstrate sovereignty.

The consolidation of sovereignty, independence and territorial integrity are focal points in GUAM’s *Yalta Charter* and in all other GUAM documents expressing the conviction that regional cooperation would strengthen their individual sovereignty:

‘... regional cooperation [...] may contribute to consolidation of sovereignty, independence and territorial integrity [...] peaceful settlement of conflicts and improve the well-being of their peoples’ (Yalta Charter, 2001, Preamble)

The *Yalta Charter* also names ‘interacting in the framework of international organizations’ as one of the objectives of GUAM cooperation, which is a privilege of only officially recognised sovereign states—underscoring again their sovereignty status by membership in IGOs. The *Strasbourg Communiqué* names the international organisations which should deal with regional and international security, indicating

that the four GUAM countries perceive others as the dominating security providers, instead of GUAM:

‘Leaders of the four nations were unanimous in assessing threats and risks for the European, as well as for the regional securities. They agreed that the process of integration into Trans-Atlantic and European structures could to a considerable extent reduce these threats and risks. In this connection, they underlined the prospects of the four nations cooperation within the framework of the OSCE, other European and Atlantic structures, including the recently established Euro-Atlantic Partnership Council and the Partnership for Peace NATO Program. The Presidents of the four states agreed that such cooperation, as well as the development of a distinctive partnership, like that envisaged in the Charter on a Distinctive Partnership between NATO and Ukraine, could become an important element in strengthening stability, and serve as the basis for a relationship and further development of cooperation between NATO and other countries in the region.’ (Strasbourg Communiqué, 1997)

The Preambles of the *Yalta Charter* and other key documents reiterate GUAM’s code of conduct (cf. Kyiv Charter, 2006; Baku Declaration, 2007). Territorial integrity, independence, self-determination and authority are central issues. Mutual relations shall be guided by:

‘... norms of international law, in particular, on the respect for sovereignty, independence, territorial integrity and non-interference in domestic affairs of the Member States’ (Yalta Charter, 2001, pt. 2)

Interference in domestic affairs is clearly rejected:

‘... the Parties shall develop mutually beneficial cooperation, guided by the principles of respect for sovereignty

and territorial integrity of the states, inviolability of their internationally-recognized borders and non-interference in their internal affairs and other universally recognized principles and norms of international law.' (Kyiv Charter, 2006, art. 2)

GUAM documents underscore the mutual acceptance of sovereignty and the wish to shield their own individual sovereignties. In this sense, GUAM is of a *symbolic* character, reflecting the status of sovereignty of its members, on the one hand, and proposing a code of conduct that delineates how sovereignty should be *practiced*, on the other. GUAM is also employed as an instrument to strengthen sovereignty; this is exemplified in the secessionist conflicts on GUAM territory. Secessionist conflicts within GUAM member states question their territorial integrity and their undivided domestic authority and are, hence, regarded as a threat to their respective sovereignty. Those domestic conflicts are understood to be the culprits for slow advances in democratisation and economic development within GUAM member states.³⁷ Hence, GUAM participants regard the strengthening of their sovereignty as the key to achieve democracy and economic prosperity:

'Emphasizing the fact that unresolved conflicts in some of the GUAM states undermine their sovereignty, territorial integrity and independence, complicate the full-scale implementation of democratic reforms and the economic development of the region, impact adversely on the European integration process, and pose a challenge to the international community' (Chisinau Declaration, 2005, Preamble)

Strengthening sovereignty is primarily directed at Russia. The approach varies between decreasing dependence on Russia, particularly

³⁷ Scrutinising GUAM documents, it became evident that GUAM member states tend to shift the responsibility for domestic failure to external actors, citing either secessionist conflicts, international terrorism or organised crime as the impediments not only for economic development but also for democratisation, with Russia performing as the convenient scapegoat.

economically, and limiting Russian influence in domestic conflicts, including the withdrawal of Russian troops. One example for the latter is GUAM's ambition to raise international awareness and to seek assistance for solving their domestic conflicts:

'[GUAM members] underline the importance of intensifying the concerted efforts by GUUAM states and the international community in resolving the Transnistria problem and the conflicts in Azerbaijan and Georgia on the basis of norms and principles of international law, by reintegrating uncontrolled territories into the states, of which they are a part, and ensuring that various ethnic groups live together in peace within internationally recognized borders of states.' (Chisinau Declaration, 2005, pt. 4)

Other major documents join in:

'[GUAM] Welcome[s] the efforts of [the] international community and stress[es] the importance of providing support to GUAM States in the development and implementation of a comprehensive and consistent strategy for conflict settlement based on the above mentioned principles, including short-term and long-term measures aimed at the achievement and maintenance of lasting peace, security and sustainable development.' (Kyiv Declaration on Conflict Settlement, 2006, pt. 8)

'Expressing deep concern with regard to the ongoing crises and growing security challenges ensuing from international terrorism, aggressive separatism and extremism and other related dangerous crimes, and in this connection drawing attention of the international community to [the] complexity, gravity and scale of these problems encountered by the GUAM States' (Baku Declaration, 2007)

This statement by Secretary General Valeri Chechelashvili on Crimea denounced Russian activities as a violation of international law (Chechelashvili 2014).

Apart from references in their joint documents, GUAM members cooperate on the diplomatic level within the UN. In 2007, they submitted their first joint draft resolution ‘Protracted conflicts in the GUAM area and their implications for international peace, security and development’, pleading for international support:

‘1. Reaffirms its continued support for the sovereignty and territorial integrity of Azerbaijan, Georgia and Moldova and the inviolability of their internationally recognized borders; 2. Calls upon Member States and international and regional organizations and arrangements to effectively contribute, within their competence, to the processes of settlement of conflicts in the GUAM area’³⁸

Moreover, the four states clearly choose neutrality, rejecting any interference in their domestic affairs and acknowledging that each state has to take individual measures to strengthen its authority within its borders. The deployment of troops or deliveries of weaponry to the conflict zones is condemned. In 2006, the four countries issued a declaration on conflict settlement: The preconditions for a peaceful settlement are publicized again, stressing the role of GUAM partners as non-participants. ‘... [The] respect for sovereignty, territorial integrity and inviolability of internationally recognized borders of these states’ (Kyiv Declaration on Conflict Settlement, 2006, pt. 1) are as important as the consensus that the

‘... territory of a state may not be a subject of acquisition or military occupation, resulting from the threat or use of force in breach of the relevant norms of international law. No territorial acquisitions and the resulting

³⁸ *Protracted Conflicts in the GUAM area and their implications for international peace, security and development*, 62nd Session of the General Assembly (<http://bit.ly/1NzFtsI>; last: 15.03.2014).

self-declared entities may be recognized as legal under any circumstances whatsoever' (Kyiv Declaration on Conflict Settlement, 2006, pt. 2)

It is endorsed with 'the obligation of states of non-interference in the affairs of any other state and non-exertion of military, political, economic or any other pressure thereupon.' (The Kyiv Declaration on Conflict Settlement, 2006, pt. 3). However, GUAM is not supposed to take any military action within the conflict zones. Interferences that already took place by the Russian government are also condemned indirectly. Nevertheless, the four states support

'... the importance of demilitarization of conflict zones and establishment of security in these zones with the help of multinational peacemaking forces deployed therein under UN or OSCE auspices for providing conditions for return of population and peaceful coexistence of ethnic communities.' (Kyiv Declaration on Conflict Settlement, 2006, pt. 6)

Concerning the solution of secessionist conflicts, GUAM is employed as a rhetorical instrument only; that is, the grouping does not discern itself as a substitute for ongoing conflict resolution processes:

'[GUAM members] Pledge to support the peaceful initiatives and processes aiming at the resolution of the existing conflicts. In this context they welcome the recent proposals, the peace plan presented by the President of Georgia for South Ossetia autonomy, the continuing of the 'Prague process' of negotiations within the OSCE Minsk group, as well as the appearing during the GUUAM Summit of the proposals of the President of Ukraine and the President of Romania concerning solving of the Transnistrian problem.' (Chisinau Declaration, 2005, pt. 6)

Opposition to Russian interference has been mentioned above. One example is the issue of withdrawing Russian troops from GUAM

territories. The *Chisinau Declaration* endorses the agreements on the withdrawal of Russian troops from GUAM territories which have been reached alongside the OSCE negotiations. The withdrawal is regarded as a central step to strengthen the sovereignty of each GUAM member state:

‘[We] Stress the importance of the Istanbul OSCE Summit in 1999 and appeal to all the OSCE states to undertake all the efforts for the realization by Russia of the approved commitments regarding the entire exclusion of the Russian troops and munitions from the Republic of Moldova and Georgia.’ (Chisinau Declaration, 2005, pt. 5)

Let us turn to the significance of security for GUAM. Sovereignty and security are frequently applied terms in GUAM documents. Yet, analysis shows that GUAM does not perceive itself as a traditional security organisation. Security references in GUAM documents are guided by a wider security concept, viewing GUAM as just another contributor to the overall objective of peace and stability in the international community. Instead, GUAM activity shall ‘...ensure respect for human rights and fundamental freedoms, to assert democratic values, the rule of law, to actively contribute to ensuring international peace, security and stability’ (Batumi Declaration, 2008, pt. 1). This is facilitated through

‘...the important role of GUAM in developing inter-communal and inter-confessional dialogue and protecting the rights of persons belonging to national minorities, strengthening mutual understanding and creating favorable conditions for cohesive development of global and regional security.’ (Batumi Declaration, 2008, pt. 7)

In their reaction to Russian annexation of the Crimea in 2014, the Council of national Coordinators of GUAM emphasised their mission ‘that GUAM member states will continue to insist on the need to respect states’ sovereignty, territorial integrity and internationally

recognised borders as the fundamental principles for maintaining international peace and security' (30th Meeting of the CNC, 11.–12.03.2014).

Even though security has been mentioned widely in the *Washington Declaration*, the declaration does not specify any measures to obtain or strengthen security in the narrow sense. The very general perspective on security is also reflected in later documents. Yet, the intention to cooperate in 'combating international terrorism, organized crime and drug trafficking', does not turn GUAM automatically into a security-driven organisation. For example, when detailing instructions for cooperation, there is nothing about security, but all about economy, technology and science (Yalta Charter, 2001, pt. 3). Nevertheless, GUAM is concerned about various threats to regional as well as international peace and stability, particularly over international terrorism and violence, which they acknowledge to 'pose a threat not only to individuals or states, but to the entire international community', and demand cooperation in fighting terrorism (*Washington Declaration*, 1999, Preamble). The four states underscore their readiness to participate in solving international security issues, such as stopping the further spread of weapons of mass destruction or fighting international terrorism. The *Chisinau Declaration* confirms:

'... the need for further strengthening and enhancement of cooperation of states to counteract international terrorism and extremism and such related negative phenomena as illicit drug trafficking, transnational organized crime, human trafficking, illegal migration, proliferation of weapons of mass destruction, illegal arms trade, money laundering and corruption[. There is a mandate] to implement the Declaration's provisions on concerted efforts to provide stability and security in the region and the Agreement on cooperation among the Governments of the GUUAM member states in the areas of fighting terrorism, organized crime and other dangerous crimes.' (*Chisinau Declaration*, 2005, pt.2)

GUAM expresses its readiness to contribute to international peace and stability. Their enthusiasm is influenced by their domestic conflict zones, which are recognised arenas for the illegal arms trade, organised crime and terrorism. GUAM did take non-military measures in that direction by forming the *Virtual Centre for Law Enforcement*, meant to help pursue transnational crime. The project was strongly supported by the United States, which paid particular attention to GUAM projects that would contribute to combating international crime and terrorism. The *Agreement on Cooperation among the Governments of GUAM Participating States in the Field of Combat Against Terrorism, Organized Crime and Other Dangerous Types of Crimes* (signed 2002, entry into force 25 August 2004) shows that the focus is on increasing domestic security. The member states agreed to consider mutual ‘requests for rendering assistance’ in an ample field of activity such as illegal circulation of arm, narcotics, forged documents, etc. (art. 1 and 2). Today, this field of cooperation remains relevant—information exchange and networking structures have been improved for fighting transnational crime. Cooperation in this area is regarded as a contribution to international security and stability (Preamble).

The security emphasis in the *Washington Declaration* (1999) may be a reflection of its time with the raised awareness of terrorist threats, but does not delineate a tangible security programme for GUAM. The first point of the agreement illustrates that GUAM should be understood as the intention of the four member states to help safeguard stability on a global level, for example, by sending troops to UN-peace missions: ‘strengthening our multilateral cooperation joint actions within the framework of international organisations and fora’ (Washington Declaration, 1999, pt. 1). Again, participating in international peace missions can be understood as an assertion of sovereignty, since only sovereign states are assigned to peace missions under the UN-mandate. GUAM does not pursue an individual security agenda and the *Washington Declaration* does not describe circumstances in which violence may be considered as a means of action; instead, it delineates security-related issue areas which might

benefit from a cooperative approach. The council of the Euro-Atlantic Partnership' and the NATO partnership for peace programmes are identified as appropriate channels for their security issues (Washington Declaration, 1999, pt. 2). The role of a security provider is transferred to other established institutions like NATO and the EU. In the *Strasbourg Declaration* GUAM members agreed '...that the process of integration into Trans-Atlantic and European structures could to a considerable extent reduce [...] threats and risks [to European and regional security]'

Even though domestic conflicts have been determined as threats to the sovereignty of the four states, GUAM members regard peaceful dialogue as the appropriate way to solve their domestic conflicts, rejecting any military action (cf. Washington Declaration, 1999). References to the secessionist conflicts are not supposed to end in military action; instead, the declaration hails the principles of non-interference, territorial integrity, strengthening of state authority within their borders, and, when they refrain from proliferation of weapons in conflict zones, or praise peaceful conflict resolutions (cf. Washington Declaration, 1999, pt. 3). Although the *Washington Declaration* claims to 'deepening practical cooperation aiming at strengthening the peacekeeping potential on the grounds of the respective legal basis' (1999: pt. 4), this point remains equivocal without any substantial suggestions. The suggestion of 'a joint contribution to sustaining peace and stability, affirm[ing] their intention to establish military and political cooperation, including peacekeeping operations' remained a 'determination' (Chisinau Declaration, 2005, pt. 3). GUAM is not a grouping based on military cooperation:

'Having expressed their concern with respect to the long-standing conflicts in Europe, the heads of the four states supported a prompt and peaceful settlement of the unresolved problems. The President unanimously upheld the need for combating aggressive nationalism, separatism, and international terrorism.' (Washington Declaration, 1999)

To sum up, GUAM documents reflect the emphasis on sovereignty: All four members regard GUAM as a demonstration of the fundamental attributes of their sovereignties and the GUAM documents lay down a code of conduct for their external relations designed to showcase how their new sovereignty should be practiced, directed primarily at Russia. GUAM is also an instrument to strengthen the sovereignty of its members by using joint UN drafts to raise international awareness and support for conflict resolution, on the one hand, and the withdrawal of Russian troops, on the other. Although GUAM members are willing to contribute to international peace and stability, GUAM should not be understood as a security-driven organisation.

5.2.5 Summary

This chapter on the emergence of GUAM is based on two arguments that support the assumption of GUAM being a sovereignty strategy: The first argument alludes back to previous conclusions on sovereignty, claiming that young states and post-colonial states care much more about their sovereignty than do established states; they use international agreements and organisations to strengthen their sovereignty. These previous conclusions can be applied to GUAM member states, which are young states with unconsolidated statehood. Moreover, they can be compared to post-colonial states that strive to distance themselves from their former potentate, in this case Russia. Territorial integrity as well as undivided domestic authority are core attributes of their sovereignty concepts, coupled with derivatives such as equality and self-determination; various quotations from GUAM documents have been used to support this point.

The second argument refers to research on sovereignty and the idea that sovereignty—no matter what sovereignty concept states employ—is always an issue if contested, and, as has been shown, the four GUAM states do understand their sovereignty to be contested by their former ruling power, Russia. According to numerous GUAM documents and historical examples from 1991 to 1997, it is clear that the four states put particular emphasis on their individual sovereignties and understand that this is questioned by Russia.

This section on the emergence of GUAM further substantiated that GUAM should be regarded as a sovereignty strategy in the first place and less as a security strategy. Only under the condition of a broad security concept, might GUAM be termed a security-motivated organisation with the survival of its members as independent states as its prime interest—yet, there are no instruments to be found that would follow such a strategy.

5.3 Explaining the State of GUAM

This chapter consists of three parts: The first sub-chapter (ch. 5.3.1) repeats the common ground amongst scholars on sovereignty and integration. It forms an important backdrop to prove the fourth assumption of this dissertation which states that GUAM as a sovereignty strategy is bound to fail. The second part (ch. 5.3.2) will show that sovereignty is still an issue for GUAM states, primarily because Russia still does not practice sovereignty towards the four countries, but also because their domestic sovereignty is still not consolidated. GUAM could neither strengthen the sovereignty of its members nor decrease dependence on Russia. The third part (ch. 5.3.3) will demonstrate that GUAM as a sovereignty strategy is bound to fail due to the unwillingness of GUAM participants to strengthen their regional institution by a transfer of sovereignty, on the one hand, and the deficient member constellation, on the other.

5.3.1 Sovereignty, Power and the Evolution of Integration

The aim of this chapter is to review existing assumptions on sovereignty and integration that are relevant for examining the fourth major assumption of this dissertation. I will firstly reveal, how regionalism scholars see the nexus between sovereignty and integration. Secondly, I will elaborate on the different approaches to integration among states, forming an important backdrop to explain how sovereignty turned into a stumbling block for GUAM. Lastly, this chapter

recalls assumptions from the IR school of realism, underscoring the importance of accumulated power to secure the sovereignty of a grouping.

First of all, the nexus between integration and sovereignty shall be discussed. Since the beginning of studies on European integration, sovereignty has been a core subject of analysis. Ernst B. Haas' revised definition of integration centres on explaining

'...how and why states cease to be wholly sovereign, how and why they voluntarily mingle, merge and mix with their neighbours so as to lose the factual attributes of sovereignty while acquiring new techniques for resolving conflict between themselves' (Haas 1971: 6)

Regionalism scholars adhere to the concept of sovereignty as a bundle or basket of rights and obligations. Sovereignty is circumscribed with the control of certain competences or authorities—i. e. decision-making competence, the creation and subjection to national legislation, or the ability of agenda setting within domestic society.³⁹ The willingness to transfer parts of those competences is paraphrased with the willingness to shift parts of national sovereignty to an intergovernmental or even supranational institution (Zimmerling 1991: 43; Mattli 1999: 41). Decision-making processes in distinctive issue areas have to be opened up in order to include other participants (Hoffmann 2007: 100; Lindberg 1971: 48). Sovereignty transfer is deemed necessary to furnish the regional or global institution with sufficient authority to fulfil its tasks. Highly authoritative institutions can make decisions legally binding for domestic governments even without those government's consent (Cooper et al. 2008: 501). Even economic integration at an advanced stage implies the relinquishment of sovereignty over the national market in order to gain sovereignty

³⁹ Ruth Zimmerling (1991: 43) prefers to apply the term of 'decision-making competence', because, in her view, the transfer of sovereignty is a feature of an already highly integrated region. Sovereignty would be an indicator too strong and too fuzzy to measure levels of institutionalisation (loc.cit.: 47).

over other markets and leave behind the sphere of simple cooperation (Salazar 1986: 280).

Yet, sovereignty never ceases completely in integration projects. Wouter Werner & Jaap de Wilde (2001: 299) maintain that as long as a state as such exists, it has the possibility to take its own decisions. An attachment to an integration project would be done voluntarily and is in itself an expression of sovereignty. Within the joint institution, each participating state has authority, retains it and can, thus, protect its sovereignty. Even if a state would enter into a federation and cease to exist as an independent, sovereign entity, dis-integration processes might take place. It seems a paradox that national sovereignty and domestic institutions usually keep existing—with their claim to undivided domestic authority—despite participation in integration projects (Zimmerling 1991: 49; 125). The bundle approach of sovereignty seems to tackle this paradox.

On the one hand, scholars see the relinquishment of parts of national sovereignty as a core feature of regional integration (cf. Kühnhardt 2008: 261; cf. Haas 1958; cf. Hoffmann 2007; cf. Zimmerling 1991), with ‘... das Ausmaß der zugestandenen Beschränkung der Souveränität als Indikator für den erreichten Stand der Integration’ (Zimmerling 1991: 47).⁴⁰ On the other hand, scholars deem the relinquishment of sovereignty to a regional or global institution necessary to advance with integration. Thus, the ability to hand over control and legislation power—authority—to a joint institutional entity reflects a state’s willingness to proceed with integration on a higher, more institutionalised level (cf. Slocum-Bradley 2008: 241; cf. Zimmerling 1991: 47). The more sovereignty is relinquished, the higher the integration level (Zimmerling 1991: 47).

Scholars suggest that states cede parts of their sovereignty in exchange for certain benefits. Such ‘sovereignty bargains’ suggest

⁴⁰ The transfer of parts of a state’s sovereignty or authority can be regarded as the distinguishing moment between regional integration and regional cooperation (Kegel & Amal 2008: 226; Slocum-Bradley 2008: 241). Such a static view would conceive of integration as a result.

a trade-off between regional integration and the relinquishment of parts of a state's sovereignty (Litfin 1997; cf. also Sridharan 2008). Costs in the form of diminished national policymaking autonomy and power are contrasted with benefits of integration, namely increased national prosperity (cf. Mattli 2000: 150). Apart from prosperity effects, sovereignty bargains may 'increase the influence that any one member has over others, thereby helping it to attain certain policy objectives more directly' (Mattli 2000: 150). As Walter Mattli (2000: 151) points out: 'While sovereignty bargains reconfigure sovereignty, they do not necessarily diminish it; reduced autonomy, for example, may be the price to pay for enhanced control or legitimacy.' Thus, scholars should shed light on the cost-benefit-assessments that states undertake before joining an economic union (ib.). The cost calculus can also be employed for other settings. It can be assumed that the more institutionalised an integration project is, the higher the costs for withdrawing. Hence, states are carefully weighing the anticipated costs and gains of transferring competences to a supranational structure. Yet, this assumption has not been studied thoroughly so far (Scheingold 1981). Cooper et al. (2008: 502) explain the transfer of sovereignty with credibility which participants expect from such a move; vice versa, withdrawing from deep integration entails a considerable loss of that credibility.

Let us now turn to the question of why some states seem to be more willing to transfer parts of their sovereignty than others; whereas some scholars argue with diverging concepts of sovereignty among states (Werner & de Wilde 2001), others emphasise the nexus between domestic and external sovereignty (Seidelmann 1998). The first group claims that in many cases the expectations for integration do not comply with the participant's concept of sovereignty, and this incongruence would lead to imperfect integration results and would demand a change of perceptions of concepts like statehood, sovereignty etc. (Kegel & Amal 2008: 226). Whereas Western states tend to embrace the modern understanding of sovereignty, developing countries usually stick to the Westphalian concept and, hence, would

eschew to forfeit sovereignty (Werner & de Wilde 2001: *passim*). Regional economic and political unions would violate the Westphalian model of sovereignty, even though legal sovereignty still exists, ‘the violation occurs when these unions establish authority structures that supersede territorial boundaries and transgress autonomy by conferring control to supranational actors’ (Mattli 2000: 149). If developing states would adopt their understanding of sovereignty, they might be more willing to participate in advanced integration projects (Werner & de Wilde 2001).

The second group suggests that states which hesitate to shift control and decision-making competences to a higher, intergovernmental or even supranational level, are habitually weak states with non-consolidated domestic authority (Kühnhardt 2008: 272; Aslund et al. 1999: 3; cf. Acharya & Johnston 2007b: 28), whose priority is to consolidate domestic sovereignty. Especially strong states have been the most willing to shift parts of sovereignty to international institutions, such as in the case of the European Central Bank or International Criminal Court (Cooper et al. 2008: 501). The more insecure domestic regimes perceive themselves to be, the less intrusive and effective the regional institution will be (Acharya & Johnston 2007c: 262; Haas 1981: 244). Scholars also link the regime type to a state’s disposition towards ceding sovereignty. Authoritarian regimes are believed to have more problems with giving up sovereignty than democratic regimes (Acharya & Johnston 2007c: 262; Kühnhardt 2008: 271; Zimmerling 1991: 123ff).⁴¹ They habitually aim at centralising governance, eliminating the necessity to share authority (Hooghe et al. 2010: 68). However that does not imply that weak or authoritarian states refrain from integration at all; they tend to eschew power pooling with other governments and pursue participation in low institutionalised integration projects to manifest their respective independence internationally, but with joint institutions that guard their sovereignty (Allison 2003: 39; cf. Kühnhardt 2008: 271 and Aslund et al. 1999). As a result, regional agreements tend to

⁴¹ Some scholars also perceive a relation between presidential regimes and a strong emphasis on national sovereignty (Bach 2005: 172).

not be binding and lack institutional content. Their involvement in regional integration projects may serve other purposes, for example, to increase the ‘domestic power base of the leader’ (Acharya & Johnston 2007b: 28). Regime survival and regime legitimacy play an important role, particularly in developing countries, and influence—or rather abuse—regional institutions (Acharya & Johnston 2007c: 259).

One indicator of the willingness to cede parts of national sovereignty to regional institutions is the institutional design: For example, a consensus-based decision-making process leaves every change up to the participating states themselves and demands thorough negotiations (Acharya & Johnston 2007b: 25; cf. Cooper et al. 2008: 501).⁴²

Let us change the theoretical setting from sovereignty to power as one explanatory variable for the effectiveness of a regional integration project. Referring to power accumulation (ch. 5.2.1), a project fails when the combined power of participants or the power that the regional institution has gained, proves insufficient to reach the objectives of integration participants. Power shall also be applied from another angle: It has been stated that violations of sovereignty have been an instrument of power politics, where stronger states have used their resources ‘to pressure or compel their weaker counterparts to accept unwanted domestic institutional arrangements’ (Krasner 1999: 224). Theorists of realism observe that states remained sovereign only when they were powerful enough or their independence was accepted as being relevant for the balance of power (Little 2005: 771). Hence, the success of regional integration as a sovereignty strategy would be a question of power constellations—the sum of power among integration participants and their support from non-members.

To sum up, the objective of strengthening sovereignty is not easily combined with an integration project. Relinquishment of parts of a state’s sovereignty is necessary to form capable regional institutions

⁴² Acharya & Johnston (2007c: 262) suggest that for developing states domestic weaknesses have a greater impact on institutional design than do external threats.

that will produce the desired results; it is also essential to proceed with the integration project. States seem to accept the transfer of parts of their sovereignty, because they expect certain benefits in return. Thus, it is important to ask whether GUAM promises sufficient enough benefits in exchange for the relinquishment of parts of their national state's sovereignties. Scholars propose either variations of sovereignty concepts or regime-type as explanations for why some states are more prone to cede sovereignty than others. States with authoritarian regimes or unconsolidated domestic sovereignty usually create weak regional institutions. Although conclusions on the nexus between sovereignty and integration have been made primarily in analyses of African or Asian projects, it can be suggested that they are also applicable to the GUAM states. Lastly, the success of a sovereignty strategy is not only a question of sovereignty transfer: It is also related to sufficient power accumulation either within the project or from allies of an integration project.

5.3.2 Continuing Challenges to Sovereignty

This chapter builds on the assumption that sovereignty becomes an issue if it is contested (Werner & de Wilde 2001). This chapter further demonstrates that the sovereignty situation has not improved during GUAM's existence and, therefore, is one reason why the grouping keeps existing.

The four GUAM members perceive their sovereignty as continuously questioned by Russia. With Russian foreign policy sticking to traditional patterns of patronage and inequality towards its neighbours, GUAM states have nourished their distrust towards Russia (cf. Spillman et al. 1999: 327; cf. Devdariani 2005: 153). Sovereignty is also threatened, to a lesser extent, by not fully consolidated domestic sovereignty.

Challenges to sovereignty affect various issue areas (political, economic, cultural) and occur on various agency levels simultaneously: the international as well as the domestic level of each GUAM state (cf. Piroshkov & Parakhonskiy 1999: 3ff; cf. Parakhonskiy 2008: 108). The first four sub-chapters address how Russia questions vari-

ous attributes of sovereignty: territorial integrity, equality and self-determination, domestic authority and economic sovereignty. The last sub-chapter draws on contested domestic authority.

5.3.2.1 Challenging Territorial Integrity

Since territorial integrity and national unity in each GUAM state is challenged by domestic conflicts, the territory-sovereignty nexus becomes more pronounced (cf. Kakachia 2010: 1). Simultaneously, the support for actors within the conflict areas also questions the domestic authority of sovereign states. Consequently, regional cooperation within the GUAM framework developed along lines of territorial integrity first (Alieva 2011: 197; Norling & Nilsson 2008: 204; Schmidt 2003: 379, Skakov 2008: 143; Getmanchuk 2006: 1). GUAM states regard Russian involvement as instrumentalisation of domestic conflicts to perpetuate their underdevelopment and, hence, to preserve their weak power position and degree of dependence on Russia. The presence of Russian troops on the territory of the new states and, thus, the need to restore full sovereignty, was the propelling force for the start of cooperation among the four states and is still not solved completely (cf. Pourchot 2008: 107; cf. Japaridze 2007: 1; cf. Tolstov 2008: 36). Russia's reluctance to withdraw its troops can be understood as a serious disregard of the GUAM states' sovereignties.

On the one hand, Soviet/Russian troops and munition remained in Azerbaijan, Georgia, Moldova and Ukraine after their independence. Their withdrawal was negotiated in various rounds, such as through talks on the adaptation of the CFE treaty or in the OSCE Istanbul summit (1999). The CFE treaty negotiations provided the first setting for consultations within the GUAM format and today, the issue remains prevalent in Moldova and Georgia (Klimin 2009: 274; cf. Gorincioi & Tcaci 2005: 238f; Devdariani 2005: 190ff). The remaining forces limit Moldova's and Georgia's authority over their respective territory. On the other hand, the relationship to Russia is also determined by Russian interference into domestic conflicts of the four states. GUAM members believe that Russia overtly and covertly

supports separatist movements within their states and therefore disregards their territorial integrity and domestic authority (Kuzio 2000: 97; cf. Klimin 2009: 275; Rzchiladse 2007: 71; Nygren 2008: 223). In the cases of Moldova and Georgia, secessionist conflicts and Russian troop deployments are interrelated.

Looking at Moldova, bilateral relations to Russia are centred to a great part on Transnistria (Nygren 2008: 222). Although Vladimir Putin at the beginning of his incumbency seemed very willing to solve the conflict, he would not accept a withdrawal of Russian troops from Transnistria (Nygren 2008: 222). The fact that in Moldova as well as in Georgia troops are engaged in so-called 'peace missions', complicates the situation. Soviet troops supported Transnistria in the 1990s to use it as a means for preventing Moldovan independence (ICG 2003: 3). Boris Asarov (2005: 119), a Transnistrian-based journalist and commentator speaks of 'occupation' of the Eastern part of Moldova by Russian troops. In the 1999 Istanbul agreement, Russia consented to withdraw both from Moldova and Georgia (Löwenhardt 2005: 17). Russian munition was to be withdrawn in 2001, but Transnistria boycotted the respective trains (Nygren 2008: 92). Then, in 2004, it was Russia which claimed that Russian troops should stay as long as munition could not be transported back to Russia (Nygren 2008: 93). Putin later interpreted the agreement as being linked to a solution of the Transnistrian conflict (Nygren 2008: 92f). As a consequence, Russian troops remain to this day (Nygren 2008: 99).

Moldova is also worried about strong Russian military equipment (Klimin 2009: 274). There are munition plants in Transnistria still producing weaponry (Asarov 2005: 123f), and those weapons are assumed to go to criminal gangs and separatists worldwide (Asarov 2005: 138). According to an OSCE report from 2002, 1,500 troops and 21,000 tons of munitions remain in Moldova (Diaconu 2008: 323). The newspaper *Neue Züricher Zeitung* reported in 2012 that there were 1,400 troops of which only 400 were under a peacekeeping mandate. The remaining 1,000 remained stationed in Transnistria to protect Russian munition camps (Hermann 2012: 7).



Figure 5.1: Moldova and the separatist region Transnistria (*Source: author's design*).

Apart from the deployment of Russian military, Moscow also provides for other assistance to Transnistria: It supports the secessionist government financially and grants the local population various advantages like visa-free travel into Russia or organising network meetings (secessionist summits) among separatist governments of various PSS (Bielawski 2004: 6). Transnistria would not be able to survive without Russian economic support (Hermann 2012: 7) nor would South Ossetia (Lynch 2006: 45). Although the CIS agreed to establish economic sanctions on the separatist regions, Russia ignores the decision. Russia claims the role of a mediator for conflict resolution in Transnistria, but lacks the approval of the Moldovan government as a neutral negotiator. Yet, Russia's acceptance of the last election results in Transnistria in 2011, which brought to power the adversary of the Russian-backed candidate, may open a way toward conflict resolution.⁴³

Moldova as well as Georgia are dissatisfied with the Russian peacekeepers (CIS mandate) in their countries (Molchanov & Yevdokimov 2005: 194), who are perceived as biased; both countries aim at internationalising the peacekeepers in Transnistria, Abkhazia and South Ossetia (Kuzio 2000: 91) to reduce tensions and get closer to conflict resolution. Particularly the Crimea annexation and the current Donbass situation in Ukraine has raised fears among Moldovans that the conflict could spread to their country. The Russian military based in Transnistria could easily be used to copy the Crimean annexation.

Russian challenges to Georgia's territorial integrity are comprised of two dimensions: Firstly, Russian troops on Georgian territory via the remaining Soviet military bases and secondly, Russian troops

⁴³ Longtime Transnistrian leader Igor Smirnov resisted Moscow's suggestion to decline participation in the 2011 elections. Only after the devastating results of the first election round did Smirnov withdraw in favor of the other 'Moscow candidate' Kaminski. However, it was the independent candidate Yevgeni Shevchuk, who succeeded despite a smear campaign against him. Russia stated that it is willing to work together with Shevchuk, since the elections had been free and fair (Gamova 2011).

within and support for the separatist regions Abkhazia and South Ossetia. The situation in Georgia is exacerbated due to Georgia's difficulty in effectively controlling its mountainous Northern borders as well as due to armed citizens and criminal groups (Nygren 2008: 224). Sovereignty concerns have been a driving force for the development of regional cooperation separate from Russia (Alieva 2011: 197).

At the beginning of the 1990s, Soviet/Russian forces stayed in Georgia to 'avoid a security vacuum' and to protect the Georgian government (cf. ch. 5.2.2), which was rattled by domestic conflict and civil war (Nygren 2008: 119). In the 1999 Istanbul Agreement Russia agreed to withdraw its four remaining bases in Akhalkalaki, Vaziani, Batumi and Gudauta (Abkhazia) (Löwenhardt 2005: 17; Nygren 2008: 120).⁴⁴ Russia complied with the closure of the Vaziani base. The Gudauta base was reported to have been cleared as well (Halbach 2007a: 2).⁴⁵ The withdrawal of the remaining two bases has slowed down due to increased tensions between Georgia and Russia (Nygren 2008: 223). In a new negotiated agreement in 2005 Russia consented to withdraw from the Akhalkalaki base by the end of 2007 and from the Batumi base by the end of 2008 (Halbach 2007a: 2; Lynch 2006: 46). Russia complied with the agreement ahead of time; since the 13th of November 2007 Georgia has been without Russian military bases except for in the secessionist regions of Abkhazia and South Ossetia (Kakachia 2008: 3). Since then, the Georgian government has aimed at changing the Russian peacekeepers for peacekeepers from other countries.

The case of Abkhazia shares some commonalities with Transnistria in Moldova. Russian/Soviet forces, which had already been in Abkhazia before the conflict started in 1989, sided with the Abk-

⁴⁴ Withdrawal was agreed to proceed in two phases: the first from Vaziani and Gudauta till 2001 and later from Akhalkalaki and Batumi until the end of the year 2008 (Nygren 2008: 131).

⁴⁵ It cannot be confirmed whether Gudauta has actually been closed. In 2000 Russia renamed the military base and turned it into a training base for Russian peacekeepers so Gudauta could not exactly be termed a Russian military base (Nygren 2008:131).



Figure 5.2: Georgia and its district Adjara and the two separatist regions South Ossetia and Abkhazia (*Source: author's design*).

hazian forces during the civil war in 1992-4 (Nygren 2008: 119). Yet, it was the previous Georgian president, Eduard Shevardnadze, who asked Russia for help in establishing a demilitarised zone between Abkhazia and the rest of Georgia (Nygren 2008: 119; Indans 2007: 132). Russian troops are still stationed in Abkhazia and the region can only survive due to Russian assistance.

In South Ossetia it was the first president of independent Georgia, Sviad Gamsakhurdia, who inflamed a violent conflict by lifting the autonomy status of South Ossetia (Popescu 2006: 2; Reisner 2005: 33). Russia negotiated a ceasefire in 1992, but refrained from recognising South Ossetia's declaration of independence (Reisner 2005: 33). The ceasefire resulted in a trilateral peacekeeping force (Russian, Georgian, South Ossetian) under Russian leadership (Popescu 2006: 2, Reisner 2005: 33). Although the OSCE had already acted as an observer (Popescu 2006: 2), Georgia failed to turn the peacekeeping mandate into an official OSCE mandate (Reisner 2005: 33). In 2004, Georgian

president Saakashvili tried to apply his ‘Adzharia strategy’ to South Ossetia and failed boldly (Reisner 2005: 33).⁴⁶ Despite Russia’s initial role as a mediator, Moscow soon began to manipulate the situation and sowed distrust between the conflicting parties. Russia supplied Abkhazia and South Ossetia with weapons, including heavy equipment, expert assistance (training of forces) as well as financial support (McDermott & Morozov 2008: 246; Rzhiladse 2007: 71; Sabanadze 2002: 24; Reisner 2005: 33). The war between Russia and Georgia over South Ossetia in 2008 intensified distrust between the two states. Since then, diplomatic relations between both states are conducted through Swiss representatives. Only a ceasefire could be reached by french mediation (Kakachia 2010: 1) and a peace deal is still missing. Russian troops remain in South Ossetia and its surrounding buffer zone without any time schedule for their withdrawal (Allison 2008: 1159). Moreover, the buffer zone is contested and has been changed single-handedly by Russia (N.N. 2015: 4).

The Russian-Georgian war in 2008 demonstrated how fragile the sovereignty of GUAM member states still is. Russia’s legal recognition of Abkhazia’s and South Ossetia’s sovereignties resurrected fears among many other PSS that embrace former Russian territory and Russian minorities; they became afraid of more cases following this precedent and were proved right with the Crimea case in 2014 and the ongoing destabilization in the Ukrainian Donbass region (Aslund 2009: 1; Allison 2008: 1151).⁴⁷ GUAM was paralysed by the events of 2008

⁴⁶ The region Adzharia (bordering Turkey on the Black sea coast) tried to claim autonomy under its long-lasting governor Aslan Abashidze in early 2004 using the circumstances of the Rose revolution (ICG 2004: 6). Tensions between Abashidze and Saakashvili increased and both sides threatened to use force. Saakashvili won using a mixture of economic blockades, military threats, local protest movements and coercion of Abashidze’s partisans (ICG 2004: 7f).

⁴⁷ The Georgian-Russian war was a sharp cut in the so far good Azerbaijani-Russian-relations (Valiyev 2011: 2). The Azerbaijani public and government fully tolerated Georgia defending its territorial integrity (ib.). Azerbaijan feared a similar Russian manoeuvre in Nagorno Karabakh (ib.). Ukraine shared the same fear with Azerbaijan due to the unclear and unstable domestic political situation in Ukraine and the huge share of ethnic Russians living there (Moshes 2008: 1).

and could not agree on an appropriate reaction to them. At a meeting of representatives of the foreign ministries of the four states, they underscored that conflict resolution should be based on international law and respect for territorial integrity (<http://bit.ly/1TKK6WT>, last: 15.03.2014).⁴⁸ The Russian-Georgian war is an example of GUAM's failure to improve the sovereignty status of its member states. GUAM is in good company with prominent international organisations which were not able to impede the Russian seizure and the secession of South Ossetia that followed.

Due to the common Russian-Georgian border in Russia's volatile Caucasian region, disputes over the respect of Georgian sovereignty have been common. Incidents around the Pankisi gorge during the second Chechen war were perceived by Georgia as violations of its territorial integrity. Russia, in return, claimed the right to control the Russian-Georgian border adjoining Chechnya and to conduct 'preventive strikes against Chechen groups hiding in Georgia' (Zagorski 2005: 70). At the same time, an OSCE border control mission was in place and Americans had trained Georgian special forces to meet the new tasks required to handle illegal border crossings by Chechen refugees and combatants in a barely accessible mountainous area (Zagorski 2005: 70). Yet, Russia did bomb Georgian territory several times in 2001. Today, consolidating its independence and safeguarding its territorial integrity are the most important foreign policy objectives of the Georgian government (Mayer 2007: 6).

Ukraine and Azerbaijan have been less affected by the deployment of Russian troops. Before 2014, Ukraine had been regarded as an irregularity among GUAM members when it came to territorial integrity. Notwithstanding, Ukraine shares the security concerns of

⁴⁸ On the 19th of August 2008, Secretary General Valeri Chechelashvili and the acting Georgian Ambassador to Ukraine, M. Antadze, held a press conference in Kyiv. They provided background information to illustrate the Georgian position in the Russian-Georgian war. Chechelashvili remarked that Russia had lost its credibility as a mediator for conflicts on the Georgian territory (<http://bit.ly/1NLBo35>; last: 25.03.2014.).

the Caucasus, because it is also exposed to ‘separatist trends’ and is bordering unstable Transnistria (Tolipov 2008: 135). Ukrainian independence and territorial integrity had been called ‘irreversible’ (Timmermann 2003: 20); yet, the Crimea remained a hot spot due to the mixture of its large part of Russian population, the presence of the Russian Black Sea Fleet and the desire of the Crimean Tatars for more autonomy within the region. Ethnic Russians in Donbas, Southern Ukraine and the Crimea have been continuously utilised by Russia to influence Ukrainian domestic politics. President Viktor Yanukovich negotiated the *Kharkov Deal* (2010), trading the prolonged rent for Sevastopol with discounts on Russian gas imports.⁴⁹ For Volodymyr Dubovyk (2010: 1) the deal was less about gas and more about the fleet. The gas conditions would be a mere add-up to make the fleet deal more attractive to Ukrainians and the international audience.⁵⁰ Tyler Felgenhauer (1999: 4) claims that after Ukrainian independence ‘Ukraine and Russia could have gone to war over the fleet—not over the actual strategic value of the ships in harbor, but over Ukraine’s desire for complete independence from Russia and for Russia’s want to maintain some control in the Soviet successor states’ (1999: 5). The conflict potential of the BSF issue is difficult to assess; in contrast to the political elite, it has not been perceived as one of the top chal-

⁴⁹ The deal confirmed the lease of the Black Sea military base to Russia for another 25 years in exchange for a decrease in gas prices of 100 USD. It also established a fixed price formula for Russian gas, giving Russia leverage over Ukraine. The deal also included a debt regime (Haran 2011: 2). In April 2014, Russia revoked the gas discount, arguing that the annexation of the Crimea would nullify the Kharkov deal (Balser 2014: 17).

⁵⁰ Dubovyk (2010: 1) argues that military concerns are not the principal motive for Russia since a military base could also be operated from the Russian coast at the Black Sea. It would be about geopolitics in the first place. Russia would aim to stay in a volatile region and weaken Ukraine’s sovereignty (ib.). Dubovyk, however, should bear in mind that the Russian coast of the Black Sea is geographically inadequate for an alternative fleet port; therefore the base on the Crimea is essential for Russia’s access to the Black Sea. Tyler Felgenhauer concurs that, ‘Russia needed the remains of the BSF not for any strategic purpose but as a symbolic instrument to help it reassert power on its southern flank—vis a vis Turkey, the Caucasus, and future Caspian oil flows’ (1999: 4).

lenges for Ukraine by the public (cf. Felgenhauer 1999: 24).⁵¹ Along with the Euro-Maidan movement, the Crimean question re-emerged and within less than a month, on the 16th of March 2014, Ukraine had lost the Crimea to Russia (Ukraine-Analysen 2014b: 26).⁵² Neither the Kyiv interim government nor the UN, OSCE, EU, NATO or any other leading Western countries recognised the annexation to Russia. Even though Russian law which binds the Russian government to defend its citizens abroad is well known among diplomats and scholars of Russian foreign policy, its quick application in the Crimean case took politicians worldwide by surprise. The Russian move signifies how fragile the sovereignty of GUAM members still is. Interestingly, as in the case of Georgia in 2008, Russia tried to demonstrate that its actions were strictly following international law. The assessment of the Crimean annexation for international relations will have to remain outside this dissertation.⁵³ Nonetheless, the Crimean case supports the sovereignty argument for GUAM members: In a snap, a GUAM member—whose sovereignty was regarded as the most secured among

⁵¹ It remains unclear to which extent the presence of the Russian BSF on the Crimea troubles Ukraine and Moldova though (cf. Klimin 2009: 274). From 1992-1997, up until the Friendship Agreement between Russia and Ukraine, there was a joint Russian-Ukrainian Black Sea Fleet in the Crimea. Separation of both fleets and Moscow's renting of the Sevastopol port began only afterwards (Neshitov 2014: 3).

⁵² The *Budapest Memorandum* (1994) between Russia, Ukraine, the US, France and the United Kingdom has been mentioned frequently in relation to the violations of Ukrainian territoriality in the Crimea in 2014. Yet, the memorandum was weak since the beginning—firstly, because the relevant border issues had not yet been solved when the document was signed, and secondly, since the gas wars in 2004-5 had contradicted the ban on economic pressure.

⁵³ Since Russia sees the Kyiv interim government as illegitimate and disagrees with its approach of European integration, it can be suggested that Russia feared that the Kharkov-deal might be questioned. Arguing from a geopolitical perspective, the Russian government was not prepared to risk losing its BSF on the Crimea. The fact that Sevastopol has been incorporated as an individual subject along with the Crimea into the Russian Federation, indicates its relevance. Furthermore, it can be assumed that Russia needed a precedent to put its foot down in its 'Near Abroad' of which it has been excluded and fears losing influence. The Crimea can be regarded as a pawn in the struggle for power in international relations.



Figure 5.3: Ukraine and the disputed peninsula of Crimea (*Source: author's design*).

all GUAM members—suffered a severe violation of its authority and had to surrender part of its territory. As in the Georgian case, GUAM did not react in any military or violent manner to the Crimea situation, which underscores its character as a non-security organisation. The secretary general Valeri Chechelashvili clearly denounced Russian actions as violating principles of international law (Chechelashvili 2014). He reiterated GUAM's position on domestic conflict resolution, emphasising the respect of the inviolability of internationally recognised borders and territorial integrity as well as non-interference. Statements of the individual members vary between strong criticism from Georgia and a more subdued comment from Azerbaijan. The common denominator is the demand for respect of the territorial integrity of all the states (.guam-organization.org).

The annexation of the Crimea was followed by a continuing threat to Ukraine's territorial integrity in the Donbass region in Eastern Ukraine. Russia acknowledges its support for the so-called separatist

movement that strives for independence and has also argued widely for an annexation to the Russian Federation (Ukraine-Analysen 2014a: 32ff). Today, the new Ukrainian government is fighting against a mixture of citizens and mercenaries that rely on Russian financial and military support. Analysts and diplomats alike are unsure about the motives of Russia's policy towards Ukraine. The immediate objectives seem to be, on the one hand, to continue destabilization of Ukraine either by pushing for an abundant federal status or by installing a frozen conflict (Meister 2014b: 12; Wipperfürth 2014: 12). On the other hand, the current Ukrainian government shall be weakened and replaced by a pro-Russian government. Both objectives aim at securing Russian influence on Ukrainian domestic and foreign politics. On a larger scale, Russia intends to prevent a full Western turn by Ukraine (Wipperfürth 2014: 26; Simon 2015: 2). Interestingly, both Stefan Meister (2014b: 13) and Christian Wipperfürth (2014: 26) maintain that an annexation of Donbass would be against Russian interest, because it is simply too expensive. From an international perspective, Russia seems to be interested in securing its current international power status by maintaining its role as the hegemon in post-Soviet space. From a domestic perspective, Russia intends to counterbalance policy models in one of the PSS that would pose as an alternative to Putin's Russia. In order to maintain its domestic power base Vladimir Putin is interested in discrediting all attempts of 'Westernisation'. However, both explanations imply a status of limited sovereignty for Ukraine and underscore why GUAM as a sovereignty strategy keeps existing.

The case of Azerbaijan is again different. On the one hand, agreements with Russia in 2003 and 2004 deepened military cooperation (Nygren 2008: 111f); Russia provides military equipment as well as training facilities for Azerbaijani officers in Russia (Nygren 2008: 112) and at present, Russia rents the Azerbaijani radar station in Gabala (Nygren 2008: 111).⁵⁴ On the other hand, the Nagorno Karabakh conflict stirs discord between both states (Alieva 2011: 197f). Al-

⁵⁴ Talks about the prolongation of the contract after 2012 are continuing.

though Moscow presents itself as a neutral broker, Azerbaijan is deeply worried by Russia becoming increasingly partisan with Armenia, especially by providing Armenia with weaponry (Molchanov & Yevdokimov 2005: 194; Sabanadze 2002: 20). The Armenian occupation of Nagorno Karabakh and its surrounding territories are perceived to have been possible only with Russian support (Raptis 1998: 5). Russia is being frequently accused of employing a strategy of controlled instability in the South Caucasus (Freitag-Wirringhaus 2008: 54f.). There are reports that accuse Russia of eschewing conflict settlement in a move to gain control over energy resources in the region (ib.; Raptis 1998: 17). Various reports indicate that Russia follows a double strategy, supporting either Azerbaijan or Armenia, depending on its own interest at a time (Sabanadze 2002: 20; Lynch 2001: 17). Azerbaijan regards regional cooperation within the GUAM format as an instrument to restore the territorial integrity of Azerbaijan, 'to consolidate post-Soviet independence' (Alieva 2011: 205). The restoration of territorial integrity even dominates over the exploitation of oil and gas reserves on Azerbaijan's foreign policy agenda (Mayer 2007: 1).

Despite various signed documents 'Russia's lacking respect for its neighbors' territorial integrity' remains (Aslund 2009: 1). Russia's challenge to territorial integrity is a violation of external sovereignty. GUAM has been frequently employed for diplomatic consultation and coordination in international organisations to strengthen their status as sovereign states, particularly on territorial issues (cf. Parakhonskiy 2008: 111, Pinzar 2008: 128). GUAM allows for a concerted approach towards Russia, which is perceived as the main obstacle for regional conflict resolution. This multilateral approach in diplomacy is believed to increase the efficacy of each country's national foreign policy and would also strengthen GUAM itself (Chechelashvili 2008: 12).

5.3.2.2 Challenging Equality and Self-Determination

Along with equality, Russian dominance also questions the right of self-determination. Russia's approach to treat the post-Soviet space



Figure 5.4: Azerbaijan, Armenia and the disputed region of Nagorno-Karabakh (Source: author's design).

as its exclusive space of action (cf. Fischer 2014: 1) is an expression of Russian patronage towards the four states. The GUAM states demand the acceptance of their individual foreign policy agendas and Russia continuously disregards their right to choose their own allegiances and their own integration model (Moshes 2010: 1; cf. Tolstov 2008: 34; cf. Malfiet et al. 2007: 3; Fischer 2014: 1). As part of Russia's zone of interest, they are exposed to Russia's interference in their domestic and foreign policies to such an extent that the former Russian defense minister Sergei Ivanov openly threatened Ukraine and Georgia, should they become NATO members (Nygren 2008: 157). Russia was also irritated by the increasing engagement of the US in domestic Georgian affairs (by invitation of the Georgian government) and strictly demanded a prohibition of deployment of foreign forces on Georgian territory (Nygren 2008: 123; Devdariani 2005: 183). Putin's speech at the Munich security conference in 2007 highlighted again its demand for non-interference in Russia's near abroad.⁵⁵ Moscow's

⁵⁵ The original is not accessible anymore, but a summary can be found on <http://bit.ly/1K311kV>; last: 24.04.2014.

actions question the sovereignty of GUAM members, regarding them as not capable of having their own foreign policy approach. Hence, opting for non-Russian integration is one articulation of sovereignty. All GUAM states share the problem of being an interest sphere of both Russia and EU/US (Munteanu 2005: 263). However, the sovereignty of the four states has been challenged by Russia only. Russia is not used to sovereign actions of PSS; if such actions occur, they are associated with manipulation by external actors, strengthening the Russian conviction that PSS are rather the puppets of others (either of the US or EU) (Fischer 2014: 1; Pourchot 2008: 2). Thus, Russia is mixing up ‘sovereign mindedness’ of PSS with being ‘pro-Western’ or ‘anti-Russian’ (Pourchot 2008: 2). Although PSS today are no longer ‘pushover pawns’, Russia is still able to influence the policy agenda of its close neighbours (Moroney & Konoplyov 2002: 180). To the surprise of many analysts, it can even change the facts on the ground—although not entirely. Ukraine and Georgia today are not able to govern their entire territory. In 2014, Russia demonstrated on the Crimea that the self-determination of Ukraine ends where Russian interests are concerned. Only a limited sovereignty for PSS is tolerable; with this, Russia rejects the principle of equality among states.

GUAM members follow an ambivalent bilateral policy towards Russia. Ukraine, for example, is fully aware that it needs a consensus with Russia for its Western integration; thus, good and stable relations with Russia are essential (Fischer 2008: 122). This is one reason for President Yanukovich’s hesitation to ratify the EU Association Agreement. Yet, it fears Russian dominance due to its strong dependence (Molchanov & Molchanova 2010: 7; Coppieters 1998: 199; cf. Piroshkov & Parakhonskiy 1999: 3ff). Russian pressure, in form of sudden trade barriers for Ukrainian products, signaled that Russia prefers Ukrainian membership in its customs union instead of a Ukrainian free trade agreement with the EU.⁵⁶ Moldovans are divided

⁵⁶ With the so called ‘chocolate war’ in 2013, Russia stopped all imports of Ukrainian sweets (Ukraine-Analysen 2013b).

whether to denounce Russia as an occupant or to cooperate cordially (Munteanu 2005: 262) and Azerbaijan practices a multi-vector policy similar to Ukraine's (Valiyev 2011: 7), avoiding a critique of Russian domestic policy in order to prevent any 'colour revolutions' at home or abroad (Freitag-Wirminghaus 2008: 67). Yet, Russia's 'taking sides' in Armenia deeply disturbs Baku (Valiyev 2011: 7). The divided approach can also be perceived in Georgia, where, despite playing a heavy anti-Russian rhetoric, Russian investment is welcome as are Russian citizens (Papava 2009: 199; Rtskhiladze 2007: 96). Leaving Georgia aside, most PSS were interested in and did pursue good relations with Russia, despite simultaneous intentions to get closer to the Euro-Atlantic community (Pourchot 2008: 111). This bifurcation seems to be characteristic of all for the unhappy marriages between the post-Soviet states and Russia—neither complete isolation nor equally beneficial cooperation seems possible. Although Russian intervention into Georgia in 2008 and the annexation of the Crimea in 2014 was a great shock to all PSS, they fear less their complete annexation to a Greater Russian Federation, than of becoming a puppet state—a quasi-sovereignty (cf. Hawrylyshyn 2005: 119). This anxiety is furthered by the Russian shift toward economic assertiveness, creating a combined threat to political *and* economic sovereignty (Pourchot 2008: 2; Hawrylyshyn 2005: 119; cf. chapter 8.3.4). For Ruslan Grinberg (2003: 345), Russia's size is the main obstacle for any integration project in post-Soviet space: Due to Russia's immense proportions, equality among partners is difficult. Neither does Russia want to subordinate to a majority of minor states, nor do PSS want to be dominated by Russia (ib.).⁵⁷ The fear of Russian 'empire ambitions' caused the defection of other PSS and ensued a greater emphasis on sovereignty (Grinberg 2005: 6). This may shed some light on the popularity of bilateralism among the PSS.

⁵⁷ This problem was addressed by regionalism scholars with the demand for cohesion of the political and economic system. It poses also a problem for governance within Russia itself.

5.3.2.3 Challenging Domestic Authority

Russia questions the sovereignty of GUAM members by interfering into domestic affairs. As such, Russia violates the core principle of sovereignty: the absence of a higher authority above the state. Russia is taking advantage of weak domestic governance within GUAM states. A vivid example of interfering into domestic affairs is Russia's taking sides in national elections. During presidential elections in Ukraine in 2004, Russia overtly supported presidential candidate Viktor Yanukovich, Leonid Kuchma's designated successor (Zagorski 2005: 75; Trenin 2007: 200). Moscow denounced accusations of election fraud, when Ukrainians took to the streets to protest the 2004 results (Trenin 2007: 201). In Georgia, Russia has been accused of financing political groups opposing the Georgian government of Mikhail Saakashvili (Nodia 2007: 17). In Moldova, the communist party and their pro-Russian candidate Vladimir Voronin could count on Moscow's approval (Vrabie 2012: 370). The case of Azerbaijan differs; since neither Vladimir Putin nor Ilham Aliiev are interested in weakening their domestic power base by democratisation, both endorse each other's authoritarian governments (Nygren 2008: 113; Pleines & Schröder 2005: 28). Russia supports Azerbaijan in elections, and confirms them to have been carried out according to the law (cf. Babajew 2007: 58f). Nevertheless, bilateral relations are far from being harmonious. Azerbaijan was deeply disappointed by Russian resistance to crucial infrastructure projects within its country, like the BTC pipeline or the Baku-Supsa pipeline (Valiyev 2011: 1; Zagorski 2005: 70). Azerbaijan is also irritated by Russian resistance to clear the Caspian Sea status, which impedes bringing Caspian gas into Europe (Valiyev 2011: 1; Zagorski 2005: 70). Moreover, Baku still remembers Boris Yeltsin's pressure to join Russian-led regional institutions as well as the first Chechen war, which saw most Azeris on the Chechen side (Valiyev 2011: 2).⁵⁸ Finally, the Russian-Georgian war

⁵⁸ During the second Chechen war, Azerbaijan supported Russia and in return, Russian business men increased their activity in Azerbaijan (Valiyev 2011: 2). Nevertheless, Baku shares with Tbilisi objections against Russia's Caucasus policy (Mayer 2007: 8).

questioned Russia's role as a neutral broker in the Nagorno Karabakh conflict (Valiyev 2011: 1).

Cultural debates have been a frequent issue in bilateral relations between Russia and, for example, Moldova or Ukraine, which have a considerable amount of ethnic Russians.⁵⁹ In addition, Russia frequently uses the protection of Russian citizens abroad to justify its interference into other states (cf. Allison 2008: 1166; Fischer 2014: 2; Halbach 1995: 3). But it is also concerned about the *russkoyazychnye* (Russian speakers) in general, which induces a special Russian interest into its neighbours' affairs every time remainders of Russian culture are affected (Lam 2007: 4f). A serious threat to the sovereignty of the GUAM states has been the deliberate dissemination of Russian passports to residents outside Russian borders, increasing, thus, its leverage over its neighbours. This has been reported primarily in the Georgian exclaves of Abkhazia and South Ossetia (Littlefield 2009; Nygren 2008: 246; Rzhiladse 2007: 72; Devdariani 2005: 177), but also in Transnistria (Allison 2008: 1167; Popescu 2006: 5).⁶⁰ It came to no one's surprise that one of the explanations the Russian government provided for its invasion in the South Ossetian region in 2008 was to protect its citizens abroad (Allison 2008: 1152; Mühlfried 2010: 8f). In addition, historical events are being reassessed and often lead to new interpretations by the newly independent states, criticising the role of Tsarist or Soviet Russia and causing anger and opposition in Moscow (cf. Gallina 2006: 14; Bugajski et al. 2008: 21). However, Kitty Lam (2007: 19) hesitates to view language debates as a leverage of Russian foreign policy towards Moldova or Ukraine; she maintains that Russian interference should be regarded as coming from Russia's search for its own identity. Vice versa, strengthening

⁵⁹ Ukraine entails the largest Russian-speaking population outside Russian borders (Trenin 2007: 199). The Russian Orthodox Church 'regard[s] Ukraine, alongside with Russia itself and Belarus, as an inviolable part of its 'canonical territory'' (Trenin 2007: 199).

⁶⁰ Restrictive visa-regimes are an additional constraint. For example, in 2001 Russia introduced an obligatory visa for Georgian citizens, but excluded Abkhazian people (Popescu 2006: 5).

the Romanian-Moldovan language was part of Moldova's nation and identity building process (Büscher 1996: 77)—the government was interested in ensuring the rights of Russian speakers to offer Russia no justification to intervene. Moldova's language policy in the first years of its independence have been approved by delegations from the Council of Europe, the UN and the OSCE (Socor 1995b: 341). Recent events in Ukraine weaken Lam's argument though: After the Kyiv interim government, which was installed after the insurrection on the 22nd of February 2014, reduced the Russian language from an official to a regional language (Malygina 2014: 5), Russia spurred fears among ethnic Russians in Ukraine that their cultural heritage, the 'Russian way of life' would be in danger (Malygina 2014: 4).⁶¹ The language debate has been employed as a justification to occupy and annex the Crimea and promote the separatist movement in Ukraine's Donbass region. On the Crimea, the discrimination against Ukrainian passport holders right after the referendum aimed at cementing the annexation and installing leverage for future debates on the status of the Crimea.⁶²

5.3.2.4 Challenging Economic Sovereignty

This chapter focuses on Russian challenges to the economic sovereignty of the four GUAM states. The first part of this sub-chapter addresses the relationship of dependence between the four states and Russia, with the energy sector as a special case. The second part focuses on the shift in Russia's foreign policy during Vladimir Putin's incumbency towards more assertiveness in relations with the four GUAM members. It will be argued that this shift increased fears for

⁶¹ A real danger to Russian nationals in the form of a humanitarian crisis or a genocide that would justify R2P measures under international law did not exist at the time.

⁶² Disinformation campaigns—i. e. the dissemination of wrong or biased information through media channels—particularly TV—also question domestic sovereignty. Russian media, which is widely consumed in GUAM countries, has been frequently employed to spur discord (cf. Malygina 2014: 5; Heller 2014: 2). Yet, this dimension has to remain outside of this dissertation due to its limited scope.

sovereignty violations, firstly, by the growing use of economic leverage for political objectives and, secondly, by Russia's new integration approach.

Let us begin with a look at the relationship of dependence between Russia and the four GUAM states. Interdependent relationships, particularly in the world economy, are nothing new. GUAM members depend on Russia economically in various sectors and in varying degrees (cf. Piroshkov & Parakhonskiy 1999: 3ff; cf. Fischer 2008: 122; cf. Löwenhardt 2005: 19) and dependence affects all three economic factors—labour, capital and goods.

The smaller GUAM participants of Georgia, Moldova and Azerbaijan benefit from labour migration to the Russian market and the ensuing income from remittances (Valiyev 2011: 1; Devdariani 2005: 198; Zagorski 2005: 68). All four depend on trade with Russia, namely imports (cf. Vinokurov et al. 2009: 119). Russian investment dominates in the financial sector among all PSS, which are habitually shunned by Western investors (cf. Prohntichi 2005: 108; Pourchot 2008: 102; cf. Nygren 2008: 221). But dependence continues also concerning the debts of the GUAM states to Russia (cf. Aslund et al. 1999: 54). Most debts of PSS originated in the beginning of the 1990s and are related to energy imports from Russia (passim Hishow 2002).⁶³ At the end of the year 2013, Putin granted Janukovich's government a new credit; when as an outcome of the Euro-Maidan movement a new Ukrainian government had been installed, Russia stopped the credit payment as well as the gas discounts that went along with it. Russia also uses its position as the biggest lender to Ukraine to block a new debt agreement that would allow the new Ukrainian government to receive additional financial support from the IMF. In addition, Russian investments in strategic sectors, such as in pipelines, telecommunication, electricity or banking, increase

⁶³ For example, Ukraine's economic situation in general and the trade relationship with Russia deteriorated due to a debt crisis. Barter trades were common in the 1990s between the PSS and have been only slowly replaced by monetary transactions (Astrov & Havlik 2007: 128ff).

the dependence of the GUAM countries on Russia (Dubovyk 2010: 2; Nygren 2008: 151; Rtskhiladze 2007: 96). Particularly Ukraine's huge industrial sector is tightly interwoven with the Russian one, making complete independence impossible. Some experts (Hishow 2002: 8) even fear that the Ukrainian economy may become completely dependent upon Russia, and that such economic dependency would effect political sovereignty as well. As Spillman et al. (1999: 331) has noted, that 'Ukraine catches cold, if Russia sneezes'. Nevertheless, one has to bear in mind that Ukraine also cooperates with Russia in the military-industrial sector, particularly in the production of military equipment, construction of airplanes, and in space exploration, underlining again the mutual dependency of the two, which is not paralleled by other GUAM participants (Hawrylyshyn 2005: 119; cf. Trenin 2007: 209).

The GUAM states are concerned for their sovereignty, because economic dependence favours Russia, their former metropolitan centre. It is an asymmetric dependence and economic dependence on Russia is strongest in the energy sector: Without securing energy distribution, no national economy is able to survive; it is a prerequisite for economic development (cf. Hallaert et al. 2011: 63) and, thus, for national sovereignty (Pourchot 2008: 79; Abdelal 2002: 2; Hishow 2002: 7). Russia is the most important energy resource distributor to the CIS states, an important transit country, but at the same time also consuming the transit services of its neighbours (Grinberg 2005: 8f; Aslund et al. 1999: 55). Moscow allowed the usage of its pipelines for other than Russian hydrocarbons only to a small extent, maintaining the traditional relationship of dependence and enforcing the development of various new pipeline projects in the region (Aslund et al. 1999: 53). Although Georgeta Pourchot (2008: 79) speaks of a mutually dependent relationship between Russia and other PSS in transit, supply and demand of energy resources, this is only the case for GUAM member Ukraine (cf. Pleines 2008b: 10; Götz 2007: 152). Even after the future completion of Nordstream, Bluestream and the extension of the Jamal pipeline, Ukraine will remain the major transit country for Russian gas deliveries to Europe (Götz

2007: 159). In contrast to Russia, it also possesses various gas storage facilities. Thus, analysts assumed that Ukraine won't lose relevance for Russia. Reversely, Ukraine will depend on Russian energy imports as long as domestic energy consumption cannot be reduced to a sound average and without alternative pipeline routes installed (Patronyk & Zhovkva 2010). During the 1990s, Ukraine accumulated huge debts for Russian gas supplies and used transit fees and illegal extraction of Russian gas to alleviate the tense delivery situation (Pleines 2008b: 11).⁶⁴ Today, the Ukrainian government subsidises domestic prices for private consumers, thus, further growing the budget deficit (Pleines 2008b: 11). However, the situation changed after 2014, with the new Ukrainian government, the annexation of the Crimea and the destabilization in the Donbass region, both Ukraine and Russia changed their dependence relationship fundamentally: Ukraine pushed for gas imports from EU-countries via the Slovak pipeline. Russia instead, pushes forward to install new transit routes that will make them independent from Ukraine.⁶⁵

Moldova is completely dependent on energy imports from Russia (Munteanu 2005: 75; Nygren 2008: 241; Stent 2007: 10).⁶⁶ Moldova disposes of limited bargaining power, because it plays neither a significant role as a transit country nor is its demand for Russian gas decisive for Russian revenues (cf. Vinhas de Souza 2008: 77). Without taking into account Transnistria, Moldova can produce only 30-35% of its needed electricity (Prohntitchi 2005: 113).⁶⁷ Moreover, Moldova has payment problems as enterprises and consumers are lazy payers and smuggling is common, making it more exposed to Russian pressure

⁶⁴ In 2000, Gazprom initiated negotiations on an international gas consortium to control gas pipelines via Ukrainian territory and stop gas stealing by Ukraine. However, no agreement could be reached (Pleines 2008b: 10f).

⁶⁵ The present transit agreement ends in 2019. Russia said it will not prolong the agreement; instead, Russian gas will be transported to Europe via Turkish Stream (Zeit.de 9.6.15).

⁶⁶ Moldovan facilities are technically constructed for Russian gas (cf. Prohntitchi 2005: 111).

⁶⁷ One of the greatest electricity plants (thermal power) is situated in Transnistria (Munteanu 2005: 77).

(Munteanu 2005: 77). The issue is even more complicated, because most debts for energy are held by the Transnistrian government, where Chisinau has no control over expenditures (Nygren 2008: 241).

During the first years of GUAM, Azerbaijan depended on Russian energy imports. Realising autonomous pipeline and exploration projects, Azerbaijan could decouple from Russian transit routes (cf. Nygren 2008: 241f.).⁶⁸ Today, Azerbaijan is almost independent from Russian imports (Mamedov 2006: 1) and even selling gas to Russia (Papava & Tokmazishvili 2010: 110; cf. Nygren 2008: 241f; Hosp 2011). Due to Baku's multivector foreign policy, Russia had also been included in the so-called *Contract of the Century*, (Zagorski 2005: 66).⁶⁹ In 2013, Azerbaijan decided that gas from its reserves in Shah Deniz II will be delivered to Europe via the TANAP and TAP-pipelines.⁷⁰

⁶⁸ The Baku-Supsa oil pipeline was built in 1999 (Astrov & Havlik 2008: 165). In 2007, it was already technically used up and oil delivery through the pipeline was stopped until renovation and a new delivery agreement was concluded (Tomberg 2007: 45). The Baku-Tbilissi-Ceyhan oil pipeline (BTC) opened in 2006 (Astrov & Havlik 2008: 165). Oil from Azerbaijan to Georgian ports at the Black Sea has also been transported by rail (Kulick & Yakobashvili 2008: 25). The Baku-Tbilisi-Erzurum gas pipeline (also named South Caucasus pipeline) was commissioned in 2007 (Mangott & Westphal 2008: 162).

⁶⁹ The *contract of the century* organised a consortium which has been granted concessions for extracting hydrocarbons. The Consortium *Azerbaijan International Operating Company* (AIOC) is comprised of companies from the US, Japan, Turkey, Norway and Azerbaijan under the leadership of the British Petroleum Company. Sources vary on the shares each partner holds due to regular changes (cf. Naval 2005: 208; Nanay 2009: 116; Hishow 2002: 19; Meister 2014a). According to several sources, Russia presently participates only with Lukoil in the gas project of Shah Deniz (Nanay 2009: 116; <http://on.bp.com/1NKWncS>).

⁷⁰ With this decision, Azerbaijan decided against the Nabucco-pipeline that has been favoured by the European Commission. The pipeline route will cross Georgia, Turkey, Bulgaria, Greece, Albania and Italy. Shakh Deniz II is planned to deliver 16 billion m³ per year. The pipeline will be managed by the same Consortium that oversees the other gas field, with small changes in the distribution of shares amongst shareholders (Meister 2014a).

Georgia is heavily indebted to Russia for past energy deliveries (Nygren 2008: 241). Major energy producing stations in Georgia are owned today by Russian companies (Chomachidze 2011; Nygren 2008: 244; Reisner & Kvatchadze 2005: 27). RAO ES, Russia's state electric company, bought 75% of the Georgian electricity distribution company in 2003 (Nygren 2008: 150; Reisner & Kvatchadze 2005: 27). This includes the management of several power plants, Khrami-1 and 2 and Mtkvari, and 50% of the trans-energy nuclear power plant (Nygren 2008: 151). Until 2006, Russia was Georgia's main gas supplier (95%) and delivered also 53% of its electricity (Vinhas de Souza 2008: 76; Halbach 2007a: 2; cf. Reisner & Kvatchadze 2005: 27; cf. Mayer 2007: 6). Bilateral tensions in winter 2006/7 induced a price increase for Russian gas from 110 USD to 235 USD (Vinhas de Souza 2008: 76). To avoid increasing dependence on Russia, Georgia turned to Azerbaijan for its gas deliveries even though its neighbour demanded more or less the same high gas price (ib.).

Suffice it to note that GUAM states did benefit from low energy prices from Russia during the 1990s. Nevertheless, they perceived the asymmetric relationship of dependency to their former ruling power as affecting their sovereignty. Only Azerbaijan could reduce its dependence on Russia by developing its hydrocarbon export sector and add export routes bypassing Russia. Georgia also succeeded in reducing its dependency on Russia by substituting a number of Russian import products, particularly hydrocarbons; however, both developments are not a result of GUAM policy.

Let us now turn to the second part of this chapter and the argument that a shift in Russian foreign policy at the beginning of the 21st century (cf. Trenin 2007: 195) increased existing fears for losing sovereignty among GUAM participants. It can be suggested that it is one explanation for the longevity of GUAM, fostering also its institutionalisation process into a regional organisation.

The shift towards more assertiveness culminates in a stronger emphasis on Russian interests (cf. Löwenhardt 2005: 23f; Fischer 2005:

11f) and the ambition to regain Russia's great power status (Trenin 2007: 195). Russian economic policy towards the PSS in general and GUAM countries in particular has always been characterised by dominance and a state-led approach of economic cooperation (Grinberg 2005: 14).⁷¹ The shift is characterised by an increasing practice of applying economic leverages for political objectives, on the one hand, and the pursuit of a unilateral economic integration model, on the other. In a first step, I will discuss the evidence of a shift in Russia's foreign policy. Next, I will present three examples for the employment of economic leverage for political objectives: cutting subsidies (a), trade wars (b), and gas disputes (c). Lastly, I elaborate on the new integration model that Russia pursues in post-Soviet space.

There is consent among scholars that a shift in Russian foreign policy towards its post-Soviet neighbours took place with the first presidency of Vladimir Putin, even though scholars are divided about the nature of this shift. Since Vladimir Putin became president, growing Russian assertiveness in foreign policy has been frequently scrutinised (Löwenhardt 2005; Fischer 2005: 11; Wenger 2009: 227; Tsygankov 2006: 678). Enhancing economic prosperity has become the driver of Russian foreign policy (Nygren 2008: 238; cf. Trenin 2007: 197). Yet, Putin's incumbency alone is no sufficient explanation for this turn in foreign policy. There is a broad consensus that the fast increasing revenues from sales of Russian hydrocarbons prepared the basis for such a shift towards more self-confidence and greater assertiveness (Löwenhardt 2005: 23; Indans 2007: 132; Trenin 2007: 196f., cf. Sherr 2006: 162). Although Dmitri Trenin (2011: 81) assents to the view that Russia changed its approach towards its neighbours from 'hard control' towards 'soft domination', he refutes the notion of dominance in Russia's relations with its neighbours and terms Russian foreign policy as an 'ambition to play a leading role in economic and cultural fields' (2011: 142). Notwithstanding, at least in the economic

⁷¹ Within the CIS, for example, Russia was interested in binding other PSS into CIS agreements, while avoiding compliance with the agreements itself (cf. CIS free trade agreement from 1994; Aslund 2009: 2).

area he admits, ‘Russia still treats the new states as less than equals’ (2011: 172). Andrei P. Tsygankov defends Russian assertiveness as being ‘post-imperial and largely defensive’ (2006: 684). For Georgeta Pourchot (2008: 110f) there is no doubt that Russian actions reflect its claim for leadership and show a propensity for inequality in its relations with other PSS.

Although every Russian government has used the asymmetric dependence of the PSS as leverage (Prohntichi 2005: 112), the Russian approach has been modified in the last years; the critical point is that Russia seems to aim at increasing or at least maintaining this asymmetric dependence of GUAM states, avoiding win-win situations for its GUAM partners.⁷² This shift towards more assertiveness increased sovereignty concerns among the four GUAM member states. Russia’s bargaining power, which is frequently applied for political objectives, challenges not only the economic but also the political sovereignty of GUAM states. Some analysts accuse Russia of utilising economic dependency as retaliation for political disobedience (Sokov 2006: 3f). Others instead underline the justified economic motives for Russia’s policy (Trenin 2011: 37).⁷³ Anders Aslund (2003: 1) asserts that Russia’s disrespect for others’ sovereignty is reflected in the way it is putting through its own economic policies without caring for the interests and sovereignty of its neighbours. Russia practices ‘de-sovereignisation’ (Popescu & Wilson 2009: 58) in its Eastern neighbourhood by utilising economic crisis or applying economic instruments to take over strategic assets like pipelines.

The increased employment of economic leverage for political objectives can be illustrated with three examples: cutting subsidies (a),

⁷² The shift in Russian foreign policy is not limited to Azerbaijan, Georgia, Moldova and Ukraine—gas prices, for example, increased for Armenia or Belarus as well (Trenin 2007: 204). Yet, Russia’s pressure seemed to be more intense on the GUAM members than it was on Central Asian states and may shed light on the question of why exactly those four states decided to form GUAM.

⁷³ The shift of Russia’s foreign policy was characterised by a greater importance of tangible benefits. Russia turned towards numbers (cf. Trenin 2007: 198).

trade wars (b), and gas disputes (c). During the 1990s, the PSS enjoyed reduced prices for various Russian products. Cutting those subsidies (a), namely for energy products, was a serious blow for GUAM countries. Hitherto, threats to their political sovereignty had at least been coupled with economic privileges. As a hegemon, Russia protected the four states from the realities of sovereign economies in a globalised world by offering preferential prices and conditions. However, in the 2000s, Russia rechecked its balance and estimated that it is getting little in return for those subsidies. Hence, the four states either had to submit fully to Russia's political agenda or stop at least costing the Russian government money. Thus, Russia started charging market prices for its export products.⁷⁴ If the PSS were directing their focus to the West, than it is the West that should pay for the PSS' failing economies (Putin cited in Makarychev 2008: 16). Cutting subsidies has been particularly eminent in the gas sector. For example, a debt agreement was reached between Ukraine and Gazprom in 2004, which also put an end to the gas-for-transit-swap deals (Pleines 2008b: 11); Gazprom seems to strive for ending the barter deals to receive cash instead. Although Azerbaijan, Georgia, Moldova and Ukraine have no legal claim to privileged treatment by Russia, they perceived the turn to *realpolitik* as a serious affront.⁷⁵

Another example of economic leverage in Russia's foreign policy are trade wars (b), which are particularly common with GUAM members. In 2005/06, Moldova's major export products—alcoholic beverages—were banned from its biggest export market, Russia, on health grounds (cf. Chivriga 2008: 3; cf. Nygren 2008: 98ff). The trade retaliation

⁷⁴ Naturally, it is debated what should be termed a 'market price'. Particularly the current gas price for Ukraine can be considered to be above market prices for gas.

⁷⁵ Pretensions in post-Soviet space are two-sided and explain to some extent the failure of regionalism in post-Soviet space. There is 'Russia's demand for primacy' on the one hand, and the demand, on the other hand, by the PSS that Russia, as the richest country, must pay for everything (Aslund et al. 1999: 178f).

should be understood as a reaction to Molodva's not signing the Kozak memorandum proposed by Russia to solve the Transnistrian conflict (Vrabie 2012: 368). Today, the Moldovan government has still not succeed in regaining the necessary certificates to re-enter the Russian market. In 2006, Russia issued a prohibition of Georgian wine and mineral water (Smirnov 2007a: 138; Halbach 2007a: 2f), which constitute Georgia's main export products. The tense relationship between Vladimir Putin and the Georgian President Mikhail Saakashvili set in motion an intensive tit-for-tat-game: the extraction of Russian spies from Georgia, the subsequent complete shut down of Russian-Georgian air, road, rail and mail connexion (2006), the deportation of Georgians from Russia (2006), among other things. (Halbach 2007a: 2). In contrast to Moldova, Georgia was more successful in accessing alternative markets with its alcoholic beverages (cf. Reisner & Kvatchadze 2005: 27). Saakashvili's successor as Georgian president, Bidzina Ivanishvili (2012-13), reduced tensions between his country and Russia and was thanked with the permission to reapply for the wine and mineral water certificates necessary to enter the Russian market. Ukraine experienced various disruptions of its cross-border trade with Russia by sudden tariff trade barriers. In 2013, Russia halted customs procedures at the joint border for Ukrainian sweets (Ukraine-Analysen 2013a: p. 14). The move has been associated with the resistance of the Ukrainian government to join Russia's customs union while simultaneously pursuing the ratification of an EU Association Agreement.

Gas disputes (c) are a further indicator for the growing usage of economic leverages in Russian foreign policy. Ukraine suffered from halted gas deliveries in 2005/06 and in 2008/09 (Malyhina 2009: 41f). The gas war aimed at weakening the new Ukrainian government, which has been elected against Russian preferences. Since 2010, Ukrainian diplomats continue to renegotiate better gas conditions for the gas contract from 2009 (Haran 2011: 2; Dubovyk 2010: 1). This time, Russia aims at coercing Kyiv into participating as a full member in its upgraded customs union, making the ratification of

the Association Agreement with the EU difficult (Charap & Darden 2013). In fall 2013, the Russian government, together with Gazprom, offered to Yanukovich's government a discount on the Russian gas price that was combined with a credit of 15 billion USD. This aid package was aimed at supporting the Ukrainian economy which was facing default, and was offered by Russia after Ukraine had stopped the ratification of the EU Association Agreement. In February 2014, when Yanukovich's government was ousted, Russia halted the next installment of its credit. This was followed by an annulment of the gas discount in April 2014. Russia did not only revoke the latest gas discount, but also the gas discount agreed upon in the Kharkov-Deal (2010) in exchange for the lease of the Sevastopol navy base, arguing that with the annexation of the Crimea the whole deal would lose its validity (Balsler 2014: 17). Russia claims the reimbursement of the entire gas discount granted between 2010-2014 (*ib.*).⁷⁶, weakening the interim government in Kyiv considerably. During Vladimir Putin's first term, gas exports to Moldova were halted every winter due to outstanding debts (Nygren 2008: 96). However, gas disputes with Russia have been less common for Moldova, which went through its ultimate 'gas-war' with Russia in 2006 (Nygren 2008: 98ff). In the Georgian case, Russia was already using gas interruption as a foreign policy instrument in winter 2000/01 (Devdariani 2005: 177). This was repeated in 2004 and followed by a price-hike in 2006, leading finally to the signing of a contract with Azerbaijan securing the import of gas (Vinhas de Souza 2008: 76).

The second dimension of Russia's shift towards more assertiveness is the pursuit of a different integration model. The new Russian approach has been termed as 'economisation' (Fischer 2005: 14). Celeste Wallander (2007: 118f) speaks of 'transimperialism', which she conceives of as 'a form of geopolitics through commercial relationships and transnational patron-client relationships'. Having understood that

⁷⁶ Russia argues that the discount has been granted for the future leasing of Sevastopol. Since that is not happening, the already granted discount should be paid back to Gazprom (Balsler 2014: 17).

a rebirth of the SU is impossible and that the CIS has failed to attract the former socialist republics to an equivalent successor model, Russia opted for an economic emphasis towards its post-Soviet neighbours (cf. Trenin 2007: 198).⁷⁷ However, this ‘belt of Good Neighbourhoods’ (Nikitin 2008: 27) along the Russian borders was going to be built upon economic asymmetry—another form of coercion—and not on balanced, harmonious relations. Russia’s understanding of integration is unilateral, as it seeks to strengthen the asymmetric relationship of dependence (cf. Aslund 2003: 1). Integration in this sense is not based on increasing *interdependence*, it is about increasing *asymmetric* dependence on Russia. Yet, this unilateral integration should not be mixed up with re-integration in the sense of re-uniting all former Soviet states with Russia, as Dmitri Trenin (2011: 142) remarked, ‘seeking advantages is not the same thing as seeking annexation’. The new approach advocates reintegration of the post-Soviet space in economic terms, by connecting and integrating economic sectors of the PSS into Russia (Devdariani 2005: 197). This ‘liberal empire’ (Chubais 2003: 1) builds on Russian ownership of strategic assets in PSS (Papava 2009: 204)—an integration model which proposes a clear bottom-up component of Russian investors gaining gradually more influence in the GUAM economies (Rtskhiladze 2007: 96). Russian enterprises are encouraged to seek investment primarily in post-Soviet markets.⁷⁸ The concept would leave the decision about the future of the post-Soviet space to Russia’s big enterprises, and far reaching regional market liberalisation would pave the way for such an idea (Grinberg 2003: 342). The Russian government and federal agencies already follow this practice when applying economic leverage to acquire strategic assets in its neighbouring states. The ‘asset for

⁷⁷ Notwithstanding, Ivana Klympush (1999: 254) remarks that the Russian political elite still plays with the idea of reuniting post-Soviet space, particularly the Slavic states.

⁷⁸ A leaked document from the Russian foreign ministry illustrates Russia’s attempt to integrate Ukraine’s capabilities in economy and science, something easily done by ‘making significant investments into some of the key sectors of Ukrainian economy and using its position as the nearly sole energy supplier to Ukraine’ (Hawrylyshyn 2005: 119; Haran 2011: 1).

debt deals' have already been mentioned; dependence is maintained or even strengthened by swapping debts of the GUAM states to Russia into shares of strategic assets (cf. Aslund et al. 1999: 54). By such means, Gazprom controls today large parts of the Moldovan, Ukrainian and Georgian pipeline systems (Aslund et al. 1999: 54; Pleines 2008b: 11; Vinhas de Souza 2008: 77).⁷⁹ Another example of strategic Russian acquisitions is in the banking sector: The Russian Foreign Trade Bank (VTB), for instance, is the main lender to the Ukrainian government (Haran 2011: 2) and also possesses 51% of the United Georgia Bank (Devdariani 2005: 198; Reisner & Kvatchadze 2005: 27). John Löwenhardt (2005: 20) estimates that about 40-50% of Ukrainian industry is owned by Russian investors. Viktor Yanukovich increasingly shows resistance to Russian dominance and contests Russian business proposals with demands for more Ukrainian benefits (Haran 2011: 3). In 2010, Russian and Ukrainian oligarchs clashed in various privatisation cases (ib.).

In Moldova, particularly in Transnistria, Russia owns many enterprises, particularly in the wine industry (Löwenhardt 2005: 20). Putin has also negotiated deals with RAO ES, Gazprom and the Moldovan government: Low priced gas deliveries in exchange for Russian participation in the ownership of Moldovan assets (shares in gas companies, hydropower station and electricity company) (Nygren 2008: 96). Moldova's gas sector is controlled by *Moldovgaz*, 51% of which Gazprom obtained in turn for debt reliefs (Vinhas de Souza 2008: 77). In 2005, Gazprom offered Georgia to swap its part of the Russian-Armenian pipeline in exchange for some debt relief. Whereas Nygren (2008: 151) states, the deal was realised, Papava (2009: 204) and Rtskhiladze (2007: 96) claim, it had been prevented

⁷⁹ In the late 1990s, Ukraine and Russia agreed to charge 50% of Russian gas supplies against the transit fee for Russian gas and oil to Europe. In addition, lease of military bases, including the Black Sea Fleet port on the Crimea, was financed with a reduction of Ukrainian debts (Pleines 2008a: 10). Ukraine long avoided an asset swap for its outstanding debts (Pleines 2008b: 10f). With the 2005/6 gas crisis, a new deal was reached decoupling gas prices from transit fees and increasing gas prices for Ukraine (Pleines 2008b: 11; cf. Vinhas de Souza 2008: 78).

thanks to American intervention. Rtskhiladze (2007: 98) concludes that Saakashvili's government was not aware of the economic side of sovereignty. Coupled with the ambition to increase or at least maintain the dependence of the four states on Russia, the Russian government opposed attempts to reduce dependence. For example, the Russian government reacted fiercely to infrastructure projects that could decrease energy dependence (Valiyev 2011: 1).⁸⁰

One might object that the promotion of the customs union is demonstrating the opposite trend in Russian integration policy. Yet, the customs union should be conceived as a pure economic integration project deprived of the usual political decorum, focusing on real economic benefits for its participants: Starting with low politics instead of high ones. From the various integration projects which mushroomed in the post-Soviet area, Vladimir Putin chose the one with the most economic potential and including the most faithful, trustworthy and willing states. Yet, this state-led economic integration is a perfect supplement for Russia's integration from below and can easily embrace political issues as well. Russia's endeavour to press Ukraine for participation can be discerned as the traditional patronising pattern and the intent to determine the integration direction of its neighbourhood as well as integration projects themselves. It should be considered that Russia's approach towards the four GUAM members took place amid stable preferences among the four states for Western integration projects (cf. Trenin 2007: 196).

⁸⁰ Russia and Iran strived to prevent an alternative transport route of Azerbaijani oil and gas through the Caucasus (Papava et al. 2011: 165; Valiyev 2011: 1). Georgia claims that during Georgian-Russian war in 2008, Russia was trying to bomb the Caucasian pipelines (Papava et al. 2011: 165). Moreover, the project of a new pipeline along the bottom of the Caspian Sea to deliver gas from Turkmenistan/Kazakhstan to Azerbaijan and further to Europe depends on the consent of all littoral states of the Caspian Sea (Smirnov 2007b: 78). As Russia and Iran would have no advantage from that pipeline, negotiations remain without decision (Preyger 2008: 65; Nygren 2008: 222).

5.3.2.5 Unconsolidated Domestic Sovereignty

The four GUAM states are burdened with the dual task of strengthening their new sovereignty externally and domestically. Referring to the assumption in ch. 5.1 that external sovereignty is linked to domestic sovereignty, unconsolidated domestic sovereignty within the GUAM states can contribute to explain why sovereignty is still of particular importance. It has to be borne in mind that GUAM's agenda did not address the strengthening of domestic sovereignty. On the one hand, unconsolidated sovereignty explains why sovereignty is still an issue; on the other hand, unconsolidated domestic sovereignty also affects the sovereignty strategy adversely. I will explain that connexion below. Domestic conflicts and cleavages as well as weak domestic authority can be delineated as major causes for unconsolidated domestic sovereignty. With this chapter, the focus is shifted from regime type to the strength of domestic sovereignty as an explanation for the effectiveness of a sovereignty strategy.

Looking at domestic conflicts and cleavages as a source for unconsolidated domestic sovereignty, much has already been said in ch. 5.3.2.1. All four GUAM members are characterised by domestic cleavages and/or secessionist movements, weakening their domestic authority, making the situation even more critical, since Russia frequently takes advantage of those domestic tensions.

Although Transnistria's independence has not been internationally recognised, the status quo of Transnistria causes various problems of authority to the Moldovan government in Kishinau. It cannot control its border with Ukraine which is particularly relevant for participation in integration regimes such as GUAM's free trade area or the free trade area envisaged in the EU's Association Agreement. At present, Moldova has to rely on the assistance of the Ukrainian customs service (Nygren 2008: 100). Moreover, the Moldovan government has no control over key economic complexes, which are primarily situated in the disputed zone (Munteanu 2005: 73). From a political-administrative perspective, the Moldovan government in Kishinau has no legal or executive power over Transnistria. In addition, Moldova is affected

by a cleavage between ‘Romanophiles’ and ‘Rusophiles’ (Müller 2012: 23). Many Moldovans fear annexation by Romania, suspecting even the EU of reducing Moldova to a ‘region’ under Romanian rule. For instance, the Gagausian minority, whose autonomy status is considered to be solved, decided in a referendum in 2014 that they would declare their independence, should the Moldovan government one day agree to a unification with Romania (N.N. 2014). They also object to a closer relation with the EU such as signing the Association Agreement due in September 2014 (ib.).

Even before its independence in 1991, Georgia was troubled with secessionist tendencies in Abkhazia and South Ossetia. The Russian-Georgian war in August 2008 led to the recognition of the two zones as independent states by Russia, Nicaragua, Venezuela and Nauru.⁸¹ In addition, the ‘Rose Revolution’ has been utilised by the autonomous region Adzharia to claim independence and had been retained only by the threat of force (ICG 2004: 6ff). Today, Georgia has no effective control over Abkhazia and South Ossetia, but continues to struggle with refugees from both regions.

Azerbaijan is affected by a territorial conflict with Armenia over Nagorno-Karabach. The history of conflict reaches back until 1918, but it was the collapse of the SU in 1991 that fired violent disputes. Despite a negotiated ceasefire in 1994, skirmishes occur frequently (ICG 2007: 1). The Azerbaijani government is also burdened by the unsolved situation of refugees from the enclave (Astrov & Havlik 2008:133; ICG 2007).

Ukraine has not exhibited open domestic conflicts like the other three GUAM members for a long time. There is a cleavage between Russian speakers and Ukrainian speakers that regularly tests national unity (Bugajski et al. 2008: 2f). The bifurcation is rooted in history, when Western Ukraine was annexed either to Poland or the Habsburg Monarchy, and the Eastern part was part of Tsarist Russia (Kappeler 1994). The divide is also reflected in Ukraine’s political party structure, with the ‘Party of the Regions’ representing Eastern Ukraine

⁸¹ Vanuatu (2013) and Tuvalu (2014) retracted their recognition of South Ossetia after negotiations with Georgia.

and smaller opposition parties such as ‘Batkivchina’ (Fatherland) or ‘Svoboda’ (Freedom), representing Western Ukraine.⁸² In 2013/14, the Euro-Maidan movement exemplified the divide in Ukraine. As a repercussion, the latent conflict on the Crimea revived. In the past, Tatars irritated the Ukrainian government with demands for more autonomy, or Russian natives suggested the annexation of the Crimea to the Russian Federation, all questioning domestic sovereignty (Bugajski et al. 2008: 3; 21). The events of the Euro-Maidan movement and the subsequent change of power in Kyiv, encouraged the Crimean Russian population to seek annexation by Russia. In the course of events, the hitherto unconsolidated domestic sovereignty has not only been curtailed by the loss of the Crimean territory, but is further destabilised by the ongoing attempts of the interim government to gain complete authority over the entire country and its institutions (Ukraine-Analysen 2014b: 26ff).

Weak domestic authority is the second cause for unconsolidated domestic sovereignty. Indicators for weak domestic authority are, firstly, the contested succession of governments, secondly, difficulties to create political consensus, and thirdly, the existence of parallel power structures. Domestic turmoil, particularly after elections, can also be used as a leverage by external actors. The danger of spreading regime instability to their home was brought forward by Russia to explain its interference into the domestic affairs of the PSS (Stent 2007: 11). Contested successions of governments are tightly interwoven with difficulties to form consensus in domestic politics. A stumbling stone for all Moldovan governments has been their relationship to Russia, Romania and later, the European Union. Moldova is less defined by specific political programmes, but more by the geopolitical direction of political parties (Vrabie 2012: 367). In 2001, Vladimir Voronin from the Communist Party led the government and relations to Russia improved shortly (*loc.cit.* 368). Voronin pursued a pro-Russian

⁸² Parties are undergoing constant change. Previous popular parties have been the Western ‘Our Ukraine/People’s Self Defence’, the Western/Central ‘Bloc Timoshenko’, or the ‘Lytvyn Bloc’.

course, aimed at introducing Russian as the second official language and even pondered joining the Russian-Belorussian Union (Vrabie 2012: 370). But with Moldovan rejection of the *Kozak Memorandum* in 2003, relations deteriorated and Moldova was getting closer to the EU, resulting in a Russian embargo on Moldovan alcoholic beverages (Vrabie 2012: 367). Moldovan governments are still characterised by thin majorities and frequent changes due to a divided political landscape, but also due to scandals over corruption and cronyism. After the presidential and parliamentary crisis years of 2009-2011 the government can be termed as stable.

In Ukraine, all elections have been criticised as being fraudulent and a culture of paid demonstrators has been established. After serving two terms as a president, Leonid Kuchma planned to install Victor Yanukovich as his successor in 2004. However, the electorate doubted the election results that favoured Yanukovich and took to the streets (Bugajski et al. 2008: 3). The inability of the successful opposition to find a common denominator apart from getting rid of the existing government reflects a deeply divided society. After parliamentary elections in 2006, a state of cohabitation began and introduced a period of tit-for-tat and fights for personal influence on the back of the Ukrainian people (Bugajski et al. 2008: 14f). The ambition of president Yanukovich (elected in 2010) to bring his predecessor and archrival Yulia Timoshenko behind bars shows that Ukrainian domestic politics are still far away from following the rule of law (Charap & Dardan 2013: 1). When President Victor Yanukovich indefinitely postponed the ratification of the already signed association agreement with the EU in autumn 2013, pro-European demonstrators took to the streets. The Euro-Maidan movement is not only a reflection of the national divide over which governance model would be right for Ukraine, but also about the direction of Ukrainian foreign policy. The protest movement was spurred by a general dissatisfaction with the ruling elite in the country. Yanukovich's autocratic regime did not prove to be as stable as assumed and he was ousted in February 2014. Since then, the interim Kyivien government strives to install authority over the Ukrainian territory and its institutions. National

elections for president and very likely also parliament are planned for the 25th of May 2014 and may consolidate the domestic sovereignty of Ukraine.

In Georgia, after violent clashes in the years 1992-93, Eduard Shevardnadze brought several years of stability. But his unwillingness to break-up with old traditions of clientelism culminated in a violent political change in 2003/4 with the 'Rose Revolution' (Jawad 2006: 2). Yet, his successor Mikhail Saakashvili also lost esteem and has been widely criticised and opposed in the last years (Halbach 2007b; Kldiashvili 2012). Nevertheless, he allowed for the first peaceful and fair change of government in 2012, when Bidzina Ivanishvili was elected prime minister and one year later the opposition candidate Georgi Margvelashvili became president (Kldiashvili 2012; Beard 2013). Ivanishvili's resignation just one year after his election—though, announced right from the start—and the legacy of an idealistic but inexperienced and divided government again signals instability in Georgian domestic politics (Beard 2013).

Azerbaijan is a special case among the four GUAM members. Even though it can be characterised as the most autocratic regime of the four states, it is today by far the most stable one. Regime instability was limited to the first years after independence. The last communist representative Ayas Mutalibov was forced to leave his office in 1992 (Barner-Barry & Hody 1995: 240f). He was followed by the elected president Abulfaz Elcibey. Just one year later in 1993, Haidar Aliev gained the top of the power vertical with a coup (ib.). After enduring various attempts to oust him from power, he could consolidate his power. Since then domestic authority has remained strong. In a monarchic manner, disguised as elections, Aliev left the presidency to his son Ilham Aliev, who managed to maintain his power by strict control over the few oppositional forces (Babajew 2007: 62f; Heinrich 2010: 11ff). Thus, societal consensus has been realised by the use of force.

The third indicator, parallel power structures, is a product of the turbulent first years of independence when everything was possible

and regulation was scarce. Power is concentrated in the hands of the so-called ‘oligarchs’ in Ukraine, Moldova and Georgia. In Azerbaijan, power is concentrated entirely in the hands of the Aliev clan. Nevertheless, governmental structures keep existing and are utilised and misused by the oligarchs, either overtly or candidly. Parallel power structures are enforced by corruption, which has been shown in ch. 4.3.2.3 on state capacity and shall not be repeated here.

Summarising chapter 5.3.2, it has been shown that challenges to the sovereignty of the four GUAM states continue—particularly violations of territorial integrity persist. Georgia and Azerbaijan could at least reduce their energy dependence on Russia. Yet, as has been exhibited in ch. 3.4, GUAM cannot be accounted for advances in that area. Thus, unsolved challenges to external and domestic sovereignty can be delineated as causes for the continuing relevance of sovereignty and, thus, provide an explanation for the longevity of GUAM.

5.3.3 Constraints on Sovereignty

The previous chapter revealed that sovereignty concerns are still an issue for GUAM members, with the continuing challenges by Russia discerned as the main reason for keeping the sovereignty strategy high on GUAM’s agenda. Unconsolidated domestic sovereignty is another, though, less relevant factor. This chapter focuses on the question of why GUAM could not reduce challenges to the sovereignty of its members. The last assumption of this dissertation, which states that GUAM’s sovereignty strategy is bound to fail, is presented below in two parts: Firstly, regional integration and strengthening of national sovereignty are antithetical objectives. Secondly, strengthening sovereignty depends on adequate partners.

Let us begin with the first point of integration and sovereignty as contradictory objectives. Chapter 5.3.1 discussed previous assumptions on sovereignty and integration. It has been argued that advancing regional integration is coupled with the transfer of parts of sovereignty to the macro-regional level. Strategies of guarding

sovereignty compete with strategies of integration. Strong sovereignty concerns are regarded as an obstacle for integration projects, because states avoid the pooling of sovereignty necessary to fulfill integration objectives (Acharya & Johnston 2007b: 28). ‘Pooling and delegation of sovereignty is the most obvious way of creating credible commitments’ (Laursen 2010b: 267). Hence, an integration project between states with a high regard for their sovereignty should not be expected to produce the same results as projects composed of states which are more willing to transfer considerable authority to a regional body (cf. Kegel & Amal 2008: 226).

A minimal degree of authority transfer is necessary to ensure GUAM’s effectiveness. GUAM is confronted with the dilemma that it strives to strengthen the sovereignty of its members by a strategy which in itself demands the decrease of national sovereignties.

Aslund et al. (1999: 3) could hardly identify a willingness of the new independent states to ‘delegate authority to multistate arrangements’. This can also be observed for the GUAM case. The primacy of guarding sovereignty nationally and limiting the authority of the regional body can be traced in GUAM’s institutional design. The decision-making process indicates a strong notion for national sovereignty (cf. ch. 3.3). All decisions follow the principle of unanimity—if one state opts out, a project fails. Consensus decision-making guarantees control over decisions maintaining one’s sovereignty (Acharya & Johnston 2007c: 253). The GUAM Secretariat is limited to coordination with little influence on agenda setting. Furthermore, implementation of GUAM decisions is a national issue and not accompanied by regional monitoring or sanction mechanisms. Hence, each national government can proceed according to its own time, cost and interest calculation, resulting in the frequent postponement of implementation measures, for example, the reform of customs services. Even more than ten years after the agreement on a free trade area, only Georgia shows considerable progress in the facilitation of customs procedures and, thus, the reduction of non-tariff trade barriers. The financial equipment of GUAM is also an indicator of the limited authority of

the regional organisation. All projects are financed nationally. Most working contracts of GUAM personnel are with their national governments and follow a rotating principle. The budget and personnel of the Secretariat limit the institution to mere representation. As a result, GUAM exhibits limited transfer of decision-making and enforcement competences from the national to the macro-regional level. GUAM is scarcely equipped with authority.

Various reasons why GUAM members hesitate to shift parts of their sovereignty to a regional institution have been suggested. First and foremost, GUAM states still perceive their sovereignty questioned by their former ruling power Russia (ch. 5.3.2.1 – 5.3.2.4). Second up is that GUAM states still have little experience with independent statehood and their domestic sovereignty is still not fully consolidated (ch. 5.2.2 and 5.3.2.5). This underscores the nexus between the domestic and the external dimension of sovereignty. Thirdly, all GUAM states are hybrid regimes at best with presidential regimes. Only Georgia and Moldova took advances in the last years to strengthen the role of the national parliament. This aspect has been neglected in this chapter. Lastly, several scholars assume that particularly developing states employ a Westphalian sovereignty concept that contradicts the modern understanding of sovereignty and makes them ill-prepared for regional integration (Acharya & Johnston 2007b: 14; Werner & de Wilde 2001). Although this assumption has not been scrutinised in detail, various references have been made to it in chapter 5. GUAM states indeed emphasise core categories of Westphalian sovereignty: territorial integrity and the absence of any power above the state. However, they are aware of restrictions on their sovereignty by international agreements and exposure to world economic activities. Hence, a traditional sovereignty concept is not apparent and the argument deficient. A thorough analysis would be needed to determine the exact sovereignty concept of each GUAM member and assess its effect on regional integration.

GUAM deals with a dual problem. On the one hand, GUAM participants guard their sovereignty nationally and are not willing to transfer parts of their authority to the regional body. This is a constraint on any integration project, regardless of its specific objectives. The primacy of national sovereignty means a regional development at low speed, advancing only according to the smallest common denominator. Lacking sufficient sovereignty to be effective, the whole sovereignty strategy is put into question. This in turn will very probably restrict the effectiveness of GUAM. Thus, as long as GUAM states secure their sovereignty nationally, it can be assumed that GUAM as an organisation will not increase its authority. On the other hand, the emphasis on national sovereignty also affects the institutional advancement of GUAM adversely, explaining its low institutionalisation level. To sum up, GUAM perfectly reflects the sovereignty appreciation of its participants. GUAM can be regarded exactly as developed as its member states allow it to be.

This raises the question of whether forming a regional integration project is the optimal approach to strengthen the sovereignty of integration participants. Looking at one specific instrument of GUAM—raising international awareness and support for its challenges on territorial integrity—a regional integration project is dispensable. Forming diplomatic initiatives is policy coordination in the first place and does not demand an integration project on the level of a regional organisation. Less institutionalised modes of cooperation would suffice. Furthermore, using the symbolic potential of international agreements between states to exhibit their recognition as sovereign states in the international system, it has to be asked whether there is a difference between the symbolic effect by entering existing international organisations, on the one hand, and by forming new ones, on the other. Azerbaijan, Georgia, Moldova and Ukraine are members of various international organisations, such as the UN, the OSCE or the European Council. They participate in partnership programmes with the EU and NATO and, except for Azerbaijan, they are all members of the WTO. It can be suggested that the creation of GUAM brings

little added value in comparison to membership in established and renowned international organisations. Moreover, the symbolic effect of creating a regional organisation wears off as soon as the deed is done. The grouping would need results to maintain its symbolic power. Referring to the trade-off argument for sovereignty relinquishment, it can be concluded that GUAM members are unwilling to shift more sovereignty to the regional level, because they do not expect a satisfying effect in return. This would signify they do not have much faith in their own project.

This brings us directly to the second line of argument in this subchapter: The issue of adequate partners for strengthening sovereignty shall be discussed. As has been discussed in ch. 5.1, violations of state sovereignty are no new phenomenon; particularly weak states or states of less importance to other states suffered from deliberate violations. Examining the state of GUAM from a realist stance brings the power variable back in. The PSS tend to perceive and assess international politics through the glasses of realism. They think in realist categories, ‘consequently, their openness to multilateral cooperation, not to speak of deeper integration with other states, remains rather limited’ (Fischer 2008: 145). A perception of zero-sum games is common (cf. Molchanov & Molchanova 2010; cf. Spillman et al. 1999: 329; Löwenhardt 2005: 25; Adomeit et al. 2001: 12; SVOP 1998: 2) with governments and societies traditionally worshipping power (cf. Korneyeva 2009: 29ff). Moreover, Russia—the prior concern of the four states—is also deeply rooted in realist thinking (Fischer 2014: 1; Zagorski 2005: 69; Hamilton 2008: 326; Mayer 2007: 18).

With this backdrop, strengthening sovereignty would suggest that weaker states integrate with stronger states. Even though Ukraine can be regarded as one of the most powerful PSS, GUAM members cannot accumulate sufficient power to compete with Russia’s power status. Since GUAM’s inception, they could not improve their bargaining position towards Russia. Even if GUAM would include a military component—turning into a defense community—it would still be too

weak to defend its sovereignty against Russian challenges to their sovereignty. Furthermore, referring to the assumptions in ch. 5.1 that states whose sovereignty is relevant for other powerful actors suffer less from sovereignty violations, GUAM states remain in the backyard. Neither GUAM as a regional organisation nor the individual member states can rely on a lobby which would defend their interests against violations of their sovereignty. None of the four GUAM states are members of NATO. In 2014, NATO underlined that it will not interfere militarily in Ukraine, even though Russian interference seemed obvious. GUAM abandoned its attempts to attract a ring of friends after the Russian-Georgian war in 2008.⁸³ The Georgian-Russian war in August 2008 and the annexation of the Crimea in 2014 illustrated the consequences: Azerbaijan, Moldova and Ukraine could only condemn the Russian violation of Georgian and Ukrainian borders, since GUAM is no military alliance. A full NATO and/or EU membership might have prevented the aggression; thus, the four states continue their path of close cooperation with both organisations.

⁸³ GUAM actively invited observers to its summits, e. g. at the 2006 Kyiv Summit the Presidents of Lithuania and Poland, Vice-President of Bulgaria, and high-level representatives from Romania, Kazakhstan, the USA and of the OSCE, BSEC (Kyiv Summit Communiqué, 2006). At the Baku summit in 2007 representatives from Poland, Lithuania, Russia, Bulgaria, Japan, Latvia, the U.S., Estonia, Austria, China, Korea, Kazakhstan, Germany, Turkmenistan, Turkey, Slovakia, Portugal, Greece, Italy and the EU, OSCE, NATO, UNESCO, the Council of Europe, UNO have been present (Gamowa et al. 2007: 2). Particularly with its Eastern European neighbours GUAM tried to intensify cooperation, for example in the ‘Energy-summit’ in 2007 in Krakow, Poland, where the plan for a ‘common Balto-Black Sea-Caspian energy transit space’ was formulated together with Poland, Lithuania and Kazakhstan. Grand rounds of participants gathered mainly when energy issues had to be discussed (Simonjan 2008: 1). Crucial in GUAM’s attempt to attract allies has been the US-GUAM framework agreement, signed in 2002. The headline of an informal meeting in Madrid 2007 ran ‘Forum: Group of GUAM friends in EU’.

5.3.4 Summary

The objective of this section on the state of GUAM was twofold: to explain the longevity of GUAM, and then, to explain the deficiencies of such a sovereignty strategy. Both aspects shall substantiate that GUAM as a sovereignty strategy is going to fail. It has been argued that the four states still understand their sovereignty to be at risk. Externally, their sovereignty is continuously challenged by Russia. Domestically, they suffer from weak authority. Both weaknesses are responsible for the persistence of GUAM as a sovereignty strategy. In a second step, this section referred to conclusions from European integration studies linking the advancement of integration to a relinquishment of parts of a state's sovereignty. The institutional design of GUAM demonstrates that the member states guard their national sovereignty and, as a consequence, the weak regional authority brings about poor results. Moreover, it fosters institutional gridlock, inhibiting a further institutionalisation process. Employing power as an explanatory variable from the realist school of IR, it has been argued that power accumulation would be the appropriate approach for a successful sovereignty strategy. Yet, GUAM has not succeeded in incorporating powerful states or attracting relevant supporters to ensure the respect of its sovereignty.

5.4 Conclusion

Chapter 5 scrutinised the nexus between GUAM and sovereignty in order to substantiate two of the leading assumptions of this dissertation. In a first step, this chapter examined the emergence of GUAM and demonstrated that GUAM has to be understood as a sovereignty strategy. In the second part, this chapter drew on the state of GUAM, revealing why its sovereignty strategy is designed to fail.

Sovereignty has been conceived of as a bundle of rights, powers and obligations tied to the status of authority within specific territorial borders. Parts of sovereignty are ceded when states participate in inte-

gration projects, submit to international agreements or participate in global economic activities. Sovereignty violations can also occur from other state actors with or without the mandate of an international organisation. Despite restricted sovereignty, the sovereign state as a phenomenon still characterises the international system.

Addressing the assumption of a sovereignty strategy, the argument presented in chapter 5 was twofold: In the first place, GUAM members emphasise their sovereignty. They are young states who lack considerable experience as sovereign states and frequently suffer from unconsolidated domestic sovereignty. Hence, they value sovereignty more than established states. GUAM states have also been compared to post-colonial states who have also disintegrated from the former SU. They strive to distance themselves from their former potentate, Russia, so assurance of their sovereignties is primarily directed at Russia. GUAM members emphasise some core attributes of sovereignty: territorial integrity and unchallenged domestic authority, but also derivatives like the equality of states in the international system or the right to self-determination.

The second reason why safeguarding sovereignty plays such a vital role for GUAM members is that they understand their sovereignty to be questioned by an external actor—Russia. Russia's reluctance to grant them departure from the SU and the dominance it has since practiced in mutual relations, particularly in the CIS, buttress this assumption. The GUAM states are less concerned about limitations to their sovereignty by international agreements or their participation in the world economy, than they are about deliberate challenges to their sovereignty by another state actor. Despite legal recognition, the four states strive for *practiced sovereignty* from Russia.

Forming a regional organisation like GUAM should be regarded as a demonstration of sovereignty, on the one hand, since only sovereign states can enter into international agreements and form international organisations. GUAM should be seen as a blueprint for regional cooperation in post-Soviet space. Thus, it endorses equality between states, self-determination, non-interference in domestic affairs and contrasts

with the Russian concept of dominance in post-Soviet space. On the other hand, GUAM has been employed to improve the sovereignty status of its members, mainly by raising international awareness for violations of their sovereignty. The assumption that GUAM functions as a sovereignty strategy has been substantiated with references from a variety of GUAM documents. The chapter also showed that GUAM should not be equated with security-motivated organisations like the UN or NATO. Neither is GUAM designed to ensure peace between its members, nor as a defense alliance against an external attack. Only a wide security concept would justify terming GUAM a security strategy.

The second part of this chapter focused on the state of GUAM. It has been shown that sovereignty maintains a prominent stance on GUAM's agenda. Reasons are twofold, first, sovereignty is still perceived to be questioned by the external actor Russia. Challenges to their territorial integrity, equality and self-determination, domestic authority and economic sovereignty continue. Second, though, to a lesser degree, the domestic sovereignty of GUAM states cannot be regarded as fully consolidated even with several years of independence. It can be suggested that as long as the sovereignty of the four states remains challenged externally or/and domestically, GUAM will continue to exist despite poor performance. Since the four states perceive their sovereignty to be primarily questioned by Russia, the latter is an agent of change.

Analysis of the state of GUAM has also concluded that GUAM's sovereignty strategy is designed to fail, because the concept of integration is opposed to the objective of strengthening the sovereignty of its participants. In accordance with conclusions from integration studies, strong appreciation of national sovereignty restrains the transfer of sufficient parts of domestic sovereignty (authority) to the regional institution, causing a weak regional institution that produces few results. A high appreciation of sovereignty also inhibits the advancing of the integration process; thus, GUAM as an integration project will remain lowly institutionalised with little authority. GUAM serves sovereignty first, and integration second.

A further reason that limits the effectiveness of GUAM's sovereignty strategy comes from the IR theories. Sovereignty violations by other actors of the international system are believed to affect particularly weak states or states whose sovereignty is of no specific concern to others. GUAM could neither accumulate sufficient power among its members nor attract adequate allies to enforce the sovereign statehood of its members against Russian challenges to their sovereignty. Instead, GUAM should have incorporated powerful states to form a counterweight towards Russia, or affiliated with the relevant international actors. The latter has been a strategy of GUAM, but has failed to produce continuous support. Alternatively, the four states should have followed a unilateral approach. To some degree they followed this idea by individually pursuing membership in NATO and the EU.

The sovereignty variable also sheds light on the specifics of the GUAM case; even though the elevated sovereignty concern constitutes a characteristic that is also frequent amongst the other PSS, the four GUAM states differ due to the additional integration option at their disposal.

Chapter 6

Conclusion

6.1 Research Assumptions

Research on regional integration projects has always been driven by the principal question of how regional integration projects contribute to peace, welfare and even democracy in the international system (Oneal et al. 2003; Pevehouse 2005; Mansfield & Pevehouse 2006). The increasing number of regional projects constitutes a defining characteristic of our global order (Baccini & Dür 2011; cf. Fawcett & Hurrell 1995b; Glania & Matthes 2005; Mansfield & Milner 1999). The majority of regional projects are still state-driven, particularly among the PSS (Börzel 2012b). Power calculus and welfare maximising are regarded as the main drivers of integration processes. The level of economic development and democratisation among integration participants have been employed as key variables to form conclusions about diverging integration formats and outcomes (Shaw et al. 2011; Sbragia & Söderbaum 2010). Yet, these approaches have limited explanatory power for the emergence and longevity of GUAM.

GUAM has been widely neglected by Western scholars; major research focused only on the first years of GUAM's existence, before GUAM had transformed into a regional organisation (Schmidt 2003; Kuzio 2000; Moroney & Konoplyov 2002). The grouping has been approached either from a realist stance—understanding it as

a security organisation against Russia—or from an institutionalist perspective—considering it a failed project (Tolstov 2008, Tsantoulis 2009; Parakhonskiy 2008). GUAM has been frequently characterised as a vehicle of American foreign policy, reducing its member states to mere pawns on the great geopolitical chessboard (Getmanchuk 2007: 2; also Eyvazov 2008: 285; cf. Pourchot 2008). This dissertation sheds light on a case of PSR without Russian membership combining development and sovereignty as key variables.

Four assumptions were investigated and presented in this dissertation: Firstly, that GUAM functions as a development strategy (1), where I refer to explanations from liberal institutionalism and International Political Economy (IPE) with welfare as the actor-related variable. Welfare in the narrow sense has been equated with economic prosperity. The second assumption claims that GUAM's development strategy is bound to fail due to the deficient composition of the participants (2); mutual trust, state capacity and demand were conceptualised as the independent variables. The third assumption of this dissertation is that GUAM functions as a sovereignty strategy (3). While the development concept is a common approach to regional integration, the nexus between sovereignty and the emergence of regional integration projects has been too often overlooked. This study argues that GUAM is more about sovereignty than security. The first and third assumption link the emergence of GUAM to the dissolution of the SU and assert distinct preconditions, which influence the format but also the outcome of GUAM. The fourth assumption argues that GUAM's sovereignty strategy is also bound for non-success, because the format of GUAM is inadequately equipped to address the sovereignty concerns of its members (4). This argument refers to sovereignty and power as explanatory variables.

6.2 Research Results

Chapter 3 described GUAM's development and analysed its institutional form. GUAM started as a coordination mechanism and

became a regional organisation within ten years. GUAM's first joint document deals with the consequences of the dissolution of the SU and reflects on the linkage between political objectives such as the withdrawal of Russian troops from their territory and economic interests, particularly securing energy transport. Advancing economic integration, building networks for law enforcement or tourism have been added to the agenda. GUAM has been particularly active during the incumbency of Ukrainian president Victor Yushchenko and Georgian president Mikhail Saakashvili. The Russian-Georgian war in 2008, the parallel international financial crisis and the cooled off colour revolutions led to a downsizing of activities, which are presently conducted in the shadow of public attention. Nevertheless, despite regional crises, GUAM continues to work.

Today, GUAM can be characterised as a regional organisation with a comprehensive organisational structure. Yet, GUAM's Secretariat is equipped with limited authority and financial means, functioning as an information hub, coordinating the cooperation process. GUAM's advanced institutional structure contradicts the principle of 'form following function' and imitates established international governmental organisations. Implementation deficits and a genuine state-led approach are further characteristics of GUAM.

The first part of the analysis (ch. 4) centred on development with the first assumption arguing that GUAM functions as a development strategy (1). The economic cooperation built around GUAM's free trade agreement allows us to see GUAM as an economic integration project. Development is a widespread objective of regional integration (Belassa & Stoutsjesdijk 1981: 285; cf. Halperin 2007: 221), which is as well observable in the case of GUAM. In the narrow sense, development can be equated with economic growth, while in a wider sense development is circumscribed within raising the overall welfare level, including social standards such as health and education. In contrast to regional integration between developing states, GUAM members transcend the traditional development objective of modernisation by employing a *comprehensive* development concept that enables them to

advance their transformations into market economies and democratic states, on the one hand, and their disintegration from the Soviet economic and political union, on the other. One has to bear in mind that the dissolution process of the Soviet Union (SU) has caused a high degree of interdependence, combined with low economic, political as well as ideational capacities. These factors proved to have ambiguous effects on integration.

GUAM followed the traditional approach of trade expansion to create immediate growth effects. Secondary effects of trade expansion are also relevant, e. g. reducing dependencies towards dominant trading partners, utilising economies of scale and scope and attracting foreign direct investment (FDI). All four countries are primarily dependent upon Russian and EU-imports. GUAM's free trade agreement is aimed at reducing dependency on the Russian market, easing trade conditions and securing exports. Economies of scale and scope are particularly relevant for the small states of Azerbaijan, Georgia and Moldova, whose market size cannot satisfy domestic demand with competitive prices and quality goods. Additional FDI can help GUAM members comply with the tremendous transformation tasks. Trade facilitation, especially by improving transport infrastructure, can also ease the access to scarce resources and constitutes one of the pillars of GUAM's economic cooperation. Namely, the transport of hydrocarbons and energy figure high on the agenda. Particularly the transport of hydrocarbons from Azerbaijan and the Caspian region to Europe is expected to propel economic growth, both by reducing dependence on Russian energy deliveries (diversification) and creating revenues from transit via GUAM territory.

The second assumption argues that GUAM's development strategy is bound to fail (2). Mutual trust, state capacity and demand are examined as conditional variables, substantiating the assumption that GUAM members are unready for the chosen integration format and their partner constellation is flawed.

Due to their common past as parts of the Russian Tsarist Empire and the SU, all four members share similar beliefs and practices and

can refer to a common business and political culture, which is buttressed by personal cross-border networks. Russian—one of GUAM's two official languages—functions as the *lingua franca* and exemplifies the commonalities amongst GUAM members. There is strong reason to believe that these commonalities facilitate mutual trust and have had a positive effect on the emergence of GUAM. Mutual trust is also regarded as one explanation for why cooperation was initially sought with other post-Soviet states (PSS) and does not include other neighbours like Turkey. However, mutual trust seems to have an ambiguous effect on the continuation of GUAM. There does not seem to be sufficient trust between member states to allow for a considerable transfer of financial means and authority to the regional body. This can be explained, on the one hand, with the vanishing of the described commonalities among the younger generations, which are gradually replacing the old elite. On the other hand, Soviet legacy also entails practices and values that tend to curb mutual trust, such as a lack of transparency in decision-making or the preponderance of personal loyalties instead of the rule of law.

Deficient state capacity—the institutional and financial capabilities of the member states, which are necessary for implementing and enforcing integration measures, to distribute benefits and to manage the negative effects of integration—is another obstacle for GUAM's effectiveness. Analysis has demonstrated that all four participants lack viable political and economic institutions—including expertise—which would enable them to implement integration policies and cope with any repercussions. In addition, GUAM members are short of sufficient financial means to comply with their integration policies. The weak state capacity of GUAM members is a result of the collapse of the SU. Clearly, the wider the integration agenda and the higher the institutionalisation level are, the more state capacity is needed to benefit from integration. That makes GUAM states ill-prepared for their chosen integration project and offers an explanation for the low implementation level of GUAM initiatives.

In this context, the relevance of the leadership and the cohesion argument were tested. The leadership rationale reinforces the state capacity argument: Neither Ukraine as the largest participant and market actor nor Azerbaijan as the most prosperous member could establish themselves as a leader which may have been able to compensate the deficiencies of other members. This supports the argument of a leader being requisite for functioning regionalism. By contrast, the GUAM case reveals the limits of the cohesion argument: Being incomplete market economies and non-consolidated political regimes with multiple unfinished or half-heartedly conducted reforms, GUAM states primarily share *weaknesses*. Although cohesion of the political and economic system is supposed to have a positive effect on regional integration, a cohesion of deficiencies turns into a clear disadvantage for regional integration, which underscores the unfavourable composition of member states within GUAM.

Demand is the third conditional variable that was studied to support the assumption that the development strategy is bound to fail. Bottom-up demand for trade integration has been examined along with trade flows and trade structure. The analysis shows that GUAM participants exhibit considerable homogeneity of their export and import products. Although regional trade did increase within the GUAM area, the level has remained relatively low, despite intense *bilateral* trade relations between *direct* GUAM neighbours—Moldova-Ukraine and Azerbaijan-Georgia. Major trade flows are directed outside the GUAM area. Relevant trading partners are the trading blocs of the EU and the CIS, and amongst individual states, Russia, Romania and Turkey.

All in all, the decision of who should be a member of GUAM does not reflect actual demand for trade facilitation among member states. Moreover, this study underlines that regional economic integration is no panacea for GUAM countries per se. Constraints on economic growth among the four states are country specific. Unilateral measures such as reforming the tax system and law enforcement structures would contribute considerably to economic growth. To

sum up, limited demand for economic cooperation among the current member states affects GUAM integration adversely.

GUAM's development strategy can be understood as a convincing but insufficient explanation for the emergence and longevity of GUAM. It does not enlarge our knowledge on why exactly those four states initiated an economic integration project. Other PSS were exposed to the same challenges and other partner constellations would have promised greater benefits. Moreover, it offers no explanation for why the four GUAM members created such an advanced organisation, when a free trade agreement would have sufficed. Thus, the second part of this dissertation (ch. 5) employs the sovereignty dimension as a complementing explanans for the inception of GUAM, its persistence and its current state.

The third assumption of this dissertation argues that GUAM functions as a sovereignty strategy (3). Sovereignty is understood as a status of authority that is linked to a bundle of rights, powers and obligations (Krasner 1999). Although the idea of full sovereignty is restricted by international agreements and the global dimension of economic activity (Heller & Sofaer 2001; cf. Fawcett 2005: 35; Cunliffe 2007: 53), states remain sovereign units of the international system and are far from becoming obsolete (Little 2005; Krasner 1999). Sovereignty violations by other actors have never ceased and mark the bifurcation between legal and practiced sovereignty.

There is strong reason to believe that GUAM was created to address sovereignty concerns of its member states. Three reasons explicate why the four states pay excessive attention to their sovereignty: First of all, Georgia, Ukraine, Azerbaijan and Moldova are young states that tend to emphasise their sovereignty more than established states do. They gained independence in 1991 and before that had not existed as independent states within their present borders even though they had experienced short independences between the first World War and their annexation to the SU. In addition to their lack of ex-

perience with independent statehood they suffer from unconsolidated domestic sovereignty, increasing the relevance of sovereignty.

Second of all, departing from the SU is comparable to the process of decolonisation. The four states inherited a strong relationship of dependence with their former power centre, Russia. Being economically dependent on the former ruling power was perceived as detrimental to their new sovereignty—even in times of globalisation. They strive to distance themselves from their former ruling power. In contrast to other decolonisation processes in, for example, Africa or South America, the former metropole remains in close proximity, increasing the desire to constantly reassure the new independence. With GUAM the four states not only discard their periphery status, they also challenge Russia's role as a leader in post-Soviet regionalism.

Thirdly, regardless of the sovereignty concept that states employ, sovereignty is always an issue if contested. GUAM members think their sovereignty is questioned by Russia; thus, the GUAM states have rejected deep integration with Russia despite promising benefits (assuming that the expected benefits would not sufficiently compensate for the decrease in their sovereignty). These three factors explain why GUAM members estimate sovereignty higher than do other states.

Participating in interstate agreements and institutions serves as an instrument to demonstrate sovereignty in the international system. Starting and maintaining a regional organisation with a broad field of activity like GUAM is seen as an even stronger expression of sovereignty. GUAM strengthens the sovereignty of its participants primarily on a symbolic level. In its Charters, GUAM delineates a blueprint for mutual relations in post-Soviet space, advocating principles like equality, non-interference and win-win situations that contrasts Russian-led regionalism. Practicing this code of conduct within GUAM is as well a demonstration of sovereignty. GUAM activities such as raising international awareness for violations of their sovereignty in the UN or the OSCE are also intended to strengthen their sovereignty. However, activities such as raising international awareness through concerted diplomatic actions, do not need the format of a regional organisation.

The sovereignty strategy clarifies why exactly those four states decided to form GUAM, even though, from an economic vantage point, the composition is fairly deficient. All four GUAM states share similar sovereignty concerns. In addition, the four states differ from other PSS due to their geopolitical position—they dispose of an alternative to Russian-led integration.

The fourth assumption of this dissertation asserts that GUAM's sovereignty strategy is bound to fail (4). In the course of analysis, it has been shown that practiced sovereignty has improved only to a limited degree. GUAM's contribution to strengthen the sovereignty of its members has been scarce. Issues of territorial integrity remain unsolved and, in the cases of Georgia and Ukraine, have even deteriorated. While Ukraine could more or less consolidate its territoriality prior to 2013, events in 2014 have revealed how fragile Ukrainian sovereignty still is. Russian troops remain in disputed areas on Moldovan and Georgian territory and the successful withdrawal of Russian troops from Azerbaijan and Ukraine in the 1990s is not related to GUAM's policy. Looking at economic sovereignty, there are moderate advances in Georgia and Azerbaijan, namely concerning energy. Georgia could decouple its economy considerably from Russian dominance—however, it did so by unilateral efforts. GUAM members still perceive their sovereignty questioned by Russia and analysis has illustrated the different levels on which sovereignty continues to be challenged. To start, Russia questions the principles of equality and self-determination by practicing dominance in the post-Soviet regionalism (PSR) and limiting the choice of allegiances and integration projects. Russia moreover challenges the domestic authority of Azerbaijan, Georgia, Moldova and Ukraine by interfering in their domestic affairs, particularly when the four states assert their otherness from Russia. Thirdly, Russia calls into question the territorial integrity of the four independent states by a) avoiding the withdrawal of its troops from GUAM territories, b) manipulating secessionist movements in the four states and c) direct intervention. Lastly, Russia challenges the economic sovereignty of the GUAM participants by maintaining and even increasing the

asymmetric dependence on Russia. Hence, the longevity of GUAM can be explained with the continuing relevance of sovereignty: As long as the sovereignty issue remains unresolved, GUAM will continue.

The sovereignty and power variables are employed to demonstrate that GUAM's sovereignty strategy is bound to fail. Defining sovereignty as authority, analysis showed that GUAM as an organisation is equipped with limited authority. GUAM members shy away from providing GUAM with sufficient authority, preferring policy coordination over policy harmonisation. Exogenous and endogenous challenges to the sovereignty of GUAM members explain why they hesitate to transfer parts of their authority to the regional body. With external sovereignty being threatened, domestic sovereignty far from being consolidated and a generally strong appreciation of national sovereignty due to young statehood, GUAM members hesitate to transfer more authority to a regional entity. The GUAM case pointedly exhibits the nexus between domestic and external sovereignty. However, GUAM's limited authority produces poor results. Furthermore, a strong appreciation of national sovereignty inhibits the further institutionalisation process for GUAM. Both objectives—integration and strengthening sovereignty—are irreconcilable, particularly in higher institutionalised projects such as GUAM. Consequently, integration stops where the ceding of sovereignty begins. To sum up, GUAM in its present form as a regional organisation, is an inadequate instrument to enhance practiced sovereignty, since this would demand the relinquishment of parts of national sovereignties.

The limited authority of GUAM retains the effectiveness of both its sovereignty *and* development strategy. Development and sovereignty are interwoven in another aspect: Development is seen as the key to reducing strong dependence on Russia, in other words, development shall strengthen the sovereignty of the *individual* GUAM states. While Russia strives to increase—or at least maintain—the dependency status of GUAM states, the latter aim at reducing or even nullifying their asymmetric dependency. However, GUAM's development strategy should not be reduced to a mere tool of its

sovereignty strategy. The comprehensive development objective is equally relevant. But it was the sovereignty motive that determined the choice of participants and the institutional format, which have proven to be second-best for a successful development strategy. As such, GUAM differs from other multi-dimensional projects, because the economic and political dimensions have been present from the start.

The second explanation for the failure of GUAM's sovereignty strategy builds on power as the explanatory variable. Despite the significance of international law, IR scholars consent that violations of sovereignty are no new phenomenon. All in all, the sovereignty of a state depends on its power status or its relevance for a powerful state. Costs for defending a state's sovereignty are weighed against the costs of inactivity. Power can be multiplied by alliances or partnerships with other powerful states in the international system. With Russia as the yardstick, GUAM does not embrace sufficient enough powerful states to prevent violations of their individual sovereignties. The given choice of member states is inadequate to compete with Russia. Furthermore, GUAM has not succeeded in attracting powerful supporters which would act on their behalf to prevent violations of their sovereignty. Russian intervention into Georgia in 2008 and the annexation of Crimea in 2014 illustrate GUAM's weak power status.

GUAM should not be equated with a security organisation. Firstly, GUAM contradicts traditional security projects, because it is not directed at increasing the security *among* its members. Secondly, GUAM is not a defense alliance against Russia—it demonstrates neither the ambition nor the means to implement security through military means. Instead, GUAM members regard the EU and NATO as security providers and strive for greater integration into the two organisations.

Having summarised the results of analysis, several conclusions should be drawn on GUAM and PSR: Firstly, this dissertation confirms that GUAM cannot be termed as *either* an economic *or* a security project; it is of multidimensional character with a double

strategy (development and sovereignty) at its core. Secondly, analysis has shown that GUAM states do share common interests. Therefore, the supposition that GUAM is just a puppet of American foreign policy should be rejected. Thirdly, this study characterises GUAM as a special case of PSR.

The sovereignty strategy distinguishes GUAM from other integration projects in post-Soviet space, which have primarily been driven by the power calculations of Russia. Thus, it contradicts the rationale of hegemony as an explanation for the emergence of regional integration. Moreover, adhering to the principle of equality, self-determination, non-intervention and territorial integrity, GUAM represents a milestone for multilateral cooperation in post-Soviet space. It is opposed to old patterns of Russian dominance within PSR. As an epiphenomenon, GUAM strengthens mutual cooperative relations between member states by facilitating the formation of expectations of each other's behaviour. This is a considerable positive effect, because the four states did not maintain previous mutual relations as independent states. However, this comes at the cost of exacerbating relations to outsiders such as Russia. Furthermore, the significance of GUAM as a role model for relations among PSS is diminished by GUAM's inability to produce tangible results. Thus, GUAM's contribution to stability in the region remains ambiguous.

There is another argument for GUAM as a special case of PSR: GUAM sets a precedent with the mid-term strategy of its members to integrate into other macro-regional structures like the EU and NATO. Hence, GUAM has an expiry date. This restrictedness draws the finish line on the institutionalisation process and the willingness to make GUAM work.

What can be concluded for regionalism studies in general? The findings of this dissertation highlight the advantages of a functional approach to regional integration, especially when economic integration is concerned. State-led initiatives tend to overlook actual demand

and stakeholder interests and usually lack support from domestic constituencies. These deficits contribute to implementation difficulties. Moreover, states should abstain from the temptation to create one catch-all institution for integration; instead, they should favor a step-by-step approach in line with true demand. A demand-oriented approach is even more relevant for states with weak state capacity, who should begin with issue-related, low institutionalised integration formats. Indeed, economic regional integration is no panacea and states with weak state capacity are advised to pursue unilateral measures to spur economic growth. There is reason to believe that trade facilitation is not always the optimal instrument to achieve development. Developing economies should employ multilateral formats *after* unilateral approaches, because they are in need of functioning political and economic institutions in order to implement integration measures and allocate costs and benefits of integration fairly among affected domestic actors. Moreover, developing economies usually fail to provide the necessary means to finance an integration project.

Looking at conditions for regional integration, this study underscores the importance of state capacity. It can be assumed that functioning domestic institutions (political and economic) and financial capabilities are more relevant than being democratic or economically developed. The state capacity variable suggests that states with weak state capacity should abstain from regional integration, especially from deep integration.

This study also emphasises the significance of sovereignty as an explanatory variable. Although sovereignty has been considered in previous European integration studies, its impact for non-European projects should gain more relevance; even if full sovereignty is an illusion, sovereignty still matters. On the one hand, a strong appreciation of sovereignty amongst member states impedes the advancement towards deeper regional integration since they shy away from establishing an authoritative institution above the nation-state. On the other hand, weak regional institutions tend to produce poor results. GUAM

shows a paradox of sovereignty: Regional integration is employed to strengthen sovereignty. Yet, such regional integration projects are destined to fail. A better approach would be to consolidate domestic sovereignty and to pursue integration into existing strong organisations or seek strong partners on an individual basis. Furthermore, this study shows that a combined approach which associates development objectives with a sovereignty strategy will fail on both accounts. Both objectives demand different types of cooperation formats and their combination causes deficits in efficiency.

Considering the saliency of the power variable to explain regional integration, this dissertation presents a case that adds a new perspective from the traditional hegemon rationale. While the creation of international or regional institutions has been regarded by various scholars as a hegemon's strategy for maintaining or increasing its power status, the GUAM case shows us that smaller states may also form regional institutions. However, the GUAM case also illustrated the negative impact of an absent leader among members of an integration project.

6.3 Recommendations

Through the course of analysis, GUAM was termed 'destined to fail'. GUAM failed in certain areas, but should not be regarded as a complete failure. GUAM's code of conduct and GUAM as an example of cooperation between PSS that is not directed by Russia is indeed an added value. Moreover, with GUAM, certainly there has been established a communication channel for solving conflictive issues among the four states in a peaceful manner. While GUAM's sovereignty strategy can be described as flawed from the start and indeed as a failure, the development strategy may still succeed in certain areas, given that GUAM members improve their state capacities.

Two main aspects should be considered for enhancing development among the four states: One, regional integration may not be the

most appropriate approach for the four states at the given time and place to enhance their welfare levels. Unilateral measures can contribute considerably to trade facilitation and economic growth in all four states and can be assumed to create greater immediate benefits than the GUAM model can. They should constitute the first steps towards development, e. g. by continuing to reform tax and customs procedures and trade related institutions. Some of the aspired economic growth effects would need a higher integration level than the free trade area that GUAM members have agreed upon, whereas other economic growth effects could also be achieved without strongly institutionalised regional integration.

Next, unilateral measures should be followed by selective cooperation between the four states on specific issues instead of the present broad and advanced GUAM format. For example, an energy alliance promises benefits, both in a bilateral (Georgia - Azerbaijan, Georgia - Ukraine, Moldova - Ukraine) and a quadrilateral format, whereas transport projects indicate greater potential on a bilateral scale (Azerbaijan - Georgia, Moldova - Ukraine). Additionally, economic integration projects should not be guided by GUAM membership, but by actual demand. On a regional level other partner combinations would be more appropriate, for example Georgia - Azerbaijan - Turkey, Georgia - Azerbaijan - Armenia or Moldova - Ukraine - (Russia) as well as partnerships with the entire European Union or single European states like Romania. Alternatively, each of the four states could pursue macro-regional solutions within the EU-28 or the CIS/Customs Union-format. In the long-term perspective, a GUAM customs union would be comparatively too small to compete with other regional trading blocs in the neighbourhood. International trade integration represents the third alternative to GUAM integration.

Recommendations for GUAM's sovereignty strategy are much harder to draw. Employing a realist stance, the four member states should have sought integration or alliances with partners who are capable of and willing to deter any attempts to violate their sovereignties. Should Russia be prepared to take military steps to maintain its sphere of interest, so should the partners of the four GUAM states

if their sovereignty shall be effectively guaranteed. However, great powers are not inclined to go to war for the sake of smaller states.

As a symbolic demonstration of sovereignty, membership in other established organisations such as the UN or the OSCE would be sufficient. Looking at GUAM as an instrument to strengthen sovereignty, a diplomatic initiative would have sufficed. More important are strategies to address domestic factors of weak sovereignty. Since unconsolidated domestic authority is a challenge to the sovereignty of a state, which can be utilised by external actors, GUAM states have to take unilateral actions to strengthen their domestic governance and economies—including especially a reduction of economic dependence on Russia. They should also push domestic conflict resolution with unilateral initiatives and promote existing formats such as the Minsk group. Russia also is an actor of change; as long as Russia challenges the sovereignty of the four states, GUAM will continue to exist. The EU should continue to support the four GUAM states on an individual basis to improve their state capacities and spur their economic development; a direct cooperation with GUAM is not recommended due to GUAM's unreadiness addressing the pending issues.

Concluding, GUAM in its present state should continue to concentrate on *low politics* such as facilitating exchange and harmonising technical standards. It should further strengthen its network function by providing information and best practice. In a second step, GUAM should promote economic integration, provided that the participants have improved their state capacities.

6.4 Outlook

Conditional variables offer a huge field for further research, particularly the domestic dimension promises interesting results. Close examination of domestic actors and stakeholders within GUAM member states could shed light on cleavages in interest formation towards integration. This could also help to determine exact stumbling blocs in implementing regional integration policies. In addition, the linkage between the evolution of integration projects such as GUAM

and domestic policy cycles in the member states could shed light on accelerating and retaining factors for the advancement of regional integration. This could offer explanations for why GUAM's most prosperous phase coincided with the first years of Saakashvili's and Yushchenko's incumbency in the 'post-revolutionary' years.

The impact of the so-called Soviet legacy is a further conditional variable that should be examined more closely. Soviet legacy may entail negative effects on mutual trust or cooperative behaviour. Studying concepts of multilateral cooperation and integration could illustrate whether GUAM states follow other patterns than do states without a Soviet, communist or colonial past. It could offer insights on the question of why bilateralism is the most common and successful cooperation format in post-Soviet space or why the PSS prefer state-led and strongly bureaucratised integration formats. By further analysing trust between states, it could be asked whether the PSS do trust each other more or less than other states, how much they trust their former ruler Russia and whether there is sufficient mutual trust for deeper integration formats. Analysis of the concept of sovereignty could also be useful, since diverging sovereignty concepts are supposed to explain the different integration behaviours of states.

Taking a closer look at the domestic linkage and the issue of identity construction may help to answer the question of why some states initiate integration projects for which they are ill-prepared to succeed with.

This dissertation indicates that the cohesion rationale should be reconsidered: Cohesion is not entirely a conducive variable for regional integration. Being equally poorly developed economies or sharing the same type of deficient governance will provide little positive outcome for regional integration projects. Cohesion loses its positive impact if all participants display the *same* level of economic and/or political *underdevelopment*.

Although the leadership rationale has been supported in this dissertation, it can be suggested that the sum of means that can be allocated amongst *all* participants is more relevant to advance the

integration project than the existence of one single financier (given that there are indeed shared interests). There is reason to believe that regional projects embracing primarily poor participants are bound to fail, no matter whether there is a leader among them or not. Hence, research should examine whether integration projects between weak states will fail per se. This brings us to the role of external promoters of regional integration: It should be asked whether an external promoter could compensate for weak state capacity amongst member states or be an adequate substitute for an absent leader within a regional grouping. The case of GUAM showed the ambiguity of external commitment. Suffice it to note, advanced states must decide how much they are willing to contribute to the development of other countries. Opening their markets for developing economies would already be a significant contribution.

Turning from conditional variables to explanations for the emergence of regional projects, it should be studied to which extent regional integration, particularly amongst post-colonial or newly formed states, has been employed for national identity construction. It could be suggested that GUAM states employ regional integration as part of their nation building process, reassuring their place as independent states in the international community and being on par with Russia—their former metropolitan state.

Post-Soviet space is unique for being home to competing integration projects driven by the EU and Russia. The impact of such competition on regional integration has not been estimated so far and there is also the phenomenon of overlapping memberships. It will have to be seen how (sub)regional projects like GUAM which are squashed between (macro)regional integration projects will develop. Overlapping regionalism may turn into the *sine qua non*.

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Leaving Russia's Backyard

Dana Schulze

The Organisation for Democracy and Economic Development–GUAM extends from the Black Sea region to the Caspian Sea and is situated between the European and the Russian integration project. The post-Soviet region has been scarcely studied by Western scholars of regionalism. Previous research concentrated primarily on the Commonwealth of Independent States (CIS). GUAM has not been initiated by Russia and its members are keen on getting involved in Western integration projects.

In this book, the author explores the emergence and state of GUAM and constructs the wish to enhance development and to strengthen sovereignty as the two major integration motives of its member states Azerbaijan, Georgia, Moldova and Ukraine. Added to this, the analysis delivers explanations for the shortcomings of GUAM.

This book revisits regional integration as an instrument to prosperity and independence for young and less developed states and provides many insights into the politics and economy of GUAM members.

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