

DGAP ANALYSIS

CHANGING REGIONAL ORDERS

The end of Russian hegemony

A new transactional order arises in the South Caucasus



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Moscow's role as the regional hegemon in the South Caucasus ended with Russia's war on Ukraine. The region faces instability from old antagonisms and shifting power dynamics. Azerbaijan has become a key shaper of the regional security order. Other powers, including Türkiye, Iran, China, and the EU, are more active, but none can guarantee a stable order. Transactionalism and ongoing vulnerabilities define the disorder, while intraregional cooperation depends on Armenia and Azerbaijan overcoming hostilities.

- Azerbaijan's victory in the Second Nagorno-Karabakh War in 2020 and Russia's war against Ukraine since 2022 have shifted the balance of power in the South Caucasus to the advantage of Azerbaijan and Türkiye and at the cost of Armenia and Russia.
- Russia's interests in the South Caucasus have changed. While it is no longer the provider of authoritarian stability in the region, it increasingly engages with the countries of the South Caucasus on trade, connectivity, and bypassing Western sanctions.
- Since 2022, the EU has increased its activity in the region, mediating peace talks between Armenia and Azerbaijan, and offering Georgia an EU membership perspective. Since the EU is not a security actor, its role in the region will remain limited.
- To keep from losing more influence in the power competition in the South Caucasus, the EU must play a bigger role in regional security, increase investment in norm-setting through trade and transport connectivity and must engage with Türkiye on connectivity and geopolitics.

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Due to its war against Ukraine, Russia has lost its role as regional hegemon in Eastern Europe, the South Caucasus, Central Asia, and its impact in the Western Balkans. Moscow not only has to bargain with states in these regions for influence but also with other powers such as China, Türkiye, and Iran. Emerging regional powers and authoritarian governance are challenging the EU's influence, creating insecurity, transactional relations, and the absence of any functioning order.

The DGAP series "Changing Regional Orders" examines how Russia's war against Ukraine is reshaping regional orders in these regions, exploring key regional trends and Russia's changing interests. The series discusses how the EU should adapt to the changing dynamics and their impact on its enlargement and neighborhood policies.

Russia's large-scale invasion of Ukraine in February 2022 weakened Moscow's role in the post-Soviet region. Now we are seeing the end of Russian hegemony in the South Caucasus, with actors like Türkiye, Iran, China, and the EU increasing their engagement there and Russia focusing its resources on Ukraine. That means Russia must make compromises to influence regional politics, and it cannot force other actors to change their policies.

With its victory in the Second Nagorno-Karabakh War and the military takeover of the disputed region, Azerbaijan has become a key driver of regional security. The leadership in Baku has to some degree the political will and the resources to dictate a peace agreement with Armenia. Already one year earlier successfully bargained with Moscow the withdrawal of Russian "peace forces" from Nagorno-Karabakh. This makes Armenia the main loser of the new geopolitical situation in the region, since it lost the war and military support of its traditional ally, Russia. At the same time, Armenia lacks the military power to deter pressure from Azerbaijan. Iran has become more active in the South Caucasus since Russia, as the traditional dominant power, cannot guarantee authoritarian stability anymore. Iran wants to prevent its adversary Turkey and Azerbaijan from gaining more influence in the region and from building an extraterritorial corridor on its northern border via the territory of Armenia.

With the war in Ukraine and comprehensive Western sanctions, Russia's interests in the South Caucasus have changed. It needs alternative trade routes to Iran and India via the North-South Transport Corridor and countries like Armenia, Georgia, and Türkiye to circumvent sanctions. The government in Tbilisi, led by the Georgian Dream (GD) party, has moved the country toward a hedging strategy vis-a-vis Moscow and is becoming increasingly authoritarian. With comprehensive voter manipulation, GD won the parliamentary election for the fourth time in October 2024 and wants to end Georgia's path toward EU and

transatlantic integration. This gives Russia greater influence over Georgia, since authoritarianism, corruption and informal politics are growing – all entry points for Russian influence. Russia, Turkey and Iran all agree on keeping the West out of the South Caucasus. They are trying to establish a 3+3 format with the three Caucasian states to find regional solutions for regional problems – without the EU and US.

The EU has been more engaged in the region since 2022, facilitating a peace agreement between Armenia and Azerbaijan, offering Georgia EU candidate status, and developing a transit connectivity strategy to bring the South Caucasus closer to the EU. EU member states want to develop an alternative trade and transit corridor via the South Caucasus to the Caspian Sea and Central Asia and to obtain more resources like oil and gas from these regions. But Brussels cannot provide security guarantees to any South Caucasus countries. Since Armenia has become alienated from Moscow due to the lack of Russian support in Nagorno-Karabakh, it is now seeking closer ties with the EU. The EU and some member states are providing more financial and security support, and Brussels has deployed a monitoring mission on the Armenian side of the border with Azerbaijan and has started visa liberalization negotiations. But neither the US nor the EU will give Armenia any security guarantees, which will keep the country vulnerable for some time.

The result is the rise of a new regional order which is more transactional and driven by the power of the strong. Multilateral institutions like the OSCE will no longer play a role in the region. No single actor can dominate the regional security order, and the lack of trust and consensus about a new regional order will keep the South Caucasus in a state of instability for some time. The outcome of the war in Ukraine will have a major impact on the future of the South Caucasus since this will decide whether Russia or the West shapes the rules of the future European security order.

INTRODUCTION

Fundamental shifts have been taking place in the South Caucasus since Russia launched its war on Ukraine that are changing the regional (security) order and redefining Russia's interests and position in the region and the EU's role as a norm-setter. Two major events have impacted the regional balance of power in the South Caucasus in recent years: the Second Nagorno-Karabakh War in autumn 2020, with the victory of Azerbaijan over Armenia, and Russia's invasion of Ukraine in February 2022. Both have undermined Russia's role as the regional hegemon and strengthened the role of Azerbaijan, and to some extent Türkiye, in the South Caucasus. Currently, Azerbaijan benefits most from a non-normative and interest-based order in the region.

The main loser in these developments is Armenia, which has relied on Russian for security guarantees due to its dominance in the region since the end of the Soviet Union. In the 2020 war, Armenia lost control over seven formerly occupied regions surrounding Nagorno-Karabakh (NK), and later the disputed region itself, and is struggling with the more than 100,000 Karabakh Armenians forced to leave the region after the military takeover by Azerbaijan in September 2023. Additionally, Azerbaijan is now challenging Armenia's territorial integrity. The two countries have been negotiating a peace agreement that now seems close to signature and would be an important step to end the decades-long conflict. But it does not necessarily mean a lasting peace. Other actors with interests in the region, like Iran, are unsettled by the developments. From the perspective of Iran, Russia's inability to guarantee the balance of power in the region means its adversaries Azerbaijan and NATO-member Türkiye are gaining more influence – even pushing for a transit corridor on Iran's northern border with Armenia that would connect Azerbaijan with Türkiye via the Azerbaijani exclave Nakhichevan.

While Armenia is moving toward more cooperation with the West and trying to reduce its economic dependence on Russia, Georgia, a key country in the region both geographically and in terms of rapprochement with transatlantic institutions, is becoming increasingly authoritarian and more vulnerable to Russian influence. The government, led by the

Georgian Dream (GD) party, which pursues a bandwagoning strategy¹ with Moscow, has introduced a foreign agent law and an LGBT law inspired by Russian legislation. The party won a fourth term in the parliamentary election in October 2024, which international observers said was marred by an uneven playing field.² That does not mean Tbilisi is necessarily moving toward an alliance with Moscow. But more authoritarian practices and state violence are taking root in Georgia as the Kremlin gains opportunities to influence politics there. The unofficial leader of the country, influential billionaire and former Prime Minister Bidzina Ivanishvili, has no interest in Georgia's EU integration, because a more competitive and democratic political environment would risk his loss of power.

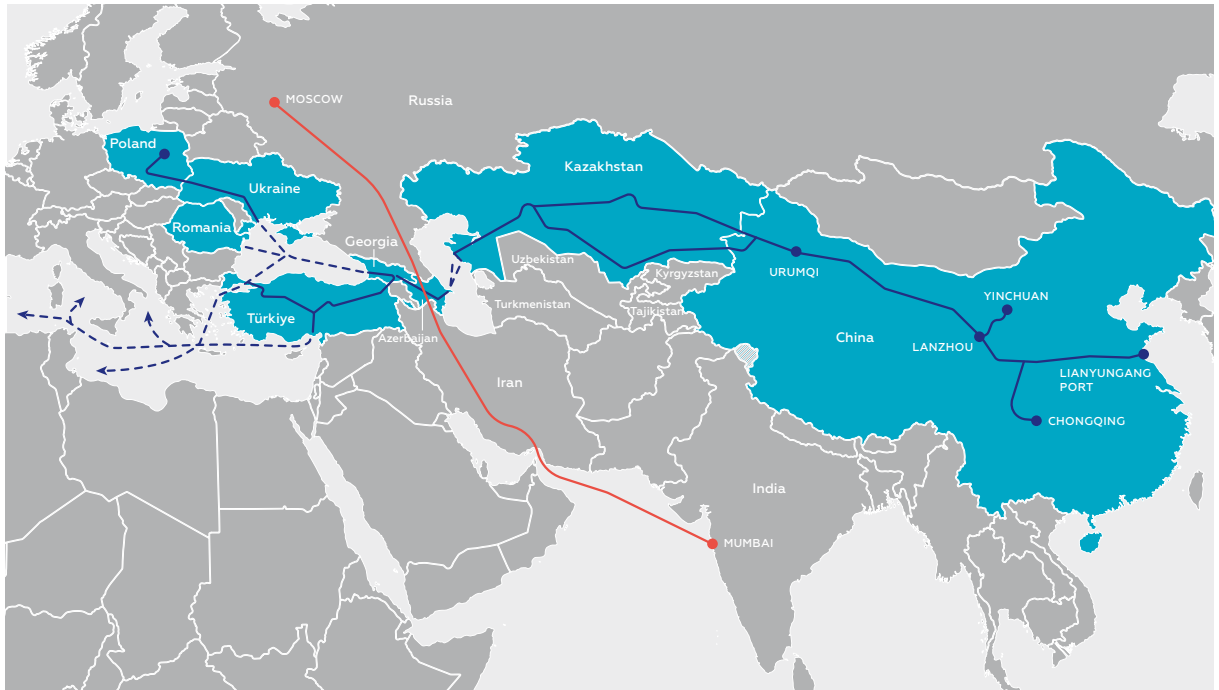
In its conflict with Russia and growing insecurity in Europe, the South Caucasus is becoming more important for the EU as it connects Europe with the Caspian Sea and Central Asia, both alternative sources to Russian oil, gas and other raw materials as well as a possible transit route to Asia circumventing Russia.

This paper analyzes how Russia's war on Ukraine is shifting Moscow's role and interests in the South Caucasus and also the regional balance of power. It discusses what will define the emerging regional security order and the consequences for the EU. With the end of Russian hegemony, other regional and external actors will play a greater role in shaping the regional order. None have the resources and power to become the new hegemon in the South Caucasus and guarantee a new regional order. While the EU is more engaged, it lacks the interest, strategic vision and resources to become a key actor in the region. Therefore, the power of strength will define how regional politics develop for some time. The securitization of nearly every policy area is a result of Russia's aggression in Ukraine in addition to the end of US global dominance and the EU's weakness as a normative and security actor in its neighborhood. The EU member states must now decide whether to develop a common neighborhood and foreign policy that empowers the EU to shape the regional order – or others will define future regional dynamics with direct consequences for the EU.

1 Bidzina Lebanidze and Kornely Kakachia, "Bandwagoning by stealth? Explaining Georgia's Appeasement Policy on Russia", *European Security*, Vol. 32, 2023, Issue. 4, <https://www.tandfonline.com/doi/full/10.1080/09662839.2023.2166404> (accessed, December 16, 2024).

2 OSCE, "Georgia's elections marred by an uneven playing field, pressure and tension, but voters were offered a wide choice: international observers", 27.10.2024, <https://www.osce.org/odihr/elections/georgia/579376> (accessed, November 19, 2024).

Map of the Trans-Caspian International Transport Route and the North South Transport Corridor



- Middle Corridor, also called TITR (Trans-Caspian International Transport Route)
- International North–South Transport Corridor (INSTC)

Source: Own work based on maps by [Tanvir Anjum Adib](#) and [Zbk1](#) on Wikipedia

THE END OF RUSSIAN HEGEMONY

Since its invasion of Ukraine, Russia has lost its position as the regional hegemon and key security actor in the South Caucasus. It must now make compromises with other actors in the region, such as accepting Azerbaijan’s military takeover of NK and the early withdrawal of Russian “peacekeeping forces” from the disputed region in April 2024 instead of 2025 as agreed. Moscow currently needs all available resources for the battlefield in Ukraine. How that war ends will also decide Russia’s future role in the South Caucasus. With the war in Ukraine, Russia’s interests have changed: Moscow needs the South Caucasus to develop alternative trade routes, espe-

cially to Iran, Türkiye and India, via Azerbaijan and Georgia. It also needs partners to circumvent Western sanctions. Here, Türkiye, Georgia,³ and Armenia⁴ have played an important role. Russian trade with Armenia, Georgia and other countries of the Eurasian Economic Union (EEU) (in which Armenia is the only member in the South Caucasus) has been growing, which means these countries are benefitting from the war in Ukraine. Armenian exports to Russia tripled between 2021 and 2023 to a share of now more than 40 percent. Most of these are reexports of Western products to Russia.⁵ While Georgian trade with Russia has not increased since 2022, its exports to other EEU countries have grown – to Kyrgyzstan by 640%, to Kazakhstan by 200% and to Armenia by

3 Aidan Yusif and Natia Mikhelidze, “Sanction Evasion: How Georgia Facilitates Russia’s Military Supply Chain,” i-Fact. Investigative Journalists’ Team, August 1, 2024. <https://ifact.ge/en/sanction-evasion/> (accessed November 11, 2024).

4 Aleksandar Sribnovski, “Armenia: Russia’s Backdoor to Circumvent Sanctions,” New Eastern Europe, May 26, 2023. <https://neweasterneurope.eu/2023/05/26/armenia-russias-backdoor-to-circumvent-sanctions/> (accessed November 11, 2024).

5 Statistical Committee Republic of Armenia, “Export 2024,” <https://armstat.am/en/?nid=12&id=10003>, Arshaluis Mgedsyan, “Russia’s powerful economic levers over Armenia,” Eurasianet, Nov. 1, 2023, <https://eurasianet.org/russias-powerful-economic-levers-over-armenia> (accessed, November 19, 2024).

more than 30%. These countries very likely to export the goods on to Russia.⁶

Despite declining resources, Russia is maintaining or even increasing its influence over Georgia. Moscow still has troops in the disputed regions of Abkhazia and South Ossetia, which is a constant threat to Georgia. This enables Russia to support and pressure local regimes, which girds its influence over Georgia. We can see a creeping annexation of both regions into Russia. Georgia has maintained an equidistant stance between the West and Russia since the Ukraine war began and adopted a genuine multi-vector foreign policy.⁷ At the same time, Moscow is investing in improving relations with Georgia as a major transit country for north-south and east-west transit routes. Georgian infrastructure and access to the Black Sea could help Russia increase trade with other parts of the world. With a policy of carrots and sticks, Moscow is trying to stop Georgia's integration with the EU and its alignment with the West and instead bind Georgia into post-Soviet and authoritarian integration projects.⁸

Russia's distraction has led Iran to become more engaged in the region. For Tehran, the South Caucasus is historically a Russian sphere of influence. As long as Russia prevented any serious Western and Turkish engagement in the region, there was no need for Iran to be very active. Now, with a weakened Russia and Europe's increasing activities in the region, Iran is engaging more with the South Caucasus. Armenia has been Iran's main partner in the region for many years in areas like energy and economic cooperation, but Tehran is also becoming more active in security cooperation with Yerevan. Tehran has increased its presence in Armenia, opening a consulate in Kapan in the southern part of the country in 2022, and has repeatedly offered Yerevan to deploy

troops in the Southern Syunik region to deter Azerbaijani military attacks.⁹ Armenia rejected the offers for fear the US and EU would react negatively. At the same time, Iran is also engaging more with Azerbaijan, evidenced by the interest of both sides in resolving a dispute over an attack on the Azerbaijani embassy in Tehran.¹⁰

Iran has become a key partner for Russia in the war against Ukraine and the conflict with the West by supplying missiles, drones, and ammunition.¹¹ The countries support each other in circumventing sanctions and are trying to build an anti-Western alliance with organizations like BRICS (Brazil, Russia, India, China, South Africa and six others), by for instance developing alternative financial instruments. In 2023, Iran joined the Shanghai Cooperation Organization (SCO), the political and economic group dominated by China and Russia, which is for both a key instrument of authoritarian cooperation and stability in Eurasia.¹² Beyond economic benefits, Iran also has access to Russian technologies such as digital surveillance systems, helicopters, missile defense systems and fifth generation fighter jets.¹³ And there is the danger of Moscow sharing technology that could accelerate the Iranian nuclear program. At the same time, in the South Caucasus we can see the limits of cooperation between Moscow and Tehran. While Iran will not accept an extraterritorial corridor controlled by Azerbaijan on its northern border with Armenia, Russia has an interest in deploying border guards from its FSB Federal Security Service to control such a corridor and maintain political leverage over both Armenia and Azerbaijan.

For Russia, maintaining a good relationship with Azerbaijan has gained importance due to its location as a major transit country to Iran and the Middle East.¹⁴ Linking Russia with India via Azerbaijan and

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- 6 National Statistical Office of Georgia, "External Merchandise Trade in Georgia 2023", Jan. 22, 2024, p. 7, <https://www.geostat.ge/media/59731/External-Merchandise-Trade-of-Georgia-in-2023.pdf> (accessed, November 19, 2024). Ifact, "Sanction Evasion: How Georgia Facilitates Russia's Military Supply Chain", August 1, 2024, <https://ifact.ge/en/sanction-evasion/> (accessed, November 19, 2024).
- 7 Kornely K. Kakachia and Bidzina Lebanidze and Shota Kakabadze, "Transactional hedging versus value-based hedging: how small frontline states balance between European integration and Russian influence", Vol. 33 2024, Issue 4, <https://www.tandfonline.com/doi/full/10.1080/09662839.2024.2388638#abstract>.
- 8 <https://gip.ge/publication-post/bridging-the-divide-georgias-alignment-with-the-eus-foreign-policy/> (accessed December 16, 2024).
- 9 Interview of the author with an Armenian official, Yerevan, 6.09.2024.
- 10 RFE/RLs, "Azerbaijan Reopens Embassy In Iranian Capital Following Deadly Attack", July 15, 2024, <https://www.rferl.org/a/azerbaijan-iran-embassy-reopened-tehran-attack-baku/33036696.html> (accessed, November 19, 2024).
- 11 Hanna Notte and Jim Lamson, "Iran-Russia Defense Cooperation: Current Realities and Future Horizons," CNS Occasional Paper, 61, August 2024. https://nonproliferation.org/wp-content/uploads/2024/08/op61-RSI_Russia-Iran_Notte-Lamson_CNS-Occasional-Paper.pdf?utm_source=The+Bell+%28Eng%29&utm_campaign=19a4d43ab9-EMAIL_CAMPAIGN_2018_06_01_10_28_COPY_01&utm_medium=email&utm_term=0_cc8c2d1cde-19a4d43ab9-75553718 (accessed November 11, 2024).
- 12 Jonathan Fulton, "Iran Joining the SCO Isn't Surprising. But Beijing's Promotion of Illiberal Norms in Eurasia Should Get More Attention," Atlantic Council, July 13, 2023 <https://www.atlanticcouncil.org/blogs/iransource/iran-sco-china-bri-illiberal-norms/> (accessed November 11, 2024).
- 13 Hanna Notte and Jim Lamson, "Iran-Russia Defense Cooperation" (see note 9)
- 14 Joshua Kucera, "One Winner Of The Ukraine War Is Azerbaijan." Radio Free Europe/Radio Liberty, April 23, 2024. <https://www.rferl.org/a/azerbaijan-winner-caucasus-ukraine-war-russia-relations/32917647.html> (accessed November 11, 2024).

Iran over the International North-South Transport Corridor was already agreed in 2002. But the countries involved only moved forward with these plans when trade between India and Russia quadrupled in 2022.¹⁵ Therefore, the South Caucasus is also key for Russian access to other markets and partners beyond the region.

While Georgia and Azerbaijan are moving toward closer relations with Moscow, Armenia has lost its Russian security guarantees and is now trying to reduce its dependencies on Russia. Armenian society and elites have lost trust in Russia as a security partner. The share of Armenians who say their country has good relations with Russia fell from 93 percent in 2019 to 31 percent in 2023, according to a poll by the International Republican Institute (IRI).¹⁶ Russian “peace forces” deployed in the disputed region since 2020 provided no protection against Azerbaijani attack for Karabakh Armenians and Russian border guards did not protect Armenian territory when Azerbaijan attacked Armenian border regions in 2023. Therefore, Russia has lost its traditional role as Armenia’s protector. At the same time, Baku is increasingly coordinating its policy with Moscow on energy, trade, and investment.¹⁷ Russian President Vladimir Putin’s two-day visit to Baku in August 2024 shows the increasing importance of the country for Moscow.¹⁸ Russia is selling more gas to Azerbaijan that Baku can use for domestic consumption to sell its own gas to the EU. Meetings between energy

company representatives from both countries show increasing cooperation in the energy sector.¹⁹

Armenian Prime Minister Nikol Pashinyan is moving his country toward the EU and US, while successfully demanding the withdrawal of Russian border guards from Yerevan airport and Southern Armenia and freezing Armenia’s participation in the Collective Security Treaty Organization (CSTO).²⁰ Yerevan is trying to find alternative sources for gas and is discussing with the US and other Western countries the expansion of its Metsamor nuclear power plant, which is constructed with Russian technology.²¹ For Armenia, Russia is no longer a relevant supplier of weapons. Therefore, the country is expanding its cooperation with India and France in this area.²² Since 2022, India has surpassed Russia as Armenia’s largest supplier of military equipment. Until 2021, Russia had provided more than 90 percent of its military equipment.²³

At the same time, Armenia’s dependency on Russia in trade, labor migration, gas supply, investment in mining, energy and telecommunication infrastructure has not decreased and keeps the country vulnerable and dependent on Russia.²⁴ Seventy percent of Armenia’s electricity production depends on Russia,²⁵ 87.5 percent of its gas comes from Russia, and the rest is from Iran. Iran provides gas in exchange for electricity produced by the Metsamor nuclear power plant and supplied by Russia’s Rosatom, a con-

- 15 Ilya Roubains, “Russia’s Invasion of Ukraine: The Geopolitical Significance of the War’s Impact on Regional Supply Chains,” The Foreign Policy Centre, July 27, 2023. <https://fpc.org.uk/russias-invasion-of-ukraine-the-geopolitical-significance-of-the-wars-impact-on-regional-supply-chains/> (accessed November 11, 2024).
- 16 International Republican Institute, “Public Opinion Survey: Residents of Armenia | December 2023,” March 11, 2024. <https://www.iri.org/resources/public-opinion-survey-residents-of-armenia-december-2023/> (accessed November 11, 2024).
- 17 Aytan Farhadova, “Putin Visits Azerbaijan to Discuss Economic Cooperation and Conflict,” OC Media, August 21, 2024. <https://oc-media.org/putin-visits-azerbaijan-to-discuss-economic-cooperation-and-conflict/> (accessed November 11, 2024).
- 18 Joshua Kucera, “Putin’s Azerbaijan Visit Signals Russia’s Waning Influence In The South Caucasus,” August 21, 2024 <https://www.rferl.org/a/russia-azerbaijan-karabakh-caucasus-trade-politics/33085516.html> (accessed November 19, 2024).
- 19 “Gazprom, SOCAR Discuss Areas of Cooperation,” TASS, February 7, 2023. <https://tass.com/economy/1572905>. (accessed November 11, 2024).
- 20 Armenpress, “Freezing membership to CSTO is sufficient at this moment,” August 31, 2024, <https://armenpress.am/en/article/1198725> (accessed November 19th, 2024).
- 21 Arshaluys Barseghyan, “Armenia and US in Talks to Build New Nuclear Power Plant,” OC Media, July 4, 2024. <https://oc-media.org/armenia-and-us-in-talks-to-build-new-nuclear-power-plant/> (accessed November 11, 2024).
- 22 Eduard Arakelyan, “Assessing Armenia’s Military Diversification Efforts: Partnerships with India and France,” Regional Center for Democracy and Security, March 3, 2024. <https://rcds.am/assessing-armenias-military-diversification-efforts-partnerships-with-india-and-france.html>; Arshaluys Mgdesyanyan, “Unhappy with Russia, Armenia Seeks New Security Partners,” eurasianet, November 15, 2023. <https://eurasianet.org/unhappy-with-russia-armenia-seeks-new-security-partners> (accessed November 11, 2024).
- 23 Leonid Nersisyan/Sergei Melokian, “Escaping Russia’s Backyard: Armenia’s Strategic Defense Shift,” War on the Rocks, November 5, 2024. <https://warontherocks.com/2024/11/escaping-russias-backyard-armenias-strategic-defense-shift/>. (accessed November 19, 2024).
- 24 Eduard Arakelyan, Karen Avedissian, Tigran Grigoryan, “Armenia’s Structural Dependence on Russia: Trade, Energy, Security,” Regional Center for Democracy and Security/Heinrich Böll Stiftung South Caucasus, 2024, “<https://drive.google.com/file/d/13O1uZS98j6DDmrsD3ZSMQNM8zZTJLktG/view>”; Thomas DeWaal, “Armenia Navigates a Path Away From Russia,” Carnegie Europe, July 11, 2024, <https://carnegieendowment.org/research/2024/07/armenia-navigates-a-path-away-from-russia?lang=en¢er=europe>. (accessed November 19, 2024).
- 25 Gayane Markosyan, “Armenia’s Energy Security Faces Frosty Relations with Russia,” Institute for War and Peace Reporting, December 18, 2023. <https://iwpr.net/global-voices/armenias-energy-security-faces-frosty-relations-russia> (accessed November 11, 2024).

tract that has been extended until 2030.²⁶ Furthermore, a 2013 agreement gave Russia a monopoly in gas supply and distribution in Armenia until 2043.²⁷ Armenia is still a member of the EEU and benefits from trade with the other member states and especially with Russia. Russia still has a military base in Armenia's second largest city, Gyumri, but has reduced its troops there and redirected them to serve the war in Ukraine. Even if the Armenian government has achieved the withdrawal of Russian border guards from several borders,²⁸ the country is not sovereign in terms of its security and is lacking border service capacities to control all its borders.

THE EU AS AN ACTOR IN THE SOUTH CAUCASUS

The EU has become more active in the South Caucasus since the end of the Second NK War and especially since Russia invaded Ukraine in 2022. Under the leadership of the outgoing president of the European Council, Charles Michel, it established for the first time a format for peace negotiations between Armenia and Azerbaijan. This was also a reaction to the dysfunctionality of the OSCE-Minsk group, with its co-chairs France, Russia and the US, as the key multilateral format for the NK conflict since the end of the First NK War in 1994. Since February 2023, Brussels has deployed a civil EU monitoring mission on the Armenian side of the border with Azerbaijan which is set to grow to 200 monitors.²⁹ This mission has increased the EU's footprint in the region and prevented escalation on the border. For the first time, there is a relevant group of neutral monitors on the ground, while Armenian security and military forces are also supported to some extent by the European Peace Facility program that provides EUR 10 million in non-lethal military aid.³⁰ In Georgia, the EU has been present with a monitoring mission on the Administrative Boundary Lines with Abkhazia and South Ossetia since 2008. This mission has stabilized

the security situation in the country but its future is increasingly in question, with Georgia's GD-led government moving toward deeper alignment with Russia and alienation of the EU.

Despite these advances, the EU is lacking a serious security agenda for Armenia and the conflict with Azerbaijan, which is still simmering and could again escalate. There is no answer to the changing security balance in the region or any serious perspective for achieving the demands of Armenia's Velvet Revolution in 2018 of democratic reforms, which aligned its politics more closely with the EU. The EU facilitation format provided by Charles Michel is no longer functional, since there has been no tangible success in facilitation. Currently, bilateral negotiations between Armenia and Azerbaijan on a peace agreement are the main format, and although a breakthrough was discussed in the framework of COP (United Nation Climate Change Conference), a solution remains elusive, as Armenia is unlikely to agree to Azerbaijan's demands of changing the constitution and accepting an extraterritorial corridor on its territory on the border with Iran.³¹ Due to the involvement of France, with its close ties to Armenia, negotiations with Baku are virtually impossible. Germany's engagement has been important in keeping negotiations alive, including Chancellor Olaf Scholz's meetings with Armenia's Pashinyan and Azerbaijani President Ilham Aliyev at the Munich Security Conference in February 2024 and later in Berlin between Foreign Minister Annalena Baerbock and both countries' foreign ministers.³² But German stakeholders have not taken any serious ownership. Rather than play a key role in the negotiations or offer guarantees, they have provided a facilitation platform without ownership of the process. US engagement has also been halfhearted. The US has tried to bring the conflict parties together for an agreement, but primarily leans on the EU as the main Western actor in negotiations. With Donald Trump as the US president, there will be rather less US engagement in the South Caucasus.

26 "Iran Extends Gas-for-Electricity Swap Deal with Armenia," Tehran Times, August 16, 2023. <https://www.tehrantimes.com/news/487977/Iran-extends-gas-for-electricity-swap-deal-with-Armenia> (accessed November 11, 2024).

27 Astghik Bedevian, "New Details Of Russian-Armenian Gas Deal Emerge," Radio Free Europe/Radio Liberty Armenia, December 17, 2023. <https://www.azatutyun.am/a/25204160.html> (accessed November 11, 2024).

28 "Putin, Pashinian Agree To Withdraw Russian Troops From Armenia-Iran Border", Radio Free Europe/Radio Liberty, October 8, 2024. <https://www.rferl.org/a/pashinian-armenia-putin-russia-border-guards/33151284.html>. (Accessed November 19, 2024).

29 European External Action Service, "About European Union Mission in Armenia," April 11, 2024 https://www.eeas.europa.eu/euma/about-european-union-mission-armenia_en?s=410283 (accessed November 11, 2024).

30 European Council, "European Peace Facility: Council Adopts the First Ever Assistance Measure in Support of the Armenian Armed Forces," July 22, 2024. <https://www.consilium.europa.eu/en/press/press-releases/2024/07/22/european-peace-facility-council-adopts-the-first-ever-assistance-measure-in-support-of-the-armenian-armed-forces/> (accessed November 11, 2024).

31 Aytan Farhadova, "Azerbaijani think tanker names sticking points in peace treaty with Armenia", November 9, 2024, <https://oc-media.org/azerbaijani-think-tanker-names-sticking-points-in-peace-treaty-with-armenia/>. (accessed November 19, 2024).

32 "Germany hosts talks between Armenia and Azerbaijan", Deutsche Welle, February 28, 2024, <https://www.dw.com/en/germany-hosts-talks-between-armenia-and-azerbaijan/a-68394267>.

A major shift in EU policy is the enlargement package offered in response to Russia's war on Ukraine, with EU candidate status for Ukraine, Moldova, and Georgia. This increased the EU's impact in all three countries and put the ruling Georgian Dream government in Tbilisi under pressure to decide where it wants to lead the country. But a foreign agent law and an anti-LGBT law that GD pushed through parliament in 2024 has undermined Georgia's EU integration by thwarting external funding of organized civil society and independent media. And the highly manipulated parliamentary election at the end of October, orchestrated by the GD government, showed the direction Georgian politics will take in the next few years. According to the Central Election Commission, GD, aided by its billionaire founder Ivanishvili, won 54 percent of the vote.³³ GD has a stable electorate of more than 20 percent and has shown it can mobilize up to 30 percent before an election. The party has managed to gain control of most of the state apparatus on the national and regional levels.³⁴ But any result much higher than this support is highly unrealistic. After the election Georgian Prime Minister Irakli Kobakhidze suspended EU membership negotiations until the end of 2028.

The conflict between Russia and the EU will make it impossible for the GD government to benefit from relations with both sides, although that seems to be their goal. Ivanishvili's decision to move against organized civil society and independent media will make the country more vulnerable to Russian manipulation. For Ivanishvili, EU integration accompanied by rule of law, judicial reforms, and fighting corruption would mean losing control over the state and, in his view, also challenge his personal security.³⁵ Neither the opposition nor civil society seems to have the capacity to challenge the richest man in the country and his party.

The conflict between Russia and the West is forcing countries to decide with whom they want to deep-

en economic and political cooperation. But, in the very difficult geopolitical and security environment for countries in the South Caucasus, such choices can be risky. While the EU is increasing its cooperation with Armenia in areas like security, economy, visa liberalization and humanitarian aid, the European Parliament is openly discussing whether Armenia should be recognized as a candidate for EU membership.³⁶ At the same time, Armenia's most important partner in the region is currently Iran. Iran helps Armenia balance its relationships with Azerbaijan and Russia and is the only alternative to Russia as a supplier of gas. Accessible markets to diversify exports away from Russia are in Armenia's direct neighborhood, rather than in Europe. Still, Armenia benefits from growing trade with Russia and gas prices that are lower than the market price, which would be economically difficult for the country to give up. With the war, Russia, the UAE, and China have become Armenia's most important trading partners, while the EU dropped from first to fourth.³⁷

EU efforts to gain more influence are currently mixed, and the election of Donald Trump as US president will further diminish the ability of the EU and US to shape the emerging security order. Trump will have even less interest in US engagement in the South Caucasus, and his transactional approach could even further undermine any multilateral Western effort to strengthen peace and stability there.

Türkiye, Russia, Iran, and Azerbaijan increasingly agree that regional problems should be solved without external actors – especially without the EU and US. For Russia, it is crucial to exclude the West – its main adversary – from the region, and it is willing to make compromises to do so. Iran and Türkiye agree with this approach and support a 3+3 format with the three South Caucasian states to find regional solutions among regional actors.³⁸ Russia's influence in Georgia's economy, tourism, and trade is growing, while it uses the country as a hub to cir-

33 Hans Gutbrod, „A Dozen Daggers: How Georgia's 2024 Elections Were Systematically Rigged”, civil.ge, https://civil.ge/wp-content/uploads/2024/11/A-Dozen-Daggers-How-Georgias-2024-Elections-Were-Rigged_Gutbrod.pdf. “Accessed November 19, 2024).

34 National Democratic Institute, “Taking Georgians' pulse Findings from October-November 2023 face to face survey, October 2023. https://www.ndi.org/sites/default/files/NDI%20Georgia_GGF%20poll_October_2023_Eng_VF.pdf (accessed November 19, 2024).

35 Dato Parulava, Eva Hartog and Gavriel Gavin, “The man who bought a country”, Politico, October 24, 2024, <https://www.politico.eu/article/bidzina-ivanishvili-georgia-election-2024/> (accessed December 16, 2024).

36 European Parliament, “Joint motion for a resolution on Closer Ties between the EU and Armenia and the Need for a Peace Agreement between Azerbaijan and Armenia”, March 12, 2024. https://www.europarl.europa.eu/doceo/document/RC-9-2024-0163_EN.html (accessed November 11, 2024).

37 Arshaluis Mgdesyantsyan, “Armenia's Foreign Trade: A Shift from the European Union to Russia, the UAE, and China”, Business Media, September 5, 2024, <https://bm.ge/en/news/armenias-foreign-trade-a-shift-from-the-european-union-to-russia-the-uae-and-china>. (accessed November 19, 2024).

38 “3+3 Platform Calls for Georgia's 'Equal Participation,’” Civil Georgia, October 24, 2023. <https://civil.ge/archives/565281> (accessed November 11, 2024).

cumvent sanctions and very likely soon for Russian offshore money.³⁹ With the parliamentary electoral victory of Georgian Dream, there might be a change in Georgian politics, with more openness toward the 3+3 platform which it has always rejected in the past. Then only Armenia would be skeptical of the format, although it participated in meetings in the past. The lack of alignment with EU policy was clear when the Georgian government awarded a contract for building the strategically important deep seaport of Anaklia on the Black Sea to a Chinese consortium currently under US sanctions.⁴⁰ The EU's reaction to this challenge has until now not led to a policy change: it has frozen Georgia's candidate status and decreased funding and official contacts. But the EU doesn't have much to offer beyond enlargement, since it won't play a relevant role in regional security.

THE RISE OF AZERBAIJAN AND TÜRKIYE

With the end of Russian hegemony, not only big actors like Türkiye or China are shaping the regional order, but also smaller states like Azerbaijan, which has the ambition to become a middle power. With the end of global US hegemony and Russia's regional decline, there is more space for other countries to bargain and shape the security order of the South Caucasus. Azerbaijan is an example of a smaller state that is willing and has the resources to influence the regional order. It is the main driver behind increasingly transactional relations and assertive policies. Türkiye supports this approach.

Azerbaijan benefits from its geographical location on the Caspian Sea, along the north-south route from Russia to Iran and the east-west route between Asia and Europe, which connects the Black Sea and the Caspian Sea. Its engagement with Central Asian

countries and China, and increasingly as a gas supplier to Europe, bolsters its geopolitical importance to all sides. Baku has signed an agreement with the EU to double its gas supply until 2027 up to 20 billion cubic meters.⁴¹ It remains to be seen whether this is realistic. That will also depend on how much gas Russia supplies for domestic consumption in Azerbaijan and if the gas infrastructure to Europe is upgraded – which requires investment. For the EU, Azerbaijan is key for the so-called Middle Corridor, which will link Europe to Asia via the Caucasus, as an alternative to the northern trade route via Russia to China. Even if this project cannot replace the sea routes and the northern route completely, it can help diversify trade routes to Asia.⁴²

At the SCO summit in July 2024, President Aliyev and Chinese President Xi Jinping signed a strategic partnership declaration for more economic, strategic, and military cooperation.⁴³ Azerbaijan also agreed to reopen its embassy in Tehran after closing it due to a terrorist attack in January 2023. With these changes in approach, Baku is sidling up to the anti-Western camp, opening opportunities for more engagement with Moscow.⁴⁴ This explains Baku's application to join BRICS⁴⁵ and to shift from a dialogue partner to an observer status in the SCO.⁴⁶ As a result, Azerbaijan will gain more freedom of action, especially toward the EU and the US. Tehran and Beijing might prefer to use the transit routes via Azerbaijan, which will further weaken Armenia's bargaining position. If this cooperation grows, China will increase its leverage over transit routes in the South Caucasus, which would be a strong argument for it to bid for Georgia's Anaklia deep seaport. Iran's role in the north-south and east-west transit routes is likely to grow. Although Russia has opposed the growing influence of China and Iran in the South Caucasus in the past, due to its conflict with the West, Russia is more comfortable with the growing influence of the

39 Tata Shoshiasvili, "Georgian Dream Eliminates Taxes on Offshore Assets Brought to Georgia," OC Media, April 19, 2024. <https://oc-media.org/georgian-dream-eliminates-taxes-on-offshore-assets-brought-to-georgia/> (accessed November 11, 2024).

40 Giorgi Menabde, "Georgia's Anaklia Deep-Water Port Becomes Chinese Geopolitical Project," Eurasia Dayli Monitor, 21, June 6, 2024. <https://jamestown.org/program/georgias-anaklia-deep-water-port-becomes-chinese-geopolitical-project/> (accessed November 11, 2024).

41 David O'Byrne, "Azerbaijan Says on Target to Double Gas Exports to Europe," eurasianet, December 18, 2023. <https://eurasianet.org/azerbaijan-says-on-target-to-double-gas-exports-to-europe> (accessed November 11, 2024).

42 The World Bank, "Middle Trade and Transport Corridor," November 2023. https://openknowledge.worldbank.org/server/api/core/bitstreams/7e6a216e-eb56-4783-ba1b-b7621abddcd9/content?_gl=1*bb9tu4*_gcl_au*MjEYMDM3ODYyMy4xNzI0NzYyNzQz (accessed November 11, 2024).

43 Aytan Farhadova, "One Belt, One Road: Azerbaijan Courts Chinese Investors as Xi Meets Aliyev," OC Media, July 11, 2024. <https://oc-media.org/one-belt-one-road-azerbaijan-courts-chinese-investors-as-xi-meets-aliyev/> (accessed November 11, 2024).

44 Paul Goble, "Azerbaijan Expands Ties With China and Iran, Benefiting Moscow and Hurting West," Eurasia Daily Monitor, 21, July 16, 2024. <https://jamestown.org/program/azerbaijan-expands-ties-with-china-and-iran-benefiting-moscow-and-hurting-west/> (accessed November 11, 2024).

45 Gabriel Gavin, "Azerbaijan Launches Bid to Join BRICS after Putin Visit," Politico, August 20, 2024. <https://www.politico.eu/article/azerbaijan-brics-summit-europe-south-caucasus-russia-china-india/> (accessed November 11, 2024).

46 Fatima Latifova, "Azerbaijan Applies to Change Its Status in SCO," Azernews, July 18, 2024. <https://www.azernews.az/nation/228792.html> (accessed November 11, 2024).

two authoritarian states in the region than with that of the US and the EU.

Azerbaijan has for years systematically invested in its military capabilities and even increased the military budget after its takeover of NK.⁴⁷ At the same time, Baku is weaponizing infrastructure with its demand for an extraterritorial corridor via Armenian territory to its exclave Nakhichevan and it has set a new precedent for “authoritarian conflict resolution” by force with the military takeover of NK and the displacement of NK Armenians.

Türkiye has become more active in the South Caucasus, not only with its military support for Azerbaijan but also in improving connections with the region and beyond, such as to the Caspian Sea and Central Asia. It is sticking to its goal of becoming an important energy hub for Europe. As a NATO member, it played a key role in modernizing the Georgian and Azerbaijani military. Türkiye and Azerbaijan’s close military cooperation and their strategic infrastructural collaborations in the railway and energy sectors underscore Ankara’s important position in the South Caucasus. Türkiye’s strong position within the region’s geopolitical landscape means it plays a significant role in engaging the South Caucasus and Central Asian countries compared to Iran.⁴⁸ Controlling access to the Black Sea on the Bosphorus Strait, Türkiye also holds an important card in Russia’s war against Ukraine. Its geographic location gives the country a unique role in three strategically important regions: South Caucasus, Black Sea and the Middle East.

On the other hand, Ankara’s relationship with Azerbaijan is also a burden. It means the Turkish government cannot normalize relations with Armenia, which would be in Türkiye’s economic and political interest since an isolated Armenia strengthens Russia’s position in the region. Furthermore, it allows Baku to play a role in Turkish domestic policy where it has built leverage through energy cooperation. Türkiye gained less from Russia’s decline in the region than Azerbaijan, as Baku is the main driver of regional security dynamics at the moment,

with no serious interest in resolving its antagonism with Yerevan.

But neither Azerbaijan nor Türkiye can guarantee a stable regional order. Using the military to enforce their interests would undermine trust-building in the region and with this, the opportunity for sustainable peace. It would create a new circle of violence and hamper the creation of a stable regional order, accepted by all sides. Despite negotiations over a peace agreement between the two states, a military option is still on the table. President Aliyev may need Armenia as an enemy to legitimize his authoritarian rule. This policy undermines the potential for greater intra-regional cooperation between the South Caucasus states which would benefit all three countries. A peace agreement and opening the Armenian-Turkish border would also give external actors fewer opportunities to influence regional dynamics.

THE LIMITS OF WESTERN ENGAGEMENT

US Secretary of State Antony Blinken tried to push Armenian and Azerbaijani leaders toward a peace agreement at the Washington NATO summit in June 2024 with the argument that both sides and the entire region would benefit from more trade and connectivity. This shows the US interest in weakening Russia’s role in the region but also the limited understanding of structural obstacles to peace.⁴⁹ While a peace deal would weaken Russia’s ability to impact both countries and the region and improve opportunities for investment in the East-West Transport Corridor, Russia is increasingly engaging with Baku and Tbilisi. The conditions Azerbaijan is demanding for a peace deal, such as the withdrawal of the EU monitoring mission and changing the constitution, are not acceptable for Armenia.⁵⁰ The US focus is more on weakening Russia’s role in the region than on dealing with difficulties between the conflicting parties or expanding engagement with Georgia and pressuring the government to abandon its authoritarian path. Due to declining US influence and the limits of EU engagement over the past decade,

47 Ulkar Natiqzizi, “After War Victory, Azerbaijan Keeps Increasing Military Spending,” Eurasianet, May 121, 2022. <https://eurasianet.org/after-war-victory-azerbaijan-keeps-increasing-military-spending> (accessed November 11, 2024).

48 Daria Isachenko and Hamidreza Azizi, “Türkiye-Iran Rivalry in the Changing Geopolitics of the South Caucasus,” Stiftung Wissenschaft und Politik (SWP), September 9, 2023. <https://www.swp-berlin.org/publikation/Türkiye-iran-rivalry-in-the-changing-geopolitics-of-the-south-caucasus> (accessed November 11, 2024).

49 Ekaterina Venkina, “The United States Tries to Get Armenia, Azerbaijan to See the Trade Benefits of Peace,” Eurasianet, July 12, 2024. <https://eurasianet.org/the-united-states-tries-to-get-armenia-azerbaijan-to-see-the-trade-benefits-of-peace> (accessed November 11, 2024).

50 Joshua Kucera, “A Constitutional Amendment That Could Lead to Peace Between Armenia and Azerbaijan,” Radio Free Europe/Radio Liberty, August 7, 2024. <https://www.rferl.org/a/armenia-constitution-azerbaijan-nagorno-karabakh/33068045.html> (accessed November 11, 2024).

all conflicting parties have reduced their expectations for any Western role in conflict resolution in the South Caucasus.

The meeting between Antony Blinken, European Commission President Ursula von der Leyen, EU Vice President Josep Borrell with Armenian Prime Minister Nikol Pashinyan in April 2024 in Brussels was not the beginning of a new trilateral format but instead aimed to send a message of support for Yerevan.⁵¹ The main result was an economic assistance and aid package of EUR 331 million from Western partners and much symbolic policy. The integration of the Karabakh Armenians alone will cost the Armenian state billions of euros. At the same time, the EU has agreed to open negotiations with Armenia for visa-free travel, which is a big step but will take years. There will be some security cooperation, especially with France and the US, but no security guarantees or any serious sanctions to prevent aggressions by Azerbaijan. Clearly, some EU member states like Hungary, Italy, and Bulgaria depend on Azerbaijani oil and gas and will not support any decision that will further undermine relations with Baku. Without a functioning peace agreement between Armenia and Azerbaijan and serious security cooperation with Western countries, Armenia will remain in a fragile state of limbo. It will not be connected to the regional infrastructure and will become more isolated. Its own proposal, “crossroads for peace,” is more of a communications offensive than a serious project that will raise any investment or regional support.⁵² As long as there is no functioning peace agreement, such investment in regional infrastructure is unlikely. In the end, it is Russia that benefits from the isolation of Armenia and closed borders in the region, since Russia is focused on Ukraine and can act only as a disrupter to prevent any changes in the regional status quo.

The West’s inaction after Azerbaijan took over NK and displaced Karabakh Armenians gave President Aliyev the impression he could do anything without paying a price. He has cultivated a highly repressive

authoritarian regime that is cracking down any opposition, independent media and civil society. In the runup to COP29 in Baku in November 2024, the repression increased. Azerbaijani society has not benefited economically from the victory in the Second Karabakh War. To the contrary, a great deal of money is going into rebuilding infrastructure as well as green and smart cities in the regained territories, some of which will be linked to corruption schemes.⁵³ GDP per capita in Azerbaijan is only a bit higher than in Armenia despite an annual GDP that is 4 times greater.⁵⁴ In 2022, Azerbaijani military spending was 3.5 times higher than in Armenia.⁵⁵

Despite the consolidation of power around its victory, Azerbaijani society may increasingly ask how this new reality will improve people’s lives. Since there have been no structural changes in Azerbaijani politics, Aliyev needs an enemy and the war to distract from the shortcomings of his economic and social policy. The military takeover and forced displacement of Karabakh Armenians failed to elicit any serious reaction or criticism from Western countries. Therefore, Aliyev may threaten to take more territory and keep society in a state of constant fear to distract from the shortcomings of his domestic policies. Despite ongoing peace negotiations, the option of a military incursion into Armenian territory on the border with Azerbaijan or to take the corridor via Armenian territory to the Azerbaijani exclave Nakhichevan are options.

CONCLUSION: THE RISE OF A NEW REGIONAL SECURITY ORDER

With the end of Russian hegemony in the South Caucasus as a result of its war against Ukraine, Azerbaijan and Türkiye have become more powerful in shaping the regional order. While Russia is engaging in a different way with countries in the region, as it needs alternative trade and transit routes in addition to partners for circumventing sanctions, the bargaining position of other actors is growing. Geor-

51 United States Department of State. “Secretary Antony J. Blinken With European Commission President Ursula von Der Leyen, Armenian Prime Minister Nikol Pashinyan, and High Representative of the European Union for Foreign Affairs and Security Policy Josep Borrell Before Their Meeting. Remarks,” April 5, 2024. <https://www.state.gov/secretary-antony-j-blinken-with-european-commission-president-ursula-von-der-leyen-armenian-prime-minister-nikol-pashinyan-and-high-representative-of-the-european-union-for-foreign-affairs-and-secu/> (accessed November 11, 2024).

52 The Government of the Republic of Armenia, “The Crossroads of peace”, https://www.primeminister.am/u_files/file/documents/The%20Crossroad%20of%20Peace-Brochure.pdf. (accessed November 19, 2024).

53 Azerbaijan ranks on position 154 of 180 countries in TI’s corruption index in 2023, meaning its one of the most corrupt countries in the world. Transparency International, “Corruption Perceptions Index 2023”, <https://www.transparency.org/en/cpi/2023/index/aze>. (accessed November 19, 2024).

54 “Country Comparison Armenia vs Azerbaijan 2024 | Countryeconomy.Com.”, <https://countryeconomy.com/countries/compare/armenia/azerbaijan> (accessed November 11, 2024).

55 No author, “Azerbaijan Surpasses Armenia in Military Spending,” bne Intellinews, September 22, 2023. <https://www.intellinews.com/azerbaijan-surpasses-armenia-in-military-spending-293842/> (accessed November 11, 2024).

Georgia and Azerbaijan are crucial for North–South and East–West trade, which are both gaining importance not only for Russia but also for Türkiye, China and the EU. Therefore, the competition between external actors for relations with Georgia, Azerbaijan, and Armenia is growing.

Investment in infrastructure by the EU, especially in the so-called Middle Corridor, will play a greater role since the Caspian region and Central Asia are more important for energy and raw materials supply to Europe. Connectivity and energy security will gain more importance in shaping the region and in the European Neighborhood Policy. Therefore, the interest in good relations with Azerbaijan and Kazakhstan on the other side of the Caspian Sea is growing. But more interest in connectivity does not lead to more investment in security. Disruption has been the main feature of regional politics since the end of the Soviet Union and external actors will continue to manipulate regional affairs unless conflicts are resolved and all three states of the South Caucasus can build trust with each other.

At the moment, none of the regional actors can become a dominant player or replace Russia as the regional hegemon. There is no trust among countries and no agreed mechanism for conflict resolution or balancing interests. The liberal approach to peace failed with the military resolution of the NK conflict, and while a military solution might bring short-term benefits for the winner, it will not end the circle of violence or the win-lose logic. Therefore, constant bargaining and transactionalism will be main features of regional politics in the foreseeable future in the South Caucasus. The ability and willingness to use force will therefore benefit Azerbaijan, and to some extent Türkiye, as long as they are more powerful. Because of its relative weakness, Russia acts as a spoiler power that uses the vulnerabilities of other states to undermine any functioning agreements in the region and any successful reform process that could offer more independence from Moscow, as in Georgia and Armenia. But it is also willing to compromise if it can keep the US and the EU out of the region. Moscow, Tehran and Ankara share the common interest of excluding the West.

Since this region is not a priority for Washington, it is up to the EU, with its neighborhood, enlargement and connectivity policies, to play a bigger role as a norm setter in the region. Because Brussels is no hard security actor and security is key for all three South Caucasus states, Brussels will be limited in its

ability to gain more influence there. The outcome of Russia's war against Ukraine will be crucial for the South Caucasus and the future Russian role in the region because it will define its power position in European security. Additionally, China appears to be taking a greater interest in investing in infrastructure and will develop the South Caucasus as an additional element of its connectivity and trade policy toward the Black Sea and Europe. The outcome of the Georgian election has shown the limits of the EU's enlargement policy and role as a norm-setter. Russia seems to be more successful at the moment as a norm-setter, with the Georgian government copying its foreign agent and anti-LGBT or media laws.

Connectivity is the key driver of norm-setting in the 21st century and the South Caucasus is crucial to connecting different regions. Therefore, the region will remain a major battleground for external actors who want to connect Europe with Asia and Russia with the Middle East. As a result, instability and transactionalism will remain key elements of the regional disorder in the South Caucasus and no actor will be able to overcome this situation for some time.

RECOMMENDATIONS FOR THE EU

- The EU should make it a top priority to challenge Russia in Moscow's traditional "sphere of influence," in order to weaken Russia's impact in the common neighborhood. Russia is not a partner in the South Caucasus, but an adversary. Cooperation with other regional and larger powers could help to diminish Moscow's influence particularly with Türkiye. The EU's neighborhood and connectivity policies need tools and budgets to give the EU a bigger presence and role in the region.
- Norm-setting via connectivity will have to play a major role in EU's future foreign and neighborhood policy. The South Caucasus will be a major testing ground if Brussels can adapt to the new geopolitical realities. Upgrading the EU's Global Gateway project to become a major investor in developing transit connections to the EU via the Black Sea and the Caspian Sea (including Armenia, Azerbaijan, and Georgia in the South Caucasus) is of major importance.
- Because Türkiye is a key actor in the South Caucasus, the EU needs to rethink its policy toward the country. It needs to engage with Türkiye beyond enlargement and migration policies, focusing on

geoeconomics and greater connectivity, regional conflict resolution and more cooperation on security, trade, security of navigation in the Black Sea.

- The EU needs to play a bigger role in regional security in the South Caucasus by investing more political capital into a peace agreement between Armenia and Azerbaijan via its member states. It should also help overcome the security and socioeconomic vulnerabilities of the three South Caucasus countries by supporting economic transformation and integration, better connectivity with the EU in areas like human security, and access to markets and infrastructure.
- The failure of Russia in Ukraine is not only crucial for European security but also for the political and economic transformation of the South Caucasus and its integration with Europe. Both Ukraine and the South Caucasus countries need the EU to commit to long-term engagement, underpinned by funding, strategic depth, and political ownership by the EU member states.



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