

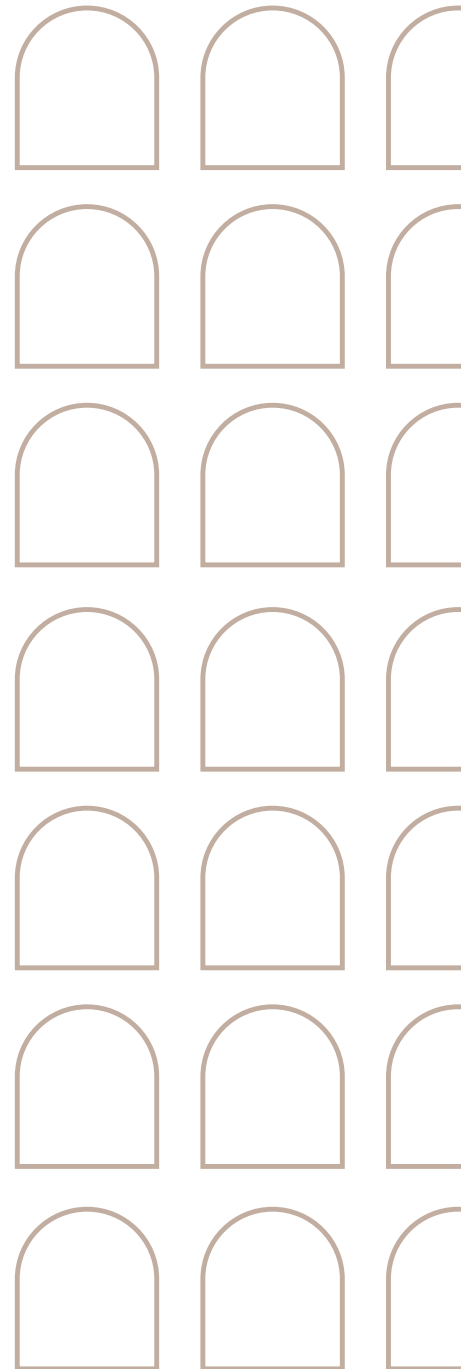
STG Policy Papers

# POLICY BRIEF

## THE SOUTH CAUCASUS IN AN 'INTERREGNUM'? THE SHIFTING POWER DYNAMICS IN THE WAKE OF RUSSIA'S WAR IN UKRAINE

**Author:**

Teona Giuashvili

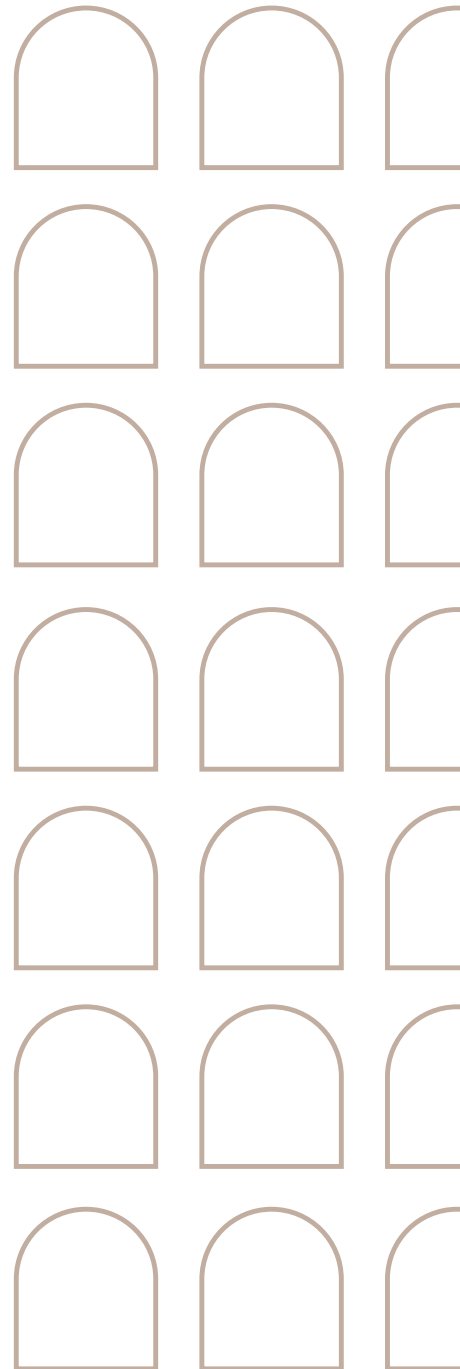


## EXECUTIVE SUMMARY

Russia's war in Ukraine bears significant implications for the South Caucasus – a region that is strategically important for both Russia and the EU and that is particularly vulnerable to geopolitical turmoil. While it is early to assess how the outcome of the ongoing war will influence the security context in the South Caucasus, the recent developments in the region suggest that significant change is underway. The previous order seems to be challenged, but the shape of the next one still looks uncertain. Against the background of Russia's fading influence, the EU should take the lead in addressing the threats and challenges faced by the three states in the region – Armenia, Azerbaijan and Georgia – and to assert itself as a political and security actor there. Deeper engagement by the EU would strengthen the resilience of the countries in the region and help preserve peace and stability. The EU's approach to the region will be a significant test of the proclaimed awakening of 'geopolitical Europe'.

### Author:

**Teona Giuashvili** | Visiting Fellow, EUI School of Transnational Governance



## 1. INTRODUCTION

Russia's ongoing aggression against Ukraine confronts the European Union (EU), NATO, and the US with the most serious security crisis since the end of the Cold War with experts and practitioners debating what strategic landscape will emerge from the conflict. Many anticipate deeper divides on the continent, growing geopolitical competition and lasting instability. The recent success of Ukraine's counter-offensive in the Kharkiv region has shattered the aura of invincibility surrounding Russia's military and transformed the prospect of Russian defeat in Ukraine from a wishful to a plausible scenario. In this rapidly shifting context, the war in Ukraine bears significant implications for the South Caucasus, a region that is strategically important to both Russia and the EU and that is particularly vulnerable to geopolitical turmoil. While it is early to assess how the outcome of the war in Ukraine will influence the security context in the South Caucasus, recent developments in the region suggest that significant change is already underway. Thus, the region may be thought of as entering a period of 'interregnum' – the previous order seems to be challenged, but the shape of the next one still looks uncertain.

## 2. UNITED BY GEOGRAPHY, DIVIDED BY POLITICS

It is difficult to find a relatively small region that is as politically heterogeneous as the South Caucasus. Since regaining independence in 1991, the three states of the region – Armenia, Azerbaijan and Georgia – have walked down different if not opposing paths, reflecting diverse domestic agendas, foreign policy priorities and geopolitical choices. Their distinct security needs and threat assessments have pushed each of them to pursue different strategic partnerships to underpin their security, leading to an intricate web of competing geopolitical alignments in the region.

Unity has never been a defining feature of the region despite the potential gains that would flow from harnessing cooperation on transport and connectivity. The region plays an important role as both a source of, and a transit route for, energy resources from the Caspian

Sea region and Central Asia to markets in Europe – a pivotal position accentuated by the development of the Southern Gas Corridor. The principal driver of regional fragmentation has been decades-old hostilities between Armenia and Azerbaijan over control of the Nagorno-Karabakh region. In addition, the conflicting geopolitical choices of the countries in the region did not help enhance confidence nor build trust. Finally, Georgia's quest for closer ties with the EU drove it to distance itself from the South Caucasus region, reinforcing its image as a Black Sea country and stressing its belonging to Europe.

What the three neighbours in the region share, in addition to a turbulent history and a strategic location at the crossroads between Europe and Asia, is their struggle with the Soviet legacy of territorial disputes, resulting in protracted and unresolved conflicts. In the early 1990s, Georgia's internal conflicts with and over its regions of Abkhazia and South Ossetia, and the interstate conflict between Armenia and Azerbaijan over Nagorno Karabakh in 1992-1994, severely jeopardised the statehood of the newly independent republics. Over recent decades, not only has the threat of violent conflict not decreased in the region, but it has escalated to full-scale wars involving high human and material costs, as witnessed in the six-week war between Armenia and Azerbaijan in 2020 and the renewed clashes in September 2022.

The influence of Russia is a critical factor in shaping regional geopolitics. While holding very different bilateral relations with the three countries, since the early 1990s Russia has either instigated conflicts across the South Caucasus, or played a crucial role in alighting and keeping them alive. In Georgia, Russia nurtured separatism in the regions of Abkhazia and South Ossetia, played a decisive role in protracting instability and used the conflict as leverage to exert pressure on the Georgian authorities. Russia's destructive involvement in Georgia culminated in the military aggression in 2008, the occupation of 20% of Georgian territory and the deployment of occupation forces there. Following the first Nagorno Karabakh war in the early 1990s, Russia

sustained Armenian control over the disputed region, internationally recognised as part of Azerbaijan but populated by Armenians. However, Moscow has later played one side against the other with no interest in contributing to conflict resolution. Over the last decade, Russia, regarded as Armenia's strategic partner, has been selling arms to both Armenia, at a discounted price, and Azerbaijan, seeking to make both sides of the conflict dependent on Moscow.

Russia's rationale has been to prevent the three countries of the South Caucasus from achieving full sovereignty, including the freedom to choose their alliances and the right to make decisions about their future. Destabilisation has allowed Russia to preserve and assert its power and influence in the South Caucasus, while retaining the key to the resolution of conflicts in the region. Portraying itself as the sole arbiter of regional conflicts has also served the practical purpose of hindering the involvement of other international actors. Most recently, it was Russia that brokered the 2020 ceasefire between Armenia and Azerbaijan, marginalising the U.S. and France, the other co-chairs of the Minsk Group of the Organisation for Security and Cooperation in Europe (OSCE). Under the agreement, Moscow guaranteed a military presence of 2 000 troops in Nagorno Karabakh under the guise of peacekeeping. In addition, by not opposing Baku's military gains, Russia made Azerbaijan indebted to it without losing its grip on Armenia.

The complexity of the South Caucasus is not confined to the heterogeneity of the three states and to the role of Russia, but encompasses a larger constellation of regional actors competing for influence. Domestic instability has been exacerbated by geopolitical competition. Turkey's long-standing support for Azerbaijan, culminating in the run up to the 2020 Nagorno Karabakh war, is part of a broader approach to enhance its influence in the region, challenging Russia's position. In addition, the Caucasus has been a traditional theatre of geopolitical and economic rivalry between Turkey and Iran. An important economic and energy partner to Armenia, Iran has an interest in Russia's

presence in the region as a counterbalance to Turkey. At the same time, in the aftermath of the second Nagorno Karabakh war, Turkey and Iran, together with Russia, have sought to relaunch the Six Country Regional Cooperation Platform, the so called 3+3 format, which formally includes the three countries in the South Caucasus. Georgia has refused to join this format to avoid sharing a cooperation framework with Russia, which continues to pursue a creeping annexation of its territory. Moreover, the underlying rationale of this cooperation mechanism – excluding Western countries and institutions from the South Caucasus – is incompatible with Georgia's solid European and Euro-Atlantic aspirations.

### **3. THE SOUTH CAUCASUS IN AN 'INTERREGNUM'? NEW REALITIES, NEW QUESTIONS**

Given this context of political heterogeneity and competing agendas in the region, Russia's war in Ukraine raises a number of questions about its impact on the security landscape and geopolitics of the South Caucasus. Seeking to anticipate the possible implications of the war is the only way to better cope with them.

The first question is whether and, if so, how the Ukraine war will challenge Russia's preponderant position in the South Caucasus; its priorities, its resources and the principal channels of its influence. While Russia's entanglement in Ukraine is not the primary reason for the outbreak of hostilities between Armenia and Azerbaijan in September 2022, it has certainly created an enabling context for it. It is no accident that Azerbaijan felt confident enough to launch an incursion into the territory of Armenia, as opposed to the areas in and around Nagorno Karabakh, at a time when Russia was coping with setbacks in Ukraine. The strengthened cooperation with the EU in the field of energy might have also contributed to Azerbaijan's confidence. The fact is that neither Russia nor the Russian-led Collective Security Treaty Organisation (CSTO) responded to Armenia's appeal for military assistance and diplomatic support.

Azerbaijan seizing the upper hand in its rivalry

with Armenia might be symptomatic of Russia's loss of grip on the region. Whether explained by Russia being distracted by failures in Ukraine, or by Moscow's calculation not to alienate Azerbaijan and its principal partner, Turkey, or by a combination of both factors, Moscow's unresponsiveness to Armenia's call for support was striking. However, the relation between Russia's troubles in Ukraine and its approach to the South Caucasus is not linear. Even if Moscow is bogged down in Ukraine and has had to take a backseat in the conflict between Armenia and Azerbaijan at this stage, Russia retains the capacity to disrupt the progress reached in the peace process. In addition, if expedient, to divert attention from its setbacks in Ukraine, Russia may also revert to raising tensions with Georgia around the two occupied regions.

A second question concerns the complex relationship between Russia and Turkey. Together with Syria, Libya, Ukraine and the wider Black Sea region, the South Caucasus is one of the theatres that tests the boundaries of cooperation, competition and confrontation between the two powers. It is unclear which dimension will prevail as a consequence of the war in Ukraine, alongside the evolution of Turkey's own priorities in the region. Turkey, a member of NATO, has chosen to steer a middle course, supporting Ukraine and its territorial integrity while enhancing mutually beneficial trade and energy ties with Russia, without joining the Western sanctions against Moscow. Turkey has managed to conveniently position itself as a mediator between Russia and Ukraine, enhancing its own visibility on the international stage. For example, in the summer of 2022, the United Nations (UN) and Turkey helped broker the Black Sea Grain Initiative, clearing the way for exports of grain from Ukraine through a safe maritime humanitarian corridor. However, the longer the war persists, the more difficult it may become for Ankara to sustain its [balancing act](#), due to rising political costs in its relations with Western partners or to Russia further escalating its attacks on Ukraine.

A third and final question concerns the role that the EU is ready to assume in the region; whether it will be willing and able to take the lead in addressing the threats and challenges faced by the three countries and to assert itself as a security provider in the region. Developments in the South Caucasus directly impact security in the wider Black Sea region – a theatre already destabilised by the war in Ukraine – and have the potential to endanger European interests and security in several ways. In addition to posing hard security challenges, the region matters to the EU because it constitutes an important transport corridor connecting Europe with Asia, enabling East-West trade and energy flows. The war in Ukraine further underscores the importance of the South Caucasus as a channel for energy supplies to Europe, helping to reduce dependence on Russia. At the strategic level, therefore, Russia's aggression against Ukraine creates a new geopolitical reality and requires the EU to rethink its posture in Eastern Europe.

#### **4. THE EU: AN EMERGING 'GEOPOLITICAL' ACTOR?**

Considering the EU's experience across the three countries of the South Caucasus since the 1990s, the Union has often lacked the political will to directly engage in the region and contribute to conflict resolution and peace-making. Overall, while the EU's presence has gradually evolved, its security policy towards the region has been reactive, rather than proactive, and led by developments on the ground, rather than informed by a clear strategy. The EU has sought to project stability in the region by promoting the transformation and domestic reform of the countries there, especially in Georgia, the country most receptive to the EU's agenda on reform. While the transformative approach has been necessary, it has been insufficient in the face of pressing security challenges. In addition, the EU policy towards the conflict in Georgia and between Armenia and Azerbaijan has been constrained by the different approaches of its member states towards Russia, stemming from their different historical experiences and extent of economic ties with Russia.

The EU's response to the war in Ukraine has generated confident assessments about Europe's '[geopolitical awakening](#)', to quote the High Representative (HRVP) Josep Borrell. While unity among EU member states in countering Russia and supporting Ukraine has been celebrated, important questions remain. Will the change of rhetoric be accompanied by a change of approach and by determined action in the South Caucasus? Can the EU learn to speak '[the language of power](#)' and act as a geopolitical actor in the region? Can the EU repel or mitigate Russia's influence? Some recent developments may unlock the potential for change.

On the political level, in October 2022, Prague hosted the first summit to bring together leaders from the 44 states, including all EU member states and other European countries, invited to join the European Political Community (EPC). Critics contest the vague sense of purpose of the initiative, doubt the added value of creating additional frameworks and perceive the EPC as a competitor and a potential alternative to the enlargement process. This claim has been [explicitly rejected](#). Supporters of the EPC argue that it does not challenge, but rather complements the enlargement process by creating an inclusive framework for political dialogue and practical cooperation on issues of common interest, such as peace and security, energy and climate, migration and mobility.

The first meeting of the EPC in Prague provided a relevant deliverable for the South Caucasus, building on growing EU engagement in mediation between Armenia and Azerbaijan over the last year. A quadrilateral meeting between the President of Azerbaijan, the Prime Minister of Armenia, the President of the French Republic and the President of the European Council, held in the margins of the gathering, raised hopes for the prospect of normalising relations between Armenia and Azerbaijan. At this meeting, the parties agreed on the deployment of a EU Monitoring Capacity to Armenia along the internationally recognised border with Azerbaijan. Ten days later, EU member states approved the [mandate of the](#)

[mission](#). Forty experts from the EU Monitoring Mission (EUMM) in Georgia were deployed to support confidence-building between the two countries by monitoring their adherence to the ceasefire, and to contribute to the delimitation of the international border. However, while the initial agreement foresees the deployment of a mission for a maximum of two months, it is important to ensure a long-term EU presence by establishing a separate mission under the Common Foreign and Security Policy alongside EUMM Georgia.

The engagement of the European Council President Charles Michel in discussions with the leaders of Armenia and Azerbaijan, as well as the EU hosting the work of the border delimitation commissions, is an encouraging development. [The agenda](#) is substantial and comprises the inter-state peace treaty, humanitarian issues, the delimitation of the border, and enhanced connectivity. After years of marginalisation, the EU seeks to deepen its diplomatic engagement and to assume the role of a mediator in the long-running conflict. This development has not gone unnoticed in Russia, and that explains the recent attempts by Moscow to reassert its role in the peace process by convening a summit with the Presidents of Armenia and Azerbaijan in Sochi on 1 November.

Concerning energy security, against the backdrop of the urgent need to mitigate energy dependence on Russia, the importance of the Southern Gas Corridor running through Azerbaijan, Georgia, Turkey, and Greece is rising. The reinforcement of the Corridor's role as an avenue for alternative supplies is part of the EU's policy of diversification of energy sources and routes. This explains the EU's decision to sign [an agreement with Azerbaijan in July 2022](#) that provides for the doubling of gas deliveries from Baku by 2027.

The long-term stability of the region depends not only on progress towards resolving the conflicts, but also on advancing the implementation of national reform agendas. The two issues are interlinked and neither can be achieved on its own. The EU has differentiated

its approach to support democracy across the three countries in the region, depending on conditions on the ground and the different contractual relationships with the Union. While all three countries are part of the European Neighbourhood Policy (ENP) and of the Eastern Partnership (EaP), their policies towards the EU have been driven by contrasting aspirations and choices. Azerbaijan's priority has been to strengthen energy cooperation with the EU while delimiting political engagement towards reforms. Under pressure from Russia, Armenia had to renounce the conclusion of an Association Agreement (AA), including a Deep and Comprehensive Free Trade Area (DCFTA), after having completed the negotiations on the text, and joined instead the Eurasian Economic Union (EAEU). Armenia has subsequently concluded a Comprehensive and Enhanced Partnership Agreement (CEPA) with the EU, which, contrary to the AA/DCFTA, is compatible with Armenia's membership of the EAEU. Meanwhile, Georgia has chosen to deepen its relations with the EU by concluding an AA/DCFTA, alongside Moldova and Ukraine, which is aimed at advancing its political association and economic integration with the Union. Georgia has made European integration not only the foundation of its foreign policy, but also a cornerstone of its identity. Recently, political developments in the country have led to serious questions concerning Georgia's commitment to the reform agenda. This explains why, in June 2022, in the context of Russia's war against Ukraine, the European Council took the momentous [decision](#) to grant EU candidate status to Ukraine and Moldova, but made this step conditional on the fulfilment of a number of reform deliverables in the case of Georgia, while recognising its European perspective. The EU should not only closely monitor the implementation of reforms in Georgia in its journey to candidate status, but also adapt its democracy building policies on the basis of experience. In particular, the EU needs to invest more vigorously in strengthening non-state actors in the region and making them an active part of the reform processes.

## 5. CONCLUSION

The outcome of Russia's war in Ukraine will largely determine the future of the South Caucasus. Ukraine's fight for freedom will have direct consequences for the region, and particularly for the independence and territorial integrity of Georgia. Even if today Russia's influence is weakened in the region, its capacity to destabilise the states of the South Caucasus and to undermine the interests and policies of the EU cannot be underestimated.

Against the background of Russia's fading power and influence, the EU should reinforce and sustain its engagement in the South Caucasus and assert itself as a political and security actor there. Under conditions of extreme geopolitical turmoil, a reactive approach is no longer an option. Its policy towards the region shall build on a long-term and comprehensive strategy. The EU's engagement in building peace between Armenia and Azerbaijan, including a monitoring presence along the border, the major political decision concerning the accession prospect for Georgia, and the broader debate on cooperation with the three countries under the EPC are important components of a more proactive approach to the region. These steps will need to be sustained over time and become part of a more strategic commitment to the South Caucasus. Deeper engagement by the EU would strengthen the resilience of the three states and help preserve peace and stability in the region. The EU's approach to the South Caucasus will be a significant test of the proclaimed awakening of 'geopolitical Europe'.

## FURTHER READING

- Chopin Thierry, Lukás Macek and Maillard Sébastien (2022), "The European Political Community. A new anchoring to the European Union", *Policy Brief*, Paris: Jacques Delors Institut, Policy Brief, 31 May 2022. Available at: <https://institutdelors.eu/en/publications/la-communaute-politique-europeenne/>
- Emerson Michael (2022), "Will the European Political Community actually be useful?", *CEPS Explainer*, Centre for European Policy Studies, 29 September 2022. Available at: <https://www.ceps.eu/ceps-publications/will-the-european-political-community-actually-be-useful/>
- Kakachia Kornely (2022), "Georgian Foreign Policy Strategy in Uncertain Times", *Feature Article*, The Central Asia-Caucasus Analyst, 5 September 2022. Available at: <https://www.cacianalyst.org/publications/feature-articles/item/13732-georgian-foreign-policy-strategy-in-uncertain-times.html>
- Mayer C. Franz, Pisani-Ferry Jean, Schwarzer Daniela and Vallée Shahin (2022), "Enlarging and deepening: giving substance to the European Political Community", *Policy Contribution 15/2022*, Bruegel. Available at: <https://www.bruegel.org/policy-brief/enlarging-and-deepening-giving-substance-european-political-community>
- Youngs Richard (2022), "The Awakening of Geopolitical Europe?", *Article*, Carnegie Europe, 28 July 2022. Available at: <https://carnegieeurope.eu/2022/07/28/awakening-of-geopolitical-europe-pub-87580>



The School of Transnational Governance (STG) delivers teaching and high-level training in the methods, knowledge, skills and practice of governance beyond the State. Based within the European University Institute (EUI) in Florence, the School brings the worlds of academia and policy-making together in an effort to navigate a context, both inside and outside Europe, where policy-making increasingly transcends national borders.

The School offers Executive Training Seminars for experienced professionals and a Policy Leaders Fellowship for early- and mid-career innovators. The School also hosts expert Policy Dialogues and distinguished lectures from transnational leaders (to include the STG's Leaders Beyond the State series which recorded the experiences of former European Institution presidents, and the Giorgio La Pira Lecture series which focuses on building bridges between Africa and Europe). In September 2020, the School launched its Master-of-Arts in Transnational Governance (MTnG), which will educate and train a new breed of policy leader able to navigate the unprecedented issues our world will face during the next decade and beyond.

The STG Policy Papers Collection aims to further the EUI School of Transnational Governance's goal in creating a bridge between academia and policy and provide actionable knowledge for policy-making. The collection includes Policy Points (providing information at-a-glance), Policy Briefs (concise summaries of issues and recommended policy options), and Policy Analyses (in-depth analysis of particular issues). The contributions provide topical and policy-oriented perspectives on a diverse range of issues relevant to transnational governance. They are authored by STG staff and guest authors invited to contribute on particular topics.

School of Transnational Governance  
European University Institute  
Via Camillo Cavour 65, Firenze, FI 50129  
Email: [stg.publications@eui.eu](mailto:stg.publications@eui.eu)

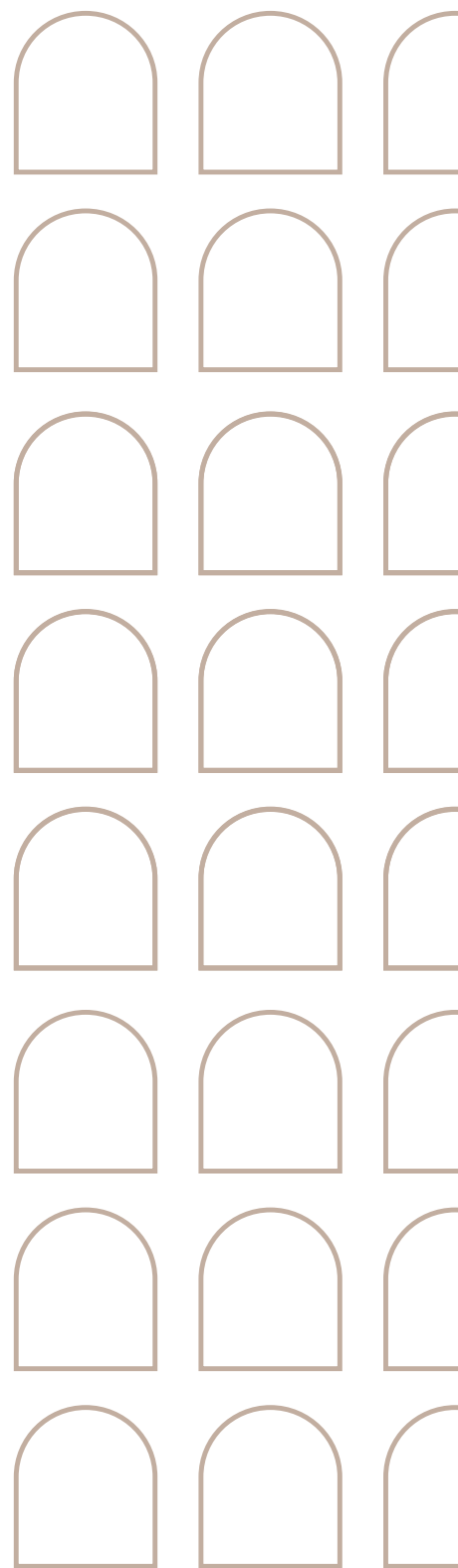
[www.eui.eu/stg](http://www.eui.eu/stg)



Co-funded by the  
Erasmus+ Programme  
of the European Union

The European Commission supports the EUI through the European Union budget. This publication reflects the views only of the author(s), and the Commission cannot be held responsible for any use which may be made of the information contained therein.

This work is licensed under the [Creative Commons Attribution 4.0 \(CC-BY 4.0\)](https://creativecommons.org/licenses/by/4.0/) International license which governs the terms of access and reuse for this work. If cited or quoted, reference should be made to the full name of the author(s), editor(s), the title, the series and number, the year and the publisher.



**doi: 10.2870/977051**  
**ISBN: 978-92-9466-336-8**  
**ISSN: 2600-271X**  
**QM-BA-22-032-EN-N**

© European University Institute, 2022